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**MONITEAU COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-123
December 31, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Moniteau, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Moniteau County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county's General Revenue Fund is in poor financial condition. The cash balance of the General Revenue Fund decreased from \$145,459 at January 1, 1997, to \$42,222 at December 31, 2000. In November 2001, the county borrowed \$40,000 from other funds to cover General Revenue Fund payroll expenses.

The County Commission needs to closely monitor revenues and expenditures and take steps to increase the balance of the General Revenue Fund. The county could do a better job of maximizing certain revenues. In addition, it appears some expenditures made from the General Revenue Fund could be made from other funds which have available resources.

- The Prosecuting Attorney needs to improve accounting controls and procedures for bad check restitution and fees. Accounting and bookkeeping duties are not adequately segregated and employees responsible for receiving and disbursing monies are not bonded. Depositing receipts and preparing bank reconciliations should be done in a timely manner. A system, such as a bad check log, to account for all bad check complaints received and subsequent disposition should be established.

(over)

YELLOW SHEET

- The Health Center Board has accumulated a cash balance of \$337,456 at December 31, 2000, which exceeded total operating expenditures for the year. The board should take measures to reduce this balance, such as reducing the property tax levy, or formally document plans for using the accumulated balance.
- The county needs to restrict access to the computerized assessment and property tax system. Access should be limited to only those individuals with statutory authority to change applicable data. If this is not considered practical, the county should implement a system in which change reports are generated and reviewed by an independent individual, such as the County Clerk. In addition, the county needs to implement systems to assign unique passwords to each user which are changed periodically and to detect and prevent incorrect log-on attempts, as well as a formal contingency plan in case of emergency.
- The county is required to prepare an annual schedule of expenditures of federal awards (SEFA). The SEFA prepared for the years ended December 31, 2000 and 1999, contained numerous errors and omissions. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

Also included in the audit are recommendations to improve general fixed assets and matters related to the Circuit Clerk and Emergency Dispatch Board. Several of these issues had been noted in prior audits.

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MONITEAU COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

To the County Commission
and
Officeholders of Moniteau County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Moniteau County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Moniteau County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Moniteau County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Moniteau County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 27, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Moniteau County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

September 27, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Lonnie Breeding III, CPA
Audit Staff:	Brian Benter, CPA
	Terese Summers, CPA
	Susan Kirchner



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Moniteau County, Missouri

We have audited the special-purpose financial statements of various funds of Moniteau County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated September 27, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Moniteau County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Moniteau County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Moniteau County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

September 27, 2001(fieldwork completion date)

Financial Statements

Exhibit A-1

MONITEAU COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 34,186	1,054,835	1,046,799	42,222
Special Road and Bridge	74,959	857,553	869,121	63,391
Assessment	8,731	127,722	126,575	9,878
Law Enforcement Training	435	2,728	2,737	426
Prosecuting Attorney Training	950	529	72	1,407
Adult Abuse	1,829	1,776	2,016	1,589
Prosecuting Attorney Forfeiture	1,056	56	0	1,112
Prosecuting Attorney Bad Check	22,833	10,836	0	33,669
Prosecuting Attorney Delinquent Tax	1,907	140	1,579	468
Recorder User Fee	18,396	6,880	788	24,488
Sheriff Civil Fee	6,815	12,701	11,605	7,911
Local Emergency Planning Commission	5,963	2,890	1,078	7,775
Off System Bridge Projects	0	50,715	50,715	0
Election Service	0	1,792	0	1,792
Cemetery Trust	14,300	1,106	111	15,295
Associate Circuit Division Interest	2,435	340	1,134	1,641
Circuit Clerk Interest	10,944	1,793	718	12,019
Law Library	9,407	5,814	4,842	10,379
Health Center	284,609	353,711	300,864	337,456
Emergency Dispatch	116,784	417,955	383,505	151,234
Senate Bill 40 Board	0	10,688	0	10,688
Total	\$ 616,539	2,922,560	2,804,259	734,840

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MONITEAU COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 44,997	980,256	991,067	34,186
Special Road and Bridge	156,334	875,208	956,583	74,959
Assessment	210	120,402	111,881	8,731
Law Enforcement Training	522	2,590	2,677	435
Prosecuting Attorney Training	1,454	496	1,000	950
Adult Abuse	1,416	1,946	1,533	1,829
Prosecuting Attorney Forfeiture	1,011	45	0	1,056
Prosecuting Attorney Bad Check	13,316	9,938	421	22,833
Prosecuting Attorney Delinquent Tax	1,483	424	0	1,907
Recorder User Fee	11,842	7,304	750	18,396
Sheriff Civil Fee	6,120	11,352	10,657	6,815
Local Emergency Planning Commission	0	7,405	1,442	5,963
Cemetery Trust	14,916	640	1,256	14,300
Associate Circuit Division Interest	2,111	324	0	2,435
Circuit Clerk Interest	10,470	1,511	1,037	10,944
Law Library	8,821	3,775	3,189	9,407
Health Center	248,045	332,961	296,397	284,609
Emergency Dispatch	99,265	403,889	386,370	116,784
Total	\$ 622,333	2,760,466	2,766,260	616,539

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 3,447,130	2,911,872	(535,258)	2,722,257	2,752,737	30,480
DISBURSEMENTS	3,542,771	2,804,259	738,512	2,939,484	2,764,818	174,666
RECEIPTS OVER (UNDER) DISBURSEMENTS	(95,641)	107,613	203,254	(217,227)	(12,081)	205,146
CASH, JANUARY 1	616,329	616,539	210	620,084	620,222	138
CASH, DECEMBER 31	520,688	724,152	203,464	402,857	608,141	205,284
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	241,100	238,716	(2,384)	200,963	202,332	1,369
Sales taxes	425,000	434,608	9,608	350,000	374,872	24,872
Intergovernmental	190,600	162,961	(27,639)	124,900	192,412	67,512
Charges for services	176,050	176,875	825	201,350	177,447	(23,903)
Interest	7,500	11,086	3,586	11,500	7,867	(3,633)
Other	26,650	30,589	3,939	29,550	25,326	(4,224)
Transfers in	0	0	0	44,280	0	(44,280)
Total Receipts	1,066,900	1,054,835	(12,065)	962,543	980,256	17,713
DISBURSEMENTS						
County Commission	64,469	64,300	169	61,144	60,599	545
County Clerk	77,740	76,768	972	73,920	73,661	259
Elections	55,000	49,648	5,352	15,900	15,315	585
Buildings and grounds	60,182	38,960	21,222	41,288	38,764	2,524
Employee fringe benefits	90,700	85,923	4,777	84,300	84,102	198
County Treasurer	29,420	28,799	621	29,320	29,306	14
County Collector	71,320	66,423	4,897	63,899	61,373	2,526
Ex Officio Recorder of Deeds	24,095	19,360	4,735	26,458	17,751	8,707
Associate Circuit Court	11,650	11,560	90	11,150	9,448	1,702
Court administration	14,500	10,926	3,574	17,000	11,750	5,250
Public Administrator	33,350	32,718	632	44,675	37,395	7,280
Sheriff	187,823	187,451	372	174,214	173,399	815
Jail	160,502	148,782	11,720	136,711	136,664	47
Prosecuting Attorney	102,495	102,248	247	122,329	119,067	3,262
Juvenile Officer	40,826	22,629	18,197	62,764	41,276	21,488
County Coroner	7,417	6,796	621	6,995	6,799	196
Insurance	23,000	15,694	7,306	23,000	20,735	2,265
University Extension	10,152	10,152	0	9,420	9,420	0
Postage	17,000	14,236	2,764	17,050	16,420	630
Circuit Judges and Court Reporters	9,250	6,152	3,098	7,026	5,102	1,924
Crime Victim Advocate	24,353	24,131	222	0	0	0
Other	25,175	23,143	2,032	24,350	22,721	1,629
Transfers out	3,948	0	3,948	4,950	0	4,950
Emergency Fund	1,007	0	1,007	586	0	586
Total Disbursements	1,145,374	1,046,799	98,575	1,058,449	991,067	67,382
RECEIPTS OVER (UNDER) DISBURSEMENTS	(78,474)	8,036	86,510	(95,906)	(10,811)	85,095
CASH, JANUARY 1	34,186	34,186	0	44,997	44,997	0
CASH, DECEMBER 31	(44,288)	42,222	86,510	(50,909)	34,186	85,095

Exhibit B

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	312,750	312,878	128	288,945	300,000	11,055
Intergovernmental	504,100	510,316	6,216	578,000	543,849	(34,151)
Charges for services	17,500	13,871	(3,629)	34,000	16,979	(17,021)
Interest	6,500	7,816	1,316	12,000	7,534	(4,466)
Other	5,000	12,672	7,672	5,000	6,846	1,846
Total Receipts	845,850	857,553	11,703	917,945	875,208	(42,737)
DISBURSEMENTS						
Salaries	317,000	294,754	22,246	301,000	307,473	(6,473)
Employee fringe benefits	64,100	56,939	7,161	55,150	55,845	(695)
Supplies	88,800	116,697	(27,897)	80,000	84,147	(4,147)
Insurance	15,000	17,493	(2,493)	14,500	13,840	660
Road and bridge materials	120,000	151,036	(31,036)	150,000	127,718	22,282
Equipment repairs	50,000	79,759	(29,759)	64,000	99,128	(35,128)
Equipment purchases	132,000	128,785	3,215	165,000	143,670	21,330
Construction, repair, and maintenance	55,000	6,108	48,892	115,000	93,345	21,655
Other	27,250	17,550	9,700	36,500	31,417	5,083
Transfers out	0	0	0	25,500	0	25,500
Total Disbursements	869,150	869,121	29	1,006,650	956,583	50,067
RECEIPTS OVER (UNDER) DISBURSEMENTS	(23,300)	(11,568)	11,732	(88,705)	(81,375)	7,330
CASH, JANUARY 1	74,959	74,959	0	156,334	156,334	0
CASH, DECEMBER 31	51,659	63,391	11,732	67,629	74,959	7,330
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	122,672	125,468	2,796	106,741	119,023	12,282
Interest	1,100	2,254	1,154	1,000	1,379	379
Transfers in	3,948	0	(3,948)	4,952	0	(4,952)
Total Receipts	127,720	127,722	2	112,693	120,402	7,709
DISBURSEMENTS						
Assessor	129,470	126,575	2,895	112,693	111,881	812
Total Disbursements	129,470	126,575	2,895	112,693	111,881	812
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,750)	1,147	2,897	0	8,521	8,521
CASH, JANUARY 1	8,731	8,731	0	210	210	0
CASH, DECEMBER 31	6,981	9,878	2,897	210	8,731	8,521
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	3,100	2,709	(391)	3,850	2,579	(1,271)
Interest	25	19	(6)	50	11	(39)
Total Receipts	3,125	2,728	(397)	3,900	2,590	(1,310)
DISBURSEMENTS						
Sheriff	3,200	2,737	463	4,100	2,677	1,423
Total Disbursements	3,200	2,737	463	4,100	2,677	1,423
RECEIPTS OVER (UNDER) DISBURSEMENTS	(75)	(9)	66	(200)	(87)	113
CASH, JANUARY 1	435	435	0	522	522	0
CASH, DECEMBER 31	360	426	66	322	435	113

Exhibit B

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	500	469	(31)	450	441	(9)
Interest	60	60	0	61	55	(6)
Total Receipts	560	529	(31)	511	496	(15)
DISBURSEMENTS						
Prosecuting Attorney	1,000	72	928	1,000	1,000	0
Total Disbursements	1,000	72	928	1,000	1,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(440)	457	897	(489)	(504)	(15)
CASH, JANUARY 1	950	950	0	1,454	1,454	0
CASH, DECEMBER 31	510	1,407	897	965	950	(15)
<u>ADULT ABUSE FUND</u>						
RECEIPTS						
Charges for services	2,500	1,776	(724)	1,500	1,890	390
Interest	75	0	(75)	50	56	6
Total Receipts	2,575	1,776	(799)	1,550	1,946	396
DISBURSEMENTS						
Domestic violence shelter	2,800	2,016	784	1,800	1,533	267
Total Disbursements	2,800	2,016	784	1,800	1,533	267
RECEIPTS OVER (UNDER) DISBURSEMENTS	(225)	(240)	(15)	(250)	413	663
CASH, JANUARY 1	1,829	1,829	0	1,416	1,416	0
CASH, DECEMBER 31	1,604	1,589	(15)	1,166	1,829	663
<u>PROSECUTING ATTORNEY FORFEITURE FUND</u>						
RECEIPTS						
Interest	54	56	2	25	45	20
Total Receipts	54	56	2	25	45	20
DISBURSEMENTS						
Prosecuting Attorney	1,110	0	1,110	1,036	0	1,036
Total Disbursements	1,110	0	1,110	1,036	0	1,036
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,056)	56	1,112	(1,011)	45	1,056
CASH, JANUARY 1	1,056	1,056	0	1,011	1,011	0
CASH, DECEMBER 31	0	1,112	1,112	0	1,056	1,056

Exhibit B

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD</u>						
<u>CHECK FUND</u>						
RECEIPTS						
Charges for services	8,500	9,223	723	8,700	9,175	475
Interest	500	1,613	1,113	500	763	263
Total Receipts	9,000	10,836	1,836	9,200	9,938	738
DISBURSEMENTS						
Prosecuting Attorney	15,000	0	15,000	15,000	421	14,579
Total Disbursements	15,000	0	15,000	15,000	421	14,579
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,000)	10,836	16,836	(5,800)	9,517	15,317
CASH, JANUARY 1	22,833	22,833	0	13,316	13,316	0
CASH, DECEMBER 31	16,833	33,669	16,836	7,516	22,833	15,317
<u>PROSECUTING ATTORNEY</u>						
<u>DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	500	38	(462)	200	350	150
Interest	75	102	27	50	74	24
Total Receipts	575	140	(435)	250	424	174
DISBURSEMENTS						
Prosecuting Attorney	0	1,579	(1,579)	1,500	0	1,500
Total Disbursements	0	1,579	(1,579)	1,500	0	1,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	575	(1,439)	(2,014)	(1,250)	424	1,674
CASH, JANUARY 1	1,907	1,907	0	1,483	1,483	0
CASH, DECEMBER 31	2,482	468	(2,014)	233	1,907	1,674
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	6,500	5,780	(720)	6,100	6,664	564
Interest	650	1,100	450	600	640	40
Total Receipts	7,150	6,880	(270)	6,700	7,304	604
DISBURSEMENTS						
Ex Officio Recorder of Deeds	3,750	788	2,962	9,080	750	8,330
Total Disbursements	3,750	788	2,962	9,080	750	8,330
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,400	6,092	2,692	(2,380)	6,554	8,934
CASH, JANUARY 1	18,396	18,396	0	11,842	11,842	0
CASH, DECEMBER 31	21,796	24,488	2,692	9,462	18,396	8,934
<u>SHERIFF CIVIL FEE FUND</u>						
RECEIPTS						
Charges for services	12,500	12,361	(139)	15,000	11,079	(3,921)
Interest	260	340	80	375	273	(102)
Total Receipts	12,760	12,701	(59)	15,375	11,352	(4,023)
DISBURSEMENTS						
Sheriff	17,500	11,605	5,895	17,000	10,657	6,343
Total Disbursements	17,500	11,605	5,895	17,000	10,657	6,343
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,740)	1,096	5,836	(1,625)	695	2,320
CASH, JANUARY 1	6,815	6,815	0	6,120	6,120	0
CASH, DECEMBER 31	2,075	7,911	5,836	4,495	6,815	2,320

Exhibit B

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL EMERGENCY PLANNING</u>						
<u>COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	2,500	2,597	97			
Interest	130	293	163			
Total Receipts	2,630	2,890	260			
DISBURSEMENTS						
Training	4,200	1,078	3,122			
Total Disbursements	4,200	1,078	3,122			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,570)	1,812	3,382			
CASH, JANUARY 1	5,963	5,963	0			
CASH, DECEMBER 31	4,393	7,775	3,382			
<u>OFF SYSTEM BRIDGE PROJECTS FUND</u>						
RECEIPTS						
Intergovernmental	610,000	50,715	(559,285)			
Total Receipts	610,000	50,715	(559,285)			
DISBURSEMENTS						
Bridge projects	610,000	50,715	559,285			
Total Disbursements	610,000	50,715	559,285			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Intergovernmental	3,190	1,744	(1,446)			
Interest	150	48	(102)			
Total Receipts	3,340	1,792	(1,548)			
DISBURSEMENTS						
County Clerk	2,500	0	2,500			
Total Disbursements	2,500	0	2,500			
RECEIPTS OVER (UNDER) DISBURSEMENTS	840	1,792	952			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	840	1,792	952			
<u>CEMETERY TRUST FUND</u>						
RECEIPTS						
Interest	2,000	1,106	(894)	1,100	640	(460)
Total Receipts	2,000	1,106	(894)	1,100	640	(460)
DISBURSEMENTS						
Cemetery upkeep	2,100	111	1,989	1,450	1,256	194
Total Disbursements	2,100	111	1,989	1,450	1,256	194
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	995	1,095	(350)	(616)	(266)
CASH, JANUARY 1	14,300	14,300	0	14,916	14,916	0
CASH, DECEMBER 31	14,200	15,295	1,095	14,566	14,300	(266)

Exhibit B

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT DIVISION</u>						
<u>INTEREST FUND</u>						
RECEIPTS						
Interest	300	340	40			
Total Receipts	300	340	40			
DISBURSEMENTS						
Associate Circuit Court	1,500	1,134	366			
Total Disbursements	1,500	1,134	366			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,200)	(794)	406			
CASH, JANUARY 1	2,083	2,435	352			
CASH, DECEMBER 31	883	1,641	758			
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	1,800	1,793	(7)	1,800	1,511	(289)
Total Receipts	1,800	1,793	(7)	1,800	1,511	(289)
DISBURSEMENTS						
Circuit Clerk	600	718	(118)	1,000	1,037	(37)
Total Disbursements	600	718	(118)	1,000	1,037	(37)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,200	1,075	(125)	800	474	(326)
CASH, JANUARY 1	11,086	10,944	(142)	10,332	10,470	138
CASH, DECEMBER 31	12,286	12,019	(267)	11,132	10,944	(188)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	4,500	5,490	990	4,000	3,525	(475)
Interest	0	324	324	300	250	(50)
Total Receipts	4,500	5,814	1,314	4,300	3,775	(525)
DISBURSEMENTS						
Law Library	3,250	4,842	(1,592)	5,500	3,189	2,311
Total Disbursements	3,250	4,842	(1,592)	5,500	3,189	2,311
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,250	972	(278)	(1,200)	586	1,786
CASH, JANUARY 1	9,407	9,407	0	8,821	8,821	0
CASH, DECEMBER 31	10,657	10,379	(278)	7,621	9,407	1,786

Exhibit B

MONITEAU COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	182,164	173,588	(8,576)	160,765	168,550	7,785
Intergovernmental	126,377	125,316	(1,061)	97,300	118,166	20,866
Charges for services	36,000	34,681	(1,319)	25,700	30,075	4,375
Interest	13,000	17,742	4,742	14,000	13,232	(768)
Other	2,350	2,384	34	3,400	2,938	(462)
Total Receipts	359,891	353,711	(6,180)	301,165	332,961	31,796
DISBURSEMENTS						
Salaries	275,038	253,788	21,250	243,200	242,016	1,184
Office expenditures	9,500	8,481	1,019	9,300	7,859	1,441
Contract services	10,310	9,983	327	24,000	10,272	13,728
Capital expenditures	14,000	2,313	11,687	7,000	8,781	(1,781)
Travel and training	11,500	9,869	1,631	8,000	11,133	(3,133)
Insurance	2,550	1,987	563	2,000	1,935	65
Medical supplies	14,300	13,764	536	16,000	13,598	2,402
Other	1,200	679	521	1,500	803	697
Total Disbursements	338,398	300,864	37,534	311,000	296,397	14,603
RECEIPTS OVER (UNDER) DISBURSEMENTS	21,493	52,847	31,354	(9,835)	36,564	46,399
CASH, JANUARY 1	284,609	284,609	0	248,045	248,045	0
CASH, DECEMBER 31	306,102	337,456	31,354	238,210	284,609	46,399
<u>EMERGENCY DISPATCH</u>						
RECEIPTS						
Sales taxes	380,000	409,146	29,146	378,400	398,053	19,653
Interest	6,400	6,904	504	4,800	4,406	(394)
Other	0	1,905	1,905	0	1,430	1,430
Total Receipts	386,400	417,955	31,555	383,200	403,889	20,689
DISBURSEMENTS						
Office equipment	15,300	13,211	2,089	8,145	13,470	(5,325)
Professional fees	6,300	3,795	2,505	7,200	5,227	1,973
Salaries and fringe benefits	260,369	263,056	(2,687)	245,081	242,109	2,972
Telephone services	55,000	51,417	3,583	56,000	55,835	165
Education and travel	4,974	2,095	2,879	5,100	3,130	1,970
Utilities and trash	5,500	5,433	67	6,000	5,374	626
Building and equipment	32,928	33,186	(258)	53,900	48,453	5,447
Other	11,498	11,312	186	10,800	12,772	(1,972)
Total Disbursements	391,869	383,505	8,364	392,226	386,370	5,856
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,469)	34,450	39,919	(9,026)	17,519	26,545
CASH, JANUARY 1	116,784	116,784	0	99,265	99,265	0
CASH, DECEMBER 31	\$ 111,315	151,234	39,919	90,239	116,784	26,545

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MONITEAU COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Moniteau County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Emergency Dispatch Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Senate Bill 40 Board Fund for the year ended December 31, 2000, and the Associate Circuit Division Interest and Local Emergency Planning Commission Funds for the year ended December 31, 1999.

Warrants issued were in excess of budgeted amounts for the Prosecuting Attorney Delinquent Tax and Law Library Funds in 2000 and the Circuit Clerk Interest Fund in 2000 and 1999. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the General Revenue Fund for the years ended December 31, 2000 and 1999. However, the budgets of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	2000 and 1999
Emergency Dispatch Fund	2000 and 1999
Senate Bill 40 Board Fund	2000

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

At December 31, 2000, the reported amount of the county's deposits was \$7,724,064 and the bank balance was \$2,905,659. Of the bank balance, \$214,300 was covered by federal depository insurance and \$2,691,359 was covered by collateral securities pledged by one bank and held by a correspondent bank in the name of the depository bank's customers.

Of the county's bank balance at December 31, 1999, \$214,823 was covered by federal depository insurance and \$3,604,092 was covered by collateral securities held by the pledging bank but not in the county's name.

Of the Emergency Dispatch Board's deposits at December 31, 2000, \$125,000 was covered by federal depository insurance and \$36,609 was covered by collateral securities pledged by one bank and held by a correspondent bank in the name of the depository bank's customers.

The Emergency Dispatch Board's deposits at December 31, 1999, were entirely covered by federal depository insurance.

Of the Health Center Board's deposits at December 31, 2000, \$250,000 was covered by federal depository insurance, \$11,530 was covered by collateral securities held by the pledging bank but not in the county's name, and \$86,435 was covered by collateral securities pledged by one bank and held by a correspondent bank in the name of the depository bank's customers.

Of the Health Center Board's deposits at December 31, 1999, \$100,000 was covered by federal depository insurance and \$192,437 was covered by collateral securities pledged by one bank and held by a correspondent bank in the name of the depository bank's customers.

Investments

The only investment of the various county funds at December 31, 2000, was a repurchase agreement with a reported amount of \$350,677 (which approximated fair value). This amount represents uninsured and unregistered investments for which the securities were held by the dealer bank's trust department or agent but not in the county's name.

3. Subsequent Event

In April 2001, the United States Army Corps of Engineers determined that the county had performed some unauthorized work that adversely affected a stream located in the county.

The county did not comply with a cease and desist order issued by the Corps of Engineers. The county also has not prepared an after-the-fact agreement that the Corps of Engineers required to be submitted for the work. The Corps of Engineers has advised the county that it may be liable for damages, however, the county's potential liability cannot be determined at this time.

Schedule

MONTEAU COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2000 AND 1999

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MONITEAU COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MONITEAU COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Moniteau County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated September 27, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Moniteau County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.**Financial Condition**

The county's General Revenue Fund is in poor financial condition. The following chart shows the General Revenue Fund's receipts, disbursements, and cash balances for the four years ended December 31, 2000:

		Year Ended December 31,			
		2000	1999	1998	1997
Cash Balance, January 1	\$	34,186	44,997	105,535	145,459
Receipts		1,054,837	980,258	891,820	841,029
Disbursements		(1,046,801)	(991,069)	(952,358)	(880,953)
Cash Balance, December 31	\$	42,222	34,186	44,997	105,535

For 2001, the General Revenue Fund included budgeted receipts of \$1,029,300 and disbursements of \$1,198,204, resulting in an estimated ending cash balance of negative \$126,682. The county actually borrowed \$40,000 from other county funds in November 2001, to meet General Revenue payroll expenses. While some of the increases in budgeted disbursements appear to be unavoidable, such as increases in medical insurance and statutory salaries, the county needs to closely monitor increases in other budgeted disbursements which appear to be more discretionary in nature, such as increases in equipment purchases.

Our review noted the following areas which the County Commission should consider to help improve the financial condition of the General Revenue Fund:

- The county is required to reduce its general property tax revenue by 50 percent of the sales tax revenue collected each year. The county's computation of current property tax rollbacks did not consider \$15,000 in excess rollbacks from prior years, and there was no documentation that the county intended to make voluntary rollbacks. Prior years' excess property tax rollbacks should be considered when determining future tax levies.
- The General Revenue Fund is incurring some expenses which could be shifted to other funds which are in better financial condition. For example, the Prosecuting Attorney Bad Check Fund's balance increased \$20,353 during the audit period to a December 31, 2000 balance of \$33,669, and only \$421 was spent from this fund during the audit period. It appears other funds controlled by various county officials could also be used for expenses which are currently being paid from the General Revenue Fund. The County Commission should review the use of these funds with the applicable officials to determine if some expenditures which have been made from the General Revenue Fund could be shifted to these other funds.

- The county houses prisoners for the City of California for a flat annual fee of \$1,200, while the county charges approximately \$30 a day to house prisoners for other entities. The county houses city prisoners for approximately 100 prisoner days annually, so the county could receive as much as \$3,000 annually by charging \$30 per day. The County Commission should review its board of prisoner costs and ensure it is charging reasonable amounts to all entities to help cover its costs.

The County Commission should review discretionary disbursements to ensure efficient use of resources available to the county and to determine if long term reductions in discretionary disbursements are possible. In addition, the County Commission should ensure it maximizes receipts from all sources.

WE RECOMMEND the County Commission consider various alternatives of increasing receipts and/or reducing disbursements to ensure that the General Revenue Fund's financial condition improves and to maintain an adequate operating cash reserve.

AUDITEE'S RESPONSE

We will review discretionary spending and will meet with each official to discuss future budgets and cut spending where possible. In addition, every attempt will be made to increase revenues including a possible sales tax ballot issue.

2.

Property Tax System and Computer Controls

The county's assessment lists and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering the assessed valuation data. The County Collector enters the tax rates and extends and prints the tax books. The County Clerk reviews and approved the tax books. Our review of controls noted the following concerns:

- A. The County Assessor and the County Collector have unlimited access to the computer system and these internal control problems are not mitigated by a review by the County Clerk.

The County Assessor enters the assessed valuation data from the assessment sheets. This data is to be completed by May 31 of each year. In addition, the County Assessor enters changes in assessed valuations after approval by the Board of Equalization. After the Board of Equalization meetings are completed, the County Assessor has no statutory authority to make changes to the assessment data. The County Collector has the capability to add new accounts and change existing accounts on the property tax portion of the computer system.

The unrestricted access to the system weakens internal controls over property assessment and tax collections. The ability to access and change computerized information should be limited to those individuals who need such access for the performance of their duties. In addition, the computer system can generate reports which would identify changes made to source information. For example, if the County Assessor and County Collector are allowed to make changes to assessment and property tax information for the sake of convenience to county taxpayers, the County Clerk should review all changes for propriety. The County Clerk has the statutory duty of preparing the tax books and preparing any changes to the tax books and charging the County Collector with the amounts to be collected.

- B. The county does not have an adequate password system or procedures to restrict access to the property tax computer system. Passwords are not kept confidential and are not changed on a regular basis. Any employee with knowledge of the correct password can access unauthorized areas of the system. Sharing passwords can significantly reduce the effectiveness of the security because confidentiality is lost. As a result, there is an increased risk of unauthorized changes to assessment and property tax records.
- C. A security system is not in place to detect or prevent incorrect log-on attempts. An unauthorized individual could try an infinite number of times to log on the system, and, if successful, have unrestricted access to program and data files. To help protect computer files, a security system should be implemented to stop incorrect log-on attempts after a certain number of tries. Such a system should produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.
- D. The county does not have a formal contingency plan for the computer system in case of emergency. As a result, the county has not formally negotiated arrangements for backup facilities in the event of a disaster. The major benefit of thorough contingency planning comes from the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county.

Similar conditions were noted in a prior report.

WE RECOMMEND the County Commission:

- A. Restrict access to assessment and property tax data during periods when changes to the data are not statutorily allowed and to only those individuals with statutory authority to change applicable data. If the county allows access and change capabilities which is normally incompatible to statutory duties, the County Commission should ensure change reports are generated and an independent individual, such as the County Clerk, reviews all changes for propriety.
- B. Implement a password system which requires each user be assigned a unique password and passwords be changed periodically.

- C. Establish a security system to detect and report incorrect log-on attempts after a certain number of tries.
- D. Develop a formal contingency plan including arrangements for use of alternative data processing equipment during emergency situations.

AUDITEE'S RESOPNSE

- A. *We agree. However, restricting access to the computer system is not practical; therefore, we have instructed the County Clerk to review changes to the property tax system for reasonableness.*
- B. *We plan to have separate passwords assigned to each officeholder and periodically change the passwords.*
- C. *We agree and will meet with our computer programmer to address this issue.*
- D. *We agree and will attempt to make arrangements for a contingency plan.*

3.	Schedule of Expenditures of Federal Awards
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Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly recorded.

The SEFA prepared for the years ended December 31, 2000 and 1999, contained numerous errors and omissions. For example, expenditures for the Donation of Federal Surplus Personal Property program were overstated by \$37,606 and \$58,524 in 2000 and 1999, respectively. The Health Center incorrectly reported federal award receipts instead of expenditures which resulted in several small errors. Several grants were omitted from the SEFA, including the Food Distribution, Child Care and Development Block Grant, Preventive Health and Health Services Block Grant, and Domestic Cannabis Eradication/Suppression programs.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget. The County Commission should take steps to ensure other offices properly track and report federal awards, or consider appointing a county-wide grants coordinator.

AUDITEE'S RESPONSE

We agree and will make every effort to ensure the SEFA schedule is complete and accurate.

4. General Fixed Assets

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Our review of fixed asset records and procedures noted the following concerns:

- A. The County Clerk maintains a computerized inventory listing of fixed assets held by county officials; however, some of the fixed asset listings have not been updated since 1997. The County Clerk does not periodically reconcile equipment purchases with additions to the fixed asset records and physical inventories are not being performed for assets assigned to some officials. Several fixed assets purchased in 1999 and 2000 were not added to the listing, including a tractor for \$7,500, two dump trucks for \$29,924, a digital camera for \$498, a truck for \$16,485, and a case wheel loader for \$51,330. In addition, many assets were not identified as county property with a tag or similar device.
- B. The county does not have formal procedures for disposing of county property. Currently, when an item is no longer needed or useful, the officeholder or department head will dispose of the property or place it in storage without obtaining written approval from the County Commission. As a result, the County Commission and the County Clerk are not always aware of the disposal and may not remove the item from the fixed asset records.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on

accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all applicable assets should be tagged or identified as county-owned property. Finally, the County Commission should ensure that physical inventories are conducted and the master records are updated.

AUDITEE'S RESPONSE

We agree and will implement the recommendation.

5. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney's office collects bad check restitution and fees prior to a case being filed with the court. Usually payments are deposited into a checking account and then restitution is disbursed to the merchant and the fee is disbursed to the County Treasurer. The Prosecuting Attorney's office collected \$66,846 and \$43,937 during 2000 and 1999, respectively. Our review noted the following concerns:

- A. Receipts are not always deposited in a timely manner. Bad check receipts are deposited once a month and a count of monies on hand conducted on July 24, 2001, noted approximately \$2,300 in checks and money orders. In addition, Law Library receipts were sometimes held from two to five months before being deposited. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.

A similar condition was noted in a prior report.

- B. Accounting records are not prepared in a timely manner and the records that are kept are not adequate to fully account for all receipts and disbursements. The main accounting record is a check register without a running balance, and transactions appear to be recorded in the check register when bank reconciliations are prepared. In addition, some transactions are not recorded on the check register. For example, some checks and money orders are returned to the defendants without being deposited or recorded. As a result, there is little assurance that all receipts have been recorded and all disbursements have been made.

A complete cash control ledger of all receipts and disbursements as well as cash balances, is necessary to ensure all transactions are properly accounted for and recorded.

A similar condition was noted in a prior report.

- C. Bank reconciliations are not prepared in a timely manner. Bank reconciliations for the bad check account are not always prepared on a monthly basis and bank reconciliations for the law library account are only prepared at year end. Bank

reconciliations should be prepared on a monthly basis to ensure the book balance agrees to the bank balance and to detect errors on a timely basis.

- D. Accounting duties are not adequately segregated. One clerk is responsible for receiving monies and another clerk is responsible for all other accounting duties. In addition, supervisory reviews are not done on a periodic basis.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing from recording and reconciling receipts. If proper segregation of duties is not possible, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- E. None of the employees responsible for receiving and depositing monies are bonded. Adequate bonding is necessary to reduce the risk of loss if funds are mishandled.
- F. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, has not been established. The bad check complaints are not assigned sequential control numbers nor are they recorded in any type of log.

To ensure all bad checks turned over to the Prosecuting Attorney are properly handled, a sequential number should be assigned to each bad check complaint received and a log should be maintained listing each complaint and its disposition. The log should contain information such as the complaint number, the merchant's name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including date restitution was received and disbursed to the merchant, the date and criminal case in which charges were filed, or other disposition.

WE RECOMMEND the Prosecuting Attorney:

- A. Deposit all monies received intact daily or when accumulated receipts exceed \$100.
- B. Maintain a complete and accurate cash control ledger which includes all receipts, disbursements, and cash balances.
- C. Prepare bank reconciliations on a monthly basis.
- D. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- E. Obtain bond coverage for all employees responsible for handling receipts.
- F. Assign sequential control numbers to bad check complaints and maintain a log to adequately account for bad check complaints as well as the ultimate disposition.

AUDITEE'S RESPONSE

- A. *We do not have adequate time or personnel for deposits as recommended. We agree that deposits should be made in a timely manner.*
- B. *We disagree that our records fail to fully account for all receipts and disbursements. Our office policy is that partial payments on bad checks are not accepted. It is true that inadequate payments are not deposited, but are returned to the defendant. We believe criminal prosecution could be compromised by acceptance of improper amounts, and do not believe we are obligated to account for funds we do not accept.*
- C. *We do not have adequate time or personnel for reconciliations as recommended. Our policy is to reconcile accounts monthly, time and personnel permitting. We agree that reconciliations should be prepared in a timely manner.*
- D. *We believe that accounting duties are segregated to the extent practically possible with two office staff personnel. I agree to document periodic review of staff activities.*
- E. *We have recommended bond coverage for all county employees with access to public funds. No funds have been appropriated by the county for this purpose.*
- F. *We disagree that our system to account for all bad check complaints received is inadequate. Each complaint received is filed as received with the Moniteau County Associate Circuit Court and is assigned a case number. All pertinent information concerning disposition is contained in the court record.*

AUDITOR'S COMMENT

- F. Various actions are not readily tracked without reviewing each case file, and some actions, such as receipts being returned to defendants as noted in Part B above, are not tracked at all. A log of all complaints would provide a better way to track the disposition of each complaint.

6. Circuit Clerk's Accrued Costs

The Circuit Clerk has not disbursed partial payments collected on old cases where collection of the full amount is considered remote. These monies represent court cost, restitution, and other fees collected from defendants. The Circuit Clerk is holding approximately \$23,000 on 83 cases that have had no financial activity since 1999. Eight of these cases have had no financial activity since 1996 and prior.

Attorney General's Opinion No. 26, 1973 to Osborne, concluded, "If, when liability has been established, accrued costs cannot be collected in full, charges not having statutory priority or not allocated under court rule should be prorated."

In addition, the court is not actively pursuing collection of accrued cases costs even though payment agreements were signed and approved by the court. Our review noted 65 cases where defendants owed approximately \$33,000. While the court generally requires monthly payments to be made on these cases, no collections had been made on these cases during the first nine months of 2001. It appears the court did not always use various options available to collect unpaid monies, including probation and parole officer recommendations, periodic re-billings, show cause orders, and requesting the Circuit Judge to issue warrants. Ineffective monitoring of cases with accrued costs and failure to utilize available options in a timely manner can result in lost revenue.

Similar conditions were noted in a prior report.

WE RECOMMEND the Circuit Clerk pursue collection of costs accruing on old cases. If collection of such costs cannot be made, partial payments received should be distributed on a pro-rata basis, after obtaining a court order from the Circuit Judge.

AUDITEE'S RESPONSE

Some action has already been taken to distribute partial payments and I plan to make more distributions in the future. In my opinion, collection of accrued costs is the responsibility of the defendants' parole officers. However, I will discuss this matter with the Circuit Judge to determine if there are any changes we should make in collection procedures.

7.

Emergency Dispatch Board

- A. The board does not maintain adequate general fixed asset records to account for board property. A property listing is prepared, but the listing does not include office furniture and does not include the cost of the items on the listing. A general fixed asset listing should include all property items valued at or over amounts determined by the board. The listing should include a description of the item, the location, the estimated useful life, and the original cost or estimated historical cost if the original cost is not available. In addition, all items should be identified as board property with a tag or similar device. Finally, a physical inventory should be performed on an annual basis.

Adequate general fixed asset records are necessary to secure better internal control over board property, meet statutory requirements, and provide a basis for determining proper insurance coverage. Physical inventories of board property are necessary to ensure the fixed asset records are accurate, identify unrecorded additions, detect theft of assets, and identify obsolete assets.

- B. The board-approved budgets and budget amendments are submitted to the County Clerk; however, the budgets and budget amendments are not forwarded to the State Auditor's Office. Section 50.740, RSMo 2000, requires approved budgets be submitted to the State Auditor's Office.

A similar condition was noted in a prior report.

WE RECOMMEND:

- A. The Emergency Dispatch Board prepare general fixed asset records which include pertinent information for all board assets. In addition, the board should properly tag or otherwise identify all property and conduct annual physical inventories to ensure the accuracy of the records.
- B. The County Clerk submit budgets and budget amendments to the State Auditor's Office as required by state law.

AUDITEE'S RESPONSE

- A. *We agree. The board adopted a policy to include all assets valued at \$500 or more on the inventory records.*
- B. *The County Clerk indicated she will implement this recommendation.*

8. Health Center Board

- A. The Health Center Fund had a cash balance at December 31, 2000, of \$337,456 which exceeded total operating expenditures for the year. During the two years ended December 31, 2000, the cash balance increased \$89,413, and based on a comparison of 2001 budget projections to actual revenues and expenditures through October 31, 2001, the cash balance should grow by approximately \$44,000 in 2001. Health center officials indicated there were no immediate plans for the use of the accumulated cash balance, but indicated there has been discussion of future building expansion.

The Health Center Board should review the operation of the health center and take measures to reduce the large balance of the Health Center Fund or document future plans for the use of the balance. The board should consider reducing or eliminating the health center property tax levy on a temporary basis to help reduce the balance of the Health Center Fund.

- B. Health center personnel did not adequately monitor amounts expended on Comprehensive Family Planning (CFP) services during the audit period. The average cost per client of providing such services was not periodically calculated as required.

The health center's contract with the Missouri Department of Health provides the average cost of providing CFP services should be at least \$150 per client (excluding administrative costs). Upon our request, health center personnel provided documentation of the amounts expended on CFP services and it appears the health center met the minimum amount per client. Adequate monitoring and documentation of CFP expenditures is necessary to ensure compliance with the contract provisions.

WE RECOMMEND the Health Center Board:

- A. Evaluate the operations of the health center and take measures to reduce the large accumulated balance of the Health Center Fund, or formally document its plans for the future use of the large cash balance.
- B. Monitor the amounts expended on CFP services and periodically calculate the average cost per client as required by the contract with the Missouri Department of Health.

AUDITEE'S RESPONSE

- A. *We do have plans for future building expansion and we will document these plans in future board minutes and future budgets. We will consider reducing the tax levy on a temporary basis but we believe that the current fund balance is necessary to help meet future expansion needs.*
- B. *We agree and will document on an annual basis that we have met the \$150 requirement.*

This report is intended for the information of the management of Moniteau County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

MONITEAU COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Moniteau County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Property Tax System and Computer Controls

- A. The County Assessor and his staff were allowed to make changes to the assessment data after the Board of Equalization meetings were completed.
- B. The county did not have an adequate password system or procedures to restrict access to the property tax computer system.
- C. The county did not have a security system in place for the property tax computer to detect or prevent incorrect log-on attempts.

Recommendation:

The County Commission:

- A. Restrict access to the assessment data during periods when changes to the data are not statutorily allowed.
- B. Implement a password system which requires each user be assigned a unique password, and require passwords to be changed periodically.
- C. Establish a security system for the property tax system to detect and report incorrect log-on attempts after a certain number of tries.

Status:

Not implemented. See MAR No. 2.

2. Federal Financial Assistance

- A. The county had not established cash management procedures to ensure minimum time elapsed between its receipt of federal project monies and the disbursement of such monies to contractors.
- B. The Sheriff did not submit the required progress reports for the Community Oriented Policing Services (COPS) program.

Recommendation:

The County Commission:

- A. Establish procedures to minimize the time elapsed between the receipt of federal monies and disbursements of such funds.
- B. Require the Sheriff to prepare and submit progress reports as required by the COPS grant.

Status:

Implemented.

3. Circuit Clerk and Ex Officio Recorder of Deeds' Accounting Controls and Procedures

- A. The Circuit Clerk did not have established procedures for investigating outstanding child support checks.
- B. The Circuit Clerk was not adequately pursuing collection of unpaid restitution and was not distributing monies collected on a timely basis.
- C. The method of payment received (cash, check, or money order) was not recorded on the Ex Officio Recorder of Deeds' receipt records.
- D. The Ex Officio Recorder of Deeds refunded overpayments in cash.

Recommendation:

The Circuit Clerk and Ex Officio Recorder of Deeds:

- A. Investigate old outstanding checks and reissue them if the payees can be located. If the payees cannot be located, the monies should be disposed of in accordance with applicable state laws. Procedures to routinely investigate checks that remain outstanding over a specified period of time should be established.
- B. Pursue collections of costs accruing on old cases. If collection of such costs cannot be made, monies held by the Circuit Clerk which are identified with the cases should be distributed on a pro-rata basis, after obtaining a court order from the Circuit Judge.
- C. Indicate the method of payment on receipt records and reconcile the composition of payments received to amounts deposited.
- D. Make all refunds by check.

Status:

A. Not implemented. As of December 31, 2000, the Circuit Clerk had checks totaling \$679 which have been outstanding for more than one year. Although not repeated in the current report, our recommendation remains as stated above.

B. Not implemented. See MAR No. 6.

C&D. Implemented.

4. Prosecuting Attorney's Accounting Controls and Procedures

A. Receipts were not always deposited intact on a timely basis.

B. A cash control ledger was not maintained and receipt slips were not always issued for monies collected.

Recommendation:

The Prosecuting Attorney:

A. Deposit all receipts intact daily or when receipts exceed \$100.

B. Develop and maintain a complete cash control ledger and ensure that receipt slips are issued for all monies received.

Status:

Not implemented. See MAR No. 5.

5. Sheriff's Accounting Controls and Procedures

A. Monies collected were not kept in a secure location before deposit.

B. The Sheriff charged a commission on garnishment monies collected which did not appear to be authorized by state law.

C. Listings of seized property were not prepared and periodic property inventories were not conducted.

D. Transactions for prisoners' monies were recorded on a separate card for each prisoner. Reconciliations of prisoners' monies on hand to the card balances were not performed.

Recommendation:

The Sheriff:

- A. Maintain receipts in a secure location until deposited.
- B. Discontinue charging and collecting the additional commission on garnishments.
- C. Maintain a complete inventory record of all seized property including information such as a description, persons involved, current location, case number, and disposition of such property. In addition, perform periodic inventories of seized property.
- D. Ensure adequate controls are established over prisoner funds, including a periodic count and reconciliation of monies to prisoner cards and prompt investigation of any differences.

Status:

- A-C. Implemented.
- D. Not implemented. The amount of prisoner funds handled by the Sheriff is not material. Although not repeated in the current report, our recommendation remains as stated above.

6. Health Center Accounting Controls and Procedures

- A.1. Purchases of new general fixed assets items were not properly tagged or otherwise identified as health center property.
 - 2. An annual inspection and inventory of all personal property items owned by the health center was not performed.
 - 3. The health center did not maintain a record of property balances, additions, and deletions that was reconciled from year to year.
- B. Receipt slips were issued only when requested by the payor.

Recommendation:

The Health Center:

- A.1. Ensure all general fixed asset items are properly tagged and recorded on the property listing.

2. Perform an annual inspection and inventory of health center-owned personal property.
 3. Maintain a record of property balances, additions and deletions and reconcile the balances yearly.
- B. Issue prenumbered receipt slips for all monies received and account for the numerical sequence of receipts issued.

Status:

- A. Partially implemented. Annual physical inventories are performed and records are maintained of property balances, additions, and deletions; however, some assets are not tagged or identified as health center property. Although not repeated in the current report, our recommendation remains as stated above.
- B. Not implemented. Most receipts are in the form of checks from the state and the county. Although not repeated in the current report, our recommendation remains as stated above.

7. 911 Board

- A.1. There was no documentation for the justification of selecting a bid besides the lowest.
2. Adequate documentation was not retained to support some expenditures.
- B. Formal and complete budgets as required by state law were not prepared and filed with the State Auditor's office.
- C. The 911 Board owned a vehicle which the Administrator used for personal and business purposes. The Administrator used the vehicle to commute to and from work but did not maintain a vehicle mileage log. As a result, it was not possible to determine the number of personal miles driven.

Recommendation:

The 911 Board:

- A.1. Maintain adequate documentation of bid awards, particularly in those cases where the lowest bid is not accepted.
2. Ensure adequate documentation is obtained to support all expenditures.

- B. Prepare and submit a complete and formal budget as required by state law. Upon approval by the County Commission, the budget should be filed with the State Auditor's Office.
- C. Require a mileage log be maintained that reflects business and personal miles driven and review this log periodically for reasonableness. In addition, the board should comply with IRS guidelines for the reporting of fringe benefits relating to personal vehicle use.

Status:

- A. Implemented.
- B. Partially implemented. Budgets are prepared but are not filed with the State Auditor's Office. The 911 Board is now called the Emergency Dispatch Board. See MAR No. 7.
- C. Partially implemented. The board discontinued the personal use of the vehicle; however, a mileage log is not maintained. Although not repeated in the current report, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MONITEAU COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Moniteau was named after the French spelling of the Indian word meaning "spirit" or "God." Moniteau County is a county-organized, third-class county and is part of the Twenty-Sixth Judicial Circuit. The county seat is California.

Moniteau County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Moniteau County received its money in 2000 and 1999

Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF	AMOUNT	% OF
		TOTAL		TOTAL
Property taxes	\$ 551,594	29	502,332	27
Sales taxes	434,608	23	374,872	20
Federal and state aid	673,277	35	736,261	40
Fees, interest, and other	252,909	13	241,999	13
Total	\$ 1,912,388	100	1,855,464	100

The following chart shows how Moniteau County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF	AMOUNT	% OF
		TOTAL		TOTAL
General county government	\$ 578,893	30	513,862	26
Public safety	467,906	25	477,205	25
Highways and roads	869,121	45	956,583	49
Total	\$ 1,915,920	100	1,947,650	100

The county maintains approximately 59 county bridges and 503 miles of county roads.

The county's population was 10,742 in 1970 and 12,298 in 1990. The following chart shows the county's change in assessed valuation since 1970:

Year Ended December 31,					
	2000	1999	1985*	1980**	1970**
(in millions)					
Real estate	\$ 74.1	71.6	41.1	25.0	18.0
Personal property	36.1	32.6	11.7	6.3	4.4
Railroad and utilities	18.9	17.9	10.9	6.1	4.2
Total	\$ 129.1	122.1	63.7	37.4	26.6

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Moniteau County's property tax rates per \$100 of assessed valuations were as follows:

Year Ended December 31,		
	2000	1999
General Revenue Fund	\$ 0.161	0.200
Special Road and Bridge Fund	0.250	0.250
Health Center Fund	0.150	0.150
Senate Bill 40 Board Fund	0.120	0.000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2001	2000
State of Missouri	\$	38,675	36,588
General Revenue Fund		219,822	243,772
Special Road and Bridge Fund		334,190	316,559
Assessment Fund		75,692	70,767
Health Center Fund		187,567	177,209
School districts		4,416,402	4,163,583
Ambulance district		241,509	228,348
Fire protection districts		155,092	120,068
Nursing home district		2,084	2,029
Library		44,222	39,816
Levee districts		4,307	3,522
Cities		73,821	50,951
County Clerk		99	128
Senate Bill 40 Board Fund		143,720	0
County Employees' Retirement		27,361	24,382
Other		11,411	9,315
Commissions and fees:			
General Revenue Fund		91,818	84,626
Collector		66	54
Total	\$	<u>6,067,858</u>	<u>5,571,717</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),	
		2001	2000
Real estate		95 %	96 %
Personal property		93	93
Railroad and utilities		100	100

Moniteau County also has the following sales taxes; rates are per \$1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	\$	0.005	None	50%
Emergency Dispatch		0.005	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Bob Hogge, Presiding Commissioner	\$	27,080	27,080
James E. Moseley, Associate Commissioner		15,832	15,832
Joe Lutz, Associate Commissioner		15,832	15,832
Anita Groepper, County Clerk		38,000	38,000
John Kay, Prosecuting Attorney		56,800	56,800
Kenny Jones, Sheriff		37,454	36,720
Harold Haldiman, County Treasurer		28,120	28,120
Loyd Fulks, County Coroner		6,262	6,120
Marilyn Parker, Public Administrator *		24,317	41,676
Carlene Petree, County Collector**, year ended February 28 (29),	38,066	38,054	
Darrel L. King, County Assessor ***, year ended August 31,		40,435	39,660
J. Brian Rockwell, County Surveyor ****		N/A	N/A

* Includes fees received from probate cases.

** Includes \$66 and \$54 respectively, of commissions earned for collecting levee district taxes.

*** Includes \$900 annual compensation received from the state.

**** Compensation on a fee basis.

State-Paid Officials:

J. David Haldiman, Circuit Clerk and Ex Officio Recorder of Deeds		46,127	44,292
Peggy Richardson, Associate Circuit Judge		97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk and Ex Officio Recorder of Deeds	1	1
County Clerk	2	
Prosecuting Attorney	3	
Sheriff	24 *	
Public Administrator	1 **	
County Collector	2 **	
County Assessor	4 **	
Associate Circuit Division	1 **	2
Road and Bridge	15	
Health Center	8 ***	
Emergency Dispatch	15 ****	
Total	<u>76</u>	<u>3</u>

* Includes seventeen part time employees.

** Includes one part time employee.

*** Includes four part time employees.

**** Includes six part time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Moniteau County's share of the Twenty-Sixth Judicial Circuit's expenses is 11.91 percent.



**STATE DEPARTMENTS
AFFILIATED WITH
NOT-FOR-PROFIT FOUNDATIONS**

**From The Office Of State Auditor
Claire McCaskill**

*Operational agreements are needed between
state departments affiliated with not-for-profit
foundations.*

**Report No. 2001-122
December 31, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

December 2001

www.auditor.state.mo.us

Missouri's financial support of not-for-profit foundations needs better definition, more accountability and specific results

This audit reviewed the controls over state resources used to subsidize not-for-profit foundations. Auditors focused on 6 of the 23 not-for-profit foundations headquartered in state offices, and in many cases, run by state employees. The foundations are considered “quasi-governmental” entities that help state agencies meet public missions and are mostly funded through private donations. Each entity is also privately incorporated, which keeps records of foundation contributors and expenditures closed to the public.

State law does not prohibit such public-private affiliations, but it is illegal to give public money to a private corporation. (See page 2) Auditors found the public money subsidizing these foundations is not well-documented, making it nearly impossible to ensure such money is effectively used for state-authorized purposes.

Foundations fund items inappropriate to charge to taxpayers

State officials created some of the public-private affiliations to avoid tapping taxpayer money for certain expenses, such as receptions, dinners or gifts to promote Missouri. For example, state leaders created a foundation in 1981 to help attract business to Missouri. State employees, who also run the foundation, bring gifts to dignitaries during foreign trade missions or host more elaborate meals for business leaders to attract companies to the state. The foundation covers the gifts, the meals and the foreign travel. (See Appendix I, page 7)

State funds foundations' administrative costs without agreements

Auditors estimated that state officials spent \$278,987 from 1997 to 2001 in public funds to support the six not-for-profit foundations detailed in this audit. Most of the money went to equipment, including office space, and salaries/benefits for state employees who help run the foundation. State officials consider these state resources as their share of the public-private affiliation. But no documents exist to show the breakdown of state and private funding for these entities, how each entity benefits from the affiliation or the specific results of such affiliations. (See page 3)

State employee time spent on foundation work not documented

Only two of the six foundations reviewed by auditors track the time state employees spend on foundation work and then reimburse the state for that time. The remaining foundations do not track such charges. None of the foundations document the use of state business

YELLOW SHEET

equipment such as computers and telephone for foundation work, which is considered a non-state activity. (See page 4)

**STATE DEPARTMENTS AFFILIATED
WITH NOT-FOR-PROFIT FOUNDATIONS**

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
Jefferson City, Missouri 65101

The State Auditor's Office audited selected state departments and their affiliation with private not-for-profit foundations co-located on state property. Our objective was to determine the adequacy of controls used by the state departments to ensure operations of both entities were separate and distinct from one another.

While not-for-profit foundations can provide worthwhile assistance to various state activities and programs, state departments maintaining ongoing business relationships with not-for-profit foundations did not document all contributions, accomplishments and activities conducted through these arrangements. State controls and operational agreements should be implemented to monitor these business relationships, to ensure that state funds are being protected from unnecessary loss, and commensurate assistance is received.

The audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests of the procedures and records as were considered appropriate under the circumstances.

Claire McCaskill
State Auditor

May 18, 2001 (fieldwork completion date)

The following auditors contributed to this report:

Director of Audits:	William D. Miller, CIA
Assistant Director:	Kirk R. Boyer
In-Charge Auditor:	Jeffrey W. Slinkard
Audit Staff:	Michelle J. Holland

RESULTS AND RECOMMENDATIONS

The State Needs to Improve Control over State Departments' Funding Affiliated with Not-for-Profit Foundations

State department officials used their resources (office space, personnel and supplies) to subsidize private not-for-profit foundations without documented agreements. Based on a limited review of six foundations, state departments spent an estimated \$278,987 in resources over the past 5 years. State departments do not have any guidelines or agreements to follow regarding relationships with private foundations. In addition, state departments maintained these business relationships without documenting state resources used for non-state purposes. Without documentation or agreements, state departments cannot ensure state resources were used for authorized purposes or that commensurate assistance was received from these foundations.

Background

Private sector not-for-profit foundations, including public corporations, are typically located and operated within a private facility. The foundation maintains a private administrative and operational support staff compensated by the foundation, and financial support is obtained solely from private contributions. Public sector not-for-profit foundations can operate in public facilities, be staffed by government employees, and receive some public funding as well as private contributions. These foundations and the affiliated state departments usually share the same or similar missions such as coordinating community development programs.

Although no statute specifically addresses the permissibility for state departments to operate with or provide office space to not-for-profit foundations, Article III, sections 38(a) and 39(l) prohibits public funds being donated to a private corporation. While not-for-profit foundations are subject to all corporate regulations, these regulations also provide legal protection from most public oversight and accountability.

The audit focused on the 23 not-for-profit foundations headquartered in state facilities in Jefferson City and registered with the Missouri Secretary of State's Office. We selected six not-for-profit foundations for a detailed review based on their co-location in a state-owned or leased facility. We reviewed state department records pertinent to affiliated not-for-profit foundations and records voluntarily provided by some of these foundations. (*See Appendix II, page 9, for Objective, Scope and Methodology.*)

State resources were used to provide operational and administrative support to private foundations

Between 1997 and 2001, state departments provided an estimated \$278,987 in public funds to the six not-for-profit foundations. This estimate is based on:

- \$99,960 in state employee salaries that provided administrative and operational support for the general day-to-day operations of these foundations.
- \$93,252 in state employee benefit costs accrued during this time.

- \$85,775 in state office space, utilities, maintenance, equipment and supplies expenses.

Table 1: Estimated 5-Year Unreimbursed State Funds Provided to Six Not-for-Profit Foundations

Foundation	State Employee		Facility	Totals
	Salaries	Benefits	Expenses	
Hawthorn Foundation	\$69,588	\$24,389	\$ 7,248	\$101,225
Excellence in Missouri Foundation	0	0	72,468	72,468
MO Transportation Finance Corporation	0	57,972	612	58,584
MO Conservation Heritage Foundation	0	0	2,025	2,025
MO Rural Foundation	23,185	8,519	1,812	33,516
MO Assn. of Community Development Corporation	7,187	2,372	1,610	11,169
Totals	\$99,960	\$93,252	\$85,775	\$278,987

Source: Prepared by auditors

(See Appendix III, page 11, for a specific breakdown of these state support calculations.)

State resources used to support these affiliations were not documented to ensure commensurate private assistance was obtained. State officials have not established comprehensive agreements defining measurable operational expectations such as the use of state employee time, state office space, or other state resources. Moreover, no documentation exists showing the expected private foundation contributions to the affiliation. Without an agreement, state department officials had not defined the extent of state or private support for these affiliations or how to document the support.

Three of the six not-for-profit foundation relationships—Missouri Conservation Heritage Foundation, Association of Community Development and the Missouri Transportation Finance Corporation—maintained a limited operational agreement that provided for reimbursing the state departments for use of state employees. There was no evidence that the other three foundations had similar agreements with the state agencies.

Each of the six not-for-profit foundations we reviewed were headquartered and operated out of state-owned facilities. In all six cases, the state departments provided space, utilities, business equipment, and operating supplies to conduct the foundation’s daily business without any lease or other agreement. The state assumed liability protection in five of the six cases. The agreement with the Missouri Association of Community Development Corporations does not hold the state liable for any foundation business.

Not-for-profit
foundations
housed in state
facilities

Five of the six private foundations were staffed entirely by 16 state employees who shared their daily responsibilities between the state and the private foundations. Two of the 16 state employees have management responsibilities for both the state and the private foundation. All but one of the state employees who had dual responsibilities with the not-for-profit foundations told us that they typically spent 5 to 75 percent, or an average of

State employees
staff private
foundations

17 percent, of their workday providing administrative support to the foundations' daily activities. Table 2 shows the estimated percent of time each state employee spent for private purposes.

Table 2: Reported Percentage of State Employee Time Spent on Private Foundations

Foundation	Type of State Employee	Percent of Employee Time Reported ¹
Excellence in Missouri Foundation	None used	N/A
Hawthorn Foundation	Special assistant	50
	Special assistant	15
	Executive Director	0
Missouri Association of Community Development Corporation	Incentive specialist	5
Missouri Conservation Heritage Foundation	Clerk	75
	Administrative assistant	41
	Executive assistant	5
Missouri Rural Foundation	Council Director	10
	Clerk	5
Missouri Transportation Finance Corporation	Financial Manager	25
	Research specialist	25
	Business specialist	5
	Program manger	5
	2 Senior Asst. Counsels (each)	5
	Financial control manager	5

Note: ¹These percentages were reported by the foundations and not verified by auditors.

Source: Prepared by auditors based on survey results

Two of the state employees received salaries from their respective foundations in addition to their state salaries. One employee has a high-level managerial position with the Hawthorn Foundation and the other provides general clerical support. However, statutes 105.452 and 105.454, RSMo govern potential compromising situations affecting state employees. The director of the Department of Economic Development stated the state employee with the high-level position receives between \$25,000 and \$35,000 a year from the foundation to supplement the state salary. The director said the department needed to have the foundation offer this supplement because the state salary of \$74,000 was insufficient to attract and keep a truly qualified candidate.

Adequate guidance was not provided to state employees who had dual responsibilities

Of the six foundations we reviewed, 16 state employees worked part-time. Only two of these foundations—the Missouri Transportation Finance Corporation and the Missouri Conservation Heritage Foundation—documented the state employees' time used for private foundation purposes. Officials from these two foundations said they fully account for the time that state employees spend on the foundation's work and reimburse the state accordingly. However, current department policies and procedures do not adequately address this issue or the use of state business equipment such as computers or telephones for non-state activities.

Audit tests disclosed questionable time charges for the executive director who had dual responsibilities with the Hawthorn Foundation. This employee had discrepancies on two business trips over a 3-year period. For one trip to Ireland, the executive director wrote a letter to the Missouri Ethics Commission explaining that the trip was for private foundation activities and not for state business. The expense reports showed that the travel related expenditures were paid for by foundation funds. However, the employee charged the state for this time. The director of the Department of Economic Development, who supervised this employee, said the employee's time should have been better documented. To alleviate any potential liability to the state, the employee should have charged this time as either annual leave or leave without pay.

Questionable
time charges
were found

Conclusions

Although private foundations can benefit state programs, state departments had no records to document the amount of all state resources provided these foundations or guidance concerning state involvement and support. Three of the six affiliations we reviewed had no agreement defining how basic operating procedures would be handled between the state departments and the private foundations. None of the foundations had leases with the state. In these cases, state departments did not record or justify state resources provided to these private foundations or seek reimbursement. State departments did not provide adequate guidance to state employees sharing dual responsibilities with private entities. These affiliations may create compromising situations to state employees with potential liability exposures to the state.

Without an operational agreement, state officials have no assurance that state resources were used effectively for state authorized purposes, or that the assistance from private foundations and the state are proportionate. Before future state funds or resources are expended on these affiliations, each state department should establish agreements with respective foundations which reflect the expected contributions from state resources and private foundations. These agreements should also contain mechanisms to measure the specific results of these affiliations against the expectations to justify their continuance.

Recommendations

We recommend the Governor require:

- 1.1 State departments to have operational agreements with affiliated not-for-profit foundations establishing measurable operational expectations, contributions, and results.
- 1.2 State departments to have leases with any not-for-profit foundation housed in state-owned facilities. These leases must also protect the state from liability for damages that occur on state property.
- 1.3 The Department of Economic Development employee to reimburse the state for time claimed as state business but spent for private purposes.

Commissioner of Administration responses:

- 1.1 *The Office of Administration will convene an interagency work group to develop and recommend guidelines for operational agreements between state departments and affiliated not-for-profit foundations. Based on the recommendations of the work group the Commissioner will issue appropriate guidelines for operational agreements with not-for-profit foundations to executive agency officials.*
- 1.2 *The Office of Administration will convene an interagency work group to develop and recommend policies governing housing of not-for-profit foundations in state-owned facilities including the need to protect the state from liability for damages that occur on state property. Based on the recommendations of the work group, the Commissioner will issue appropriate policies for leasing space to not-for-profit foundations to executive agency officials.*
- 1.3 *DED response: DED directed this employee to amend his timesheets for that time period to reflect annual leave and the corresponding deduction has been made from the employee's annual leave balance.*

SIX NOT-FOR-PROFIT FOUNDATIONS

This appendix describes the six foundations reviewed that were affiliated with state departments. Each foundation is considered a “quasi-governmental” entity because their primary function is to assist a state department in meeting its public mission. However, their funding is typically derived from private donations, membership contributions, non-direct solicitations through events and functions, or Federal grants that require a partial state matching of funds. Since each is privately incorporated, their activities and records are provided legal protection from public scrutiny.

Excellence In Missouri Foundation

The Excellence In Missouri Foundation was established in 1992 by a Governor’s executive order to bring the management philosophies of the Malcolm Baldrige National Quality Award program to Missouri. In addition to the awards programs, the Foundation conducts education and support services to promote excellence principals in manufacturing, service, education, government, and health care. It engages in activities which seek to educate the general public, encourage and reward quality in business, and promote an economic climate to foster and enhance the prosperity of the citizens of the state. This organization maintains a direct working relationship with the Department of Economic Development, as well as the Governor’s Office.

The Hawthorn Foundation

The Hawthorn Foundation was established in 1981 by a Governor’s executive order. It is comprised of voluntary non-partisan Missouri business leaders to supplement and support the mission and goals of the Governor’s Office and the Missouri Department of Economic Development. The foundation helps attract business to the state by either locating in Missouri or trading with Missouri businesses. It also helps fund creative projects that cannot be paid for by state funds. For example, the foundation is used to support elaborate dining, event receptions, and gifts for dignitaries and businessmen to promote and market activities that contribute to the economic growth of the state. The state then, by this affiliation, benefits from the good will these acts help to generate, according to the Director of the Department of Economic Development.

Missouri Association of Community Development Corporation

This foundation was established in 1997 by Senate Bills 1 and 3 to strengthen and support community development corporations through networking, resource development, advocacy, training and technical assistance. A contractual agreement between the foundation and the Department of Economic Development exists whereby the department provides funding and space to support the foundation to further its goals. The foundation is also partially funded through annual dues from associate community members across the state. With the assistance of the department, the association will serve as a clearinghouse for information for community development corporations.

The Missouri Conservation Heritage Foundation

The Missouri Conservation Heritage Foundation was organized by the Conservation Commission in 1997. The foundation's mission is to provide preservation, conservation and environmental opportunities to the public in the state of Missouri. By a memorandum of understanding between the foundation and the Conservation Commission, the foundation assists and supports the policies of the Commission through raising funds and developing programs to protect, increase public awareness of, and promote the wildlife, fish and forests of Missouri.

Missouri Rural Foundation

The Missouri Rural Foundation was formed in 1995 as a partner of Missouri Rural Opportunities Council¹ to enable private contributions to fund seminars and conferences that benefit the council. These activities are to enhance opportunities or resolve issues in rural communities of Missouri by developing and disseminating information on infrastructure improvements, health and human needs, innovative finance, telecommunications issues and provide workshops, seminars, and conferences. This foundation maintains a direct working relationship with the Department of Economic Development.

Missouri Transportation Finance Corporation

The Missouri Transportation Finance Corporation was established in 1996 as the “infrastructure banking system” identified in the federal Transportation Equity Act for the 21st Century.² This act established a program to channel federal funds into a non-partisan organization independent of political party influence. This corporation maintains a direct working relationship with the Department of Transportation and the Missouri Highways and Transportation Commission.

¹ The Missouri Rural Opportunities Council (the council) was formally organized in November 1992 as Missouri's official state rural development council. A memorandum of understanding between the state and the U.S. Department of Agriculture created the council. It is required to obtain at least 25 percent of its funding from non-federal sources, and the state ensures that sufficient non-state resources are provided.

² Under the National Highway System Designation Act of 1995, the federal government established a pilot program to address the development and implementation of a method to control federal funds that are appropriated to various states for the development and expansion of state transportation systems. A supplemental agreement called the Transportation Equity Act for the 21st Century was established with the state to authorize the development of an infrastructure banking program for controlling such federal funds.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of this audit was to determine the adequacy of controls used by the state departments to ensure operations of both entities were separate and distinct from one another.

Scope

The scope of this audit was limited to not-for-profit foundations affiliated with state departments and agencies located in state office space in Jefferson City.

Methodology

We obtained the list of the 31,684 not-for-profit foundations registered with the Missouri Secretary of State's Office as of November 2000. This list included the registered name of the not-for-profit foundation, as well as their registered "headquarters" address. We identified the primary zip codes associated with the downtown "governmental" areas of Jefferson City, Kansas City, St. Louis, Springfield, St. Joseph, and Joplin, to identify the not-for-profit foundations whose addresses fell within these specific zip codes. We obtained a list of state-owned facilities from the Office of Administration's Facilities Management Division. By comparing "headquarters" addresses of both the state departments as well as the not-for-profit foundations, we identified 23 not-for-profit "quasi-governmental" foundations whose registered addresses matched state-owned facility addresses. All of the identified not-for-profit foundations were located within Jefferson City.

We sent survey questionnaires to the 23 not-for-profit foundations to obtain general information regarding their affiliations with state departments and agencies, as well as their organizational and operational structures. To focus our review, not-for-profit foundations operating with state departments that met the following criteria were selected:

- Headquartered and operated within a state-owned facility.
- Used state communication systems to facilitate their general operations, via computer services and/or telephone service.
- Had state employees perform significant organizational management or support functions for the private not-for-profit corporations.
- Assigned a vendor identification number through the Office of Administration.

Based on survey results, we selected six not-for-profit foundations for a detailed review.

APPENDIX II

To assess state departments' resources used with not-for-profit foundations, we:

- Reviewed state statutes, regulations, and department policies.
- Reviewed the operational structure and missions of the not-for-profit foundations and their relationship with the affiliated state department.
- Reviewed state department records and records voluntarily provided by some not-for-profit foundations.
- Reviewed the activities conducted by the not-for-profit foundations, and identified the impact to the affiliated state department.
- Identified the amount of state contributions and resources that were consumed as a result of these coexisting partnership arrangements.
- Calculated an estimated value of state contributions (state employee salaries and benefits, office space, supplies) to the affiliated not-for-profit foundations, then researched for reimbursement to the state.
- Reviewed the adequacy of existing state department policies and procedures that address the coexistence of both business entities sharing state office space and resources.
- Determined the amount of government oversight empowered to the state over activities associated with these business relationships.
- Obtained payroll records from the Office of Administration of state employees who provided administrative or management function for the state and the six selected not-for-profit foundations for the period 1997 to 2001.

APPENDIX III

5-YEAR ESTIMATED STATE FUNDS USED FOR PRIVATE PURPOSES

This appendix describes the calculations for the estimated \$278,987 in public funds provided to six not-for-profit foundations affiliated with state departments shown in tables III.1, III.2, and III.3.

Table III.1: Estimated 5-Year Administrative Support for the Six Foundations Using State Employees

Not-For-Profit Foundation	State Dept.	Number of Employees	Average time Used	Amount of Unreimbursed Funds Used for State Employee Time ¹					
				1997	1998	1999	2000	2001 ²	Total
The Hawthorn Foundation	DED	3	22%	\$11,768	\$12,195	\$14,676	\$15,208	\$15,741	\$69,588
Mo. Rural Foundation	DED	2	8%	3,826	4,148	4,295	5,364	5,552	23,185
Mo. Association of Community Development Corporations	DED	1	5%	1,337	1,386	1,436	1,488	1,540	7,187
Mo. Transportation Finance Corp. ³	MoDOT	7	11%	0	0	0	0	0	0
Mo. Conservation Heritage Foundation ³	MDC	3	40%	0	0	0	0	0	0
Excellence In Missouri Foundation	DED	0	0%	0	0	0	0	0	0
Totals				\$16,931	\$17,729	\$20,407	\$22,060	\$22,833	\$99,960

Source: Prepared by auditors

Notes: ¹These estimates were calculated using the employees' annual salary and based on the percent of time each employee spent on private business.

²The 2001 estimates were projected through the end of the calendar year based on actual costs through June 2001.

³The Missouri Transportation Corporation and Missouri Conservation Heritage Foundation reimbursed the state \$169,464 and \$24,440, respectively, for the cost of state employee salaries.

APPENDIX III

5-YEAR ESTIMATED STATE FUNDS USED FOR PRIVATE PURPOSES

Table III.2: State Funds Used for Accrued Benefits of State Employees Performing Foundation Work

Not-For-Profit Foundation	State Dept.	Number of Employees	Avg. time Used	Unreimbursed State Funds Used for Accrued Benefit Costs ¹					
				1997	1998	1999	2000	2001 ²	Total
The Hawthorn Foundation	DED	3	22%	\$4,725	\$4,689	\$5,037	\$4,987	\$4,951	\$24,389
Mo. Rural Foundation	DED	2	8%	1,654	1,641	1,762	1,738	1,724	8,519
Mo. Association of Community Development Corporations	DED	1	5%	460	457	490	484	481	2,372
Mo. Transportation Finance Corp.	MoDOT	7	11%	11,271	11,180	11,998	11,812	11,711	57,972
Mo. Conservation Heritage Foundation	MDC	3	40%	0	0	0	0	0	0
Excellence In Missouri Foundation	DED	0	0%	0	0	0	0	0	0
Totals				\$18,110	\$17,967	\$19,287	\$19,021	\$18,867	\$93,252

Source: Prepared by auditors

Notes: ¹These estimates were calculated using the employees' annual benefits based on the percent of time respective employees worked on private business.

²The 2001 estimates were projected through the end of the calendar year based on actual costs through June 2001.

Table III.3: Estimated Facility and Operational Support

Not-For-Profit Foundation	State Dept.	Square feet Used By NFP	Avg. time Used	State Funds Used for Facilities and Operational Support ¹					Totals
				1997	1998	1999	2000	2001 ²	
The Hawthorn Foundation	DED	600	22%	\$1,375	\$1,448	\$1,475	\$1,440	\$1,510	\$7,248
Mo. Rural Foundation	DED	400	8%	344	362	369	360	377	1,812
Mo. Association of Community Development Corporations	DED	400	5%	115	121	123	120	1,131	1,610
Mo. Transportation Finance Corp.	MoDOT	749	11%	111	116	122	128	135	612
Mo. Conservation Heritage Foundation	MDC	360	40%	0	35	37	952	1,001	2,025
Excellence In Missouri Foundation	DED	1200	0%	13,752	14,472	14,748	14,400	15,096	72,468
Totals				\$15,697	\$16,554	\$16,874	\$17,400	\$19,250	\$85,775

Source: Prepared by auditors

Notes: ¹These estimates were calculated using the Office of Facility Management's cost of square footage per location based on the percent of time respective employees worked on private business.

²The 2001 estimates were projected through the end of the calendar year based on actual costs through June 2001.



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**ABOLISHMENT OF
TOWNSHIP GOVERNMENT
IN WRIGHT COUNTY**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-120
December 28, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2001

IMPORTANT: This report contains information about the abolishment of township government in Wright County. This report discusses the sequence of events leading to the abolishment of the township, the procedures followed during the abolishment, and the issues facing Wright County in the future as a result of the abolishment of the township organization form of government.

On April 3, 2001 Wright County voters approved the abolishment of the township form of government. As a result, township officials were required by law to turn over records and title to all property to the county. In addition, all outstanding township debt became liabilities of the county.

Wright County received \$339,703 from township bank accounts and became responsible for paying more than \$89,000 in township liabilities. Township road equipment and other personal and real property were turned over to Wright County as required by law.

Problems were identified with townships' legal compliance and record keeping; including several townships failed to file annual financial reports with the State Auditor's Office, some township records were incomplete, and some financial transactions of townships appeared questionable.

Prior to the abolishment, individual townships were primarily responsible for maintaining 650 miles of county roads. Subsequently, such responsibility for road maintenance is now with the county. As township tax levies were eliminated by the abolishment, the Wright County Commission reviewed various ways to obtain funding and on November 6, 2001 Wright County voters passed a one-half cent sales tax to fund county road improvements.

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YELLOW SHEET

ABOLISHMENT OF
TOWNSHIP GOVERNMENT
IN WRIGHT COUNTY

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Wright County, Missouri

We have audited the abolishment of the township organization of government in Wright County. The scope of this audit included, but was not necessarily limited to, the four months ended April 30, 2001, and the year ended December 31, 2000. The objectives of this audit were to:

1. Summarize and evaluate financial data for the various townships and review certain township transactions prior to the abolishment.
2. Assess the degree of county and township compliance with certain statutes governing townships and the abolishment of township government.
3. Review efforts by the county to address the financial impact of the township abolishment on the county.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed various township and county records, interviewed applicable county and township personnel, and reviewed applicable state laws.

Our audit was limited to the specific matters described above and was based on procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying appendices are presented for informational purposes. This information was obtained from the management of Wright County and was not subjected to the procedures applied in the audit of the abolishment of the township organization of government in Wright County.

The following report presents the results arising from our audit of the abolishment of the township organization of government in Wright County.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

September 20, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA
Audit Staff:	Ted Fugitt, CPA

OBJECTIVES, SCOPE, AND METHODOLOGY

**ABOLISHMENT OF
TOWNSHIP GOVERNMENT
IN WRIGHT COUNTY
OBJECTIVES, SCOPE, AND METHODOLOGY**

Objectives

The objectives of this report were to 1) summarize and evaluate financial data for the various townships and review certain township transactions prior to the abolishment, 2) assess the degree of county and township compliance with certain statutes governing townships and the abolishment of township government, and 3) review efforts by the county to address the financial impact of the township abolishment on the county.

Scope

The scope of this audit included, but was not necessarily limited to, the four months ended April 30, 2001, and the year ended December 31, 2000.

Information used to compile this report included:

- Financial records turned over to the Wright County Clerk's office by the twelve townships.
- Records maintained by and discussions with the Wright County Clerk on the abolishment process.

Methodology

Information concerning the abolishment vote and related ballot issues was obtained from the Wright County Clerk. The amount of township cash in bank accounts, personal and real property, insurance refunds, and liabilities was obtained from abolishment records maintained by the Wright County Clerk. Township records turned over to the Wright County Clerk were reviewed resulting in the identification of questionable township transactions, noncompliance with state law, and incomplete financial records.

The number of miles of road by township was obtained from the Wright County Clerk.

Receipt, disbursement, and cash balance information for eleven of the twelve townships was compiled for the four months ended April 30, 2001, and the year ended December 31, 2000. This compilation of financial data is presented in Appendices A-1 and A-2. Records turned over to the County Clerk by Gasconade Township were not sufficient to obtain complete financial data, and therefore; such financial data is not included. The assessed valuations and tax levies presented in Appendix B represent amounts that are certified to the State Auditor's Office by the Wright County Clerk. Also presented in Appendix B are delinquent tax amounts for each township obtained from the Wright County Collector. Appendix C lists the elected officials of

the twelve townships as provided by the Wright County Clerk. Several townships also had one or more employees at the time of the abolishment that are not included in Appendix C.

Limitations

Appendices A-1 and A-2 present unaudited financial data of the townships.

Property tax collection records maintained by each individual Township Collector were not included in this audit.

RESULTS

ABOLISHMENT OF TOWNSHIP GOVERNMENT IN WRIGHT COUNTY RESULTS

Section 65.010, RSMo, provides third class counties an alternative form of county government known as the township organization, which divides the county into small political subdivisions referred to as townships. The townships are primarily responsible for maintaining and improving county roads within the townships. Prior to April 3, 2001, Wright County was divided into twelve townships.

On April 3, 2001, the residents of Wright County voted to abolish the county's township organization form of government. Other than Wright County, Daviess County was apparently the only other Missouri county to abolish township government. Daviess County abolished townships in 1946, but then reversed the decision in 1950 and returned to the township organization form of government. Prior to April 3, 2001, 23 of Missouri's 90 third class counties operated under the township form of government.

This report discusses the sequence of events leading to the abolishment of the townships, the procedures followed during the abolishment, and the issues facing Wright County in the future as a result of the abolishment of the township organization form of government in Wright County.

THE VOTE

The question of whether to abolish the township form of government in Wright County was placed on the ballot on April 3, 2001, as a result of a petition signed by Wright County voters. The township abolishment issue was previously defeated by Wright County voters in November 1998. Section 65.610, RSMo, requires the petition to contain the signatures of at least 100 qualified electors. The petition, with the required number of signatures, was submitted to the Wright County Clerk's office in November 2000. The question was then placed on the ballot in the next election as required by Section 65.610, RSMo. Section 65.610, RSMo, requires a simple majority to abolish the township form of government. Wright County voters passed the issue, 1,996 (Yes) to 1,648 (No).

New county-wide road and bridge levy fails

The April 2001 ballot also included a corresponding question on whether to levy a \$.40 tax per \$100 of assessed valuation for county road and bridge purposes to replace the existing township road and bridge levies, if the vote on the question to abolish the township organization was passed. The individual townships had levies ranging from \$.35 to \$.46 for road and bridge and general revenue purposes that would cease to exist if the townships were abolished.

The Wright County Commission placed this question on the ballot anticipating that voters might approve the abolishment, leaving the county with additional responsibilities for township roads but without the property tax levies which the townships had for funding those responsibilities. During 2000, the townships' levies generated approximately \$300,000 in property taxes, most of

which was used for road and bridge purposes. The \$.40 tax levy on the April ballot would have substantially replaced this amount. This issue failed by a vote of 1,067 (Yes) to 1,283 (No).

The Mountain Grove Township is encompassed by the Mountain Grove Special Road District, which has its own road and bridge levy of \$.25 per \$100 of assessed valuation. Voters in that township did not have the \$.40 tax levy noted in the preceding paragraph on their ballot. Instead, they voted on a proposition to levy an additional \$.07 for road and bridge purposes to replace the existing township general revenue levy, if the question of whether to abolish the township form of government passed. Mountain Grove Township's general levy generated approximately \$27,000. This proposition failed by a vote of 447 (Yes) to 706 (No).

The results by township of the votes in the April 2001 election are as follows.

	Township Abolishment		\$.40 County R&B Levy	
	Yes	No	Yes	No
Boone	130	27	96	57
Brush Creek	59	34	46	40
Clark	220	91	120	178
Elk Creek	61	6	48	18
Gasconade	121	39	94	60
Hart	139	53	95	82
Montgomery	34	97	24	104
Mountain Grove	524	613	*	*
Pleasant Valley	183	400	155	398
Union	247	32	206	64
Van Buren	36	72	23	84
Wood	151	108	104	145
Absentee	91	76	56	53
Total	1,996	1,648	1,067	1,283

* The Mountain Grove township is encompassed by the Mountain Grove Special Road District and voted on a separate road levy. The results of that vote are noted below.

	\$.07 Mountain Grove Special Road Levy	
	Yes	No
Mountain Grove	447	706

THE ABOLISHMENT

State law provides the manner in which the abolishment of township government is to proceed. The law includes provisions for the transfer of title to township owned property, for the outstanding obligations and liabilities of the townships, for the turnover of township records, and for the change in township and county officials.

Townships began turning assets over to the County Clerk the day after the election

Section 65.620, RSMo, states, “Upon the abolition of the township organization, title to all property of all kinds theretofore owned by the several townships of the county shall vest in the county and the county shall be liable for all outstanding obligations and liabilities of the several townships.” This statute further requires townships to promptly deliver all property to the county.

Beginning on April 4, 2001, township officials began delivering property owned by each township to the county. The county received a total of \$339,703 from the townships’ bank accounts. Based upon the ratio between each township’s general and road levies, the County Clerk placed \$264,364 into the county’s special road and bridge fund and \$75,339 into the county’s general fund.

The amount of cash in bank accounts turned over to the county, by each township, is as follows:

<i>Township</i>	<i>Amount</i>
Boone	\$ 15,629
Brush Creek	33,786
Clark	43,255
Elk Creek	16,329
Gasconade	41,127
Hart	52,303
Montgomery	42,065
Mountain Grove	904
Pleasant Valley	20,484
Union	15,018
Van Buren	18,293
Wood	<u>40,510</u>
Total	339,703

The townships also turned over personal property. The following is a list prepared by the County Clerk of all township personal property turned over to the county.

Personal Property turned over to the county by Townships:

Boone

Fiat Allis road grader
2 new chains
2 used chains

Clark

Gallion road grader
300 gallon fuel tank and stand
Approximately 200 gallons of fuel

Gasconade

Gallion road grader
1979 Chevrolet dump truck
Case backhoe
Air compressor
Approximately 480 gallons of fuel
Approximately 250 gallons of gas
Approximately 55 gallons of hydraulic oil
1 set of used chains

Montgomery

Champion road grader
300 gallon fuel tank
6 used chains

Mountain Grove

None*

Union

Fiat Allis road grader

Van Buren

None**

Brush Creek

Gallion road grader
1 set of used chains
300-gallon fuel tank and stand
Approximately 150 gallons of fuel

Elk Creek

Gallion road grader
Approximately 150 gallons of fuel
30 gallons of motor oil
15 grader blades

Hart

John Deere road grader
1977 Ford pickup
Air compressor
300 gallon fuel tank and stand
Approximately 200 gallons of fuel
4 used chains
8 grader blades
Used tires

Pleasant Valley

John Deere road grader
JCB backhoe
Chevrolet dump truck
Coleman air compressor
Stihl chainsaw
3 pair of grader chains
8 recap grader tires
Approximately \$450 in tools and supplies

Wood

Gallion road grader
75 gallon fuel tank
Twenty 7-foot grader blades

*No personal property was turned over by the Mountain Grove Township, which is encompassed by the Mountain Grove Special Road District. This political subdivision is still in existence and owns road equipment.

**The Van Buren Township sold its grader to a township employee and did not turn over any personal property to the county.

On September 22, 2001 the county sold several pieces of township equipment at auction receiving approximately \$39,000 in proceeds. The remaining assets have been placed on the county's general fixed asset records and added to the county's property insurance policy.

The Pleasant Valley Township also owned 3.7 acres with a building on it that became county property upon the abolishment. The Wright County Assessor's office has appraised the property at \$11,100 and the building at \$10,800.

Most of the townships also had insurance policies in effect that had not yet lapsed at the time of the abolishment. The County Clerk contacted the various insurance companies of the townships and sought refunds. The following table reflects the County Clerk's list of insurance refunds received by the county as a result of the abolishment.

Refunds received by the county on township insurance policies:

<i>Township</i>	<i>Amount</i>
Boone	\$ 82
Brush Creek	185
Clark	1,417
Elk Creek	784
Gasconade	2,571
Hart	1,993
Montgomery	0
Mountain Grove	0
Pleasant Valley	1,830
Union	120
Van Buren	35
Wood	<u>0</u>
Total	9,017

The amount of refund the county received for Clark Township, as shown above, includes \$1,234 for an insurance premium the Clark Township had mistakenly double paid just prior to the abolishment election.

Approximately \$2,800 in insurance refunds are still due to the county

Township records indicate there may be as much as \$2,800 in additional insurance refunds due to the county, which have not been collected. We identified payments made by Wood, Clark, Montgomery, and Pleasant Valley Townships for insurance premiums just prior to the abolishment for which refunds appear due. The County Clerk is following up on these insurance policies to ensure all refunds due to the county are received.

Wright County is responsible for paying more than \$89,000 in township liabilities

Along with cash, personal property, and real estate, the townships also submitted more than \$89,000 in unpaid liabilities to the county. The following is a list obtained from the Wright County Clerk of township liabilities subsequent to the abolishment. However, there may be additional liabilities unknown to the county at the time of our audit.

Unpaid township liabilities submitted to the county for payment:

<i>Township</i>	<i>Amount</i>
Boone	\$ 0
Brush Creek	1,835
Clark	1,424
Elk Creek	160
Gasconade	837
Hart	45
Montgomery	1,938
Mountain Grove	0
Pleasant Valley	79,993
Union	1,954
Van Buren	0
Wood	<u>898</u>
Total	89,084

Pleasant Valley Township had the largest unpaid liability at the time of the abolishment due to a \$79,540 outstanding lease purchase agreement for a grader. Also reflected in the amounts above are two townships, Gasconade and Union, who because of poor record keeping wrote checks from their bank accounts in excess of their account balance and overdrew their accounts at the time of the abolishment. Gasconade and Union Townships overdrew their accounts by \$792 and \$370, respectively. Wright County paid these amounts.

All amounts listed on the table above have been paid by Wright County except for the outstanding lease purchase agreement of \$79,540. The county has plans to pay the lease payments as they become due.

Problems were identified with townships' legal compliance, records, and transactions

Our audit of the abolishment of the township organization form of government in Wright County identified, noncompliance with state law, incomplete township records, and unusual and questionable township transactions.

The following is a summary of the problem areas identified:

- **Townships failed to file annual reports with the State Auditor's Office.**

Section 105.145, RSMo, requires townships to file a financial report with the State Auditor's Office annually. The financial report is to be filed within four months after the end of the township's fiscal year. As shown below most of the townships have failed to comply with state law. The following table shows, by township, the last year reported to the State Auditor and the date it was received.

<u>Township</u>	<u>Reported Year Ending</u>	<u>Date Received</u>
Boone	December 31, 1993	November 16, 1994 (1)
Brush Creek	December 31, 1999	April 3, 2000 (2)
Clark	December 31, 1999	May 1, 2000 (2)
Elk Creek	December 31, 1997	August 21, 1998 (1)
Gasconade	December 31, 1996	May 7, 1997 (1)
Hart	June 30, 1999	February 14, 2000 (2)
Montgomery	June 30, 2000	August 25, 2000
Mountain Grove	December 31, 2000	February 1, 2001
Pleasant Valley	December 31, 1996	January 27, 1997 (1)
Union	December 31, 1999	March 10, 2000 (2)
Van Buren	December 31, 2000	February 9, 2001
Wood	December 31, 1998	March 10, 1999 (1)

(1) No financial report has been received by the State Auditor's Office for two or more years.

(2) No financial report for the year ending 2000 received by the State Auditor's Office.

By failing to prepare and submit an annual financial report to the State Auditor's Office, the townships have violated state law and prevented taxpayers access to necessary financial information of the township.

- **Some township records were incomplete.**

Section 65.620, RSMo, requires that upon the abolition of township organization, all township officers promptly deliver to the appropriate county officer all records pertaining to their offices. During our review of the township records turned over to the County Clerk, we noted that some of the townships' records were incomplete. For example, we noted missing bank statements, a lack of investment records, and incomplete check registers for several of the townships. Records turned over by the Gasconade Township were not sufficient to compile complete financial data. The Gasconade Township did not maintain a running balance in their check register, did not retain bank statements, and did not maintain fund ledgers or any other record of township receipts.

- **Other problem areas were identified and include the following:**

Van Buren Township sold a grader with an estimated value ranging from \$12,000 to \$27,000 to an employee for only \$2,000 just prior to the abolishment.

Montgomery Township wrecked a grader and paid \$7,000 in medical costs for the grader operator.

Some townships did not carry worker's compensation insurance coverage subjecting themselves to possible financial loss.

Gasconade Township spent \$240 in legal fees to try to obligate the county to use township funds on Gasconade roads after the abolishment by entering into contracts with area rock haulers.

Pleasant Valley Township failed to file some payroll tax reports.

Payments to some township officials were in excess of amounts allowed by statute and appear questionable.

At least two townships hosted Christmas dinners and gave Christmas bonuses, which does not represent a necessary and prudent use of public funds.

Abolishment required changes in county officials

Prior to the abolishment of township organization, Cindy Cottengim served as County Treasurer and Ex-Officio County Collector. In addition, each of the 12 townships elected their own collector who was responsible for collecting property taxes from November through February of each tax year. The Ex-Officio County Collector was responsible for collecting the delinquent property taxes, and was paid a salary of \$31,160 annually by Wright County. Compensation for the township collectors was on a commission basis and was withheld from property taxes collected by the township collectors. Commissions withheld from taxes collected by township collectors totaled \$36,555 during the four months ended February 28, 2001.

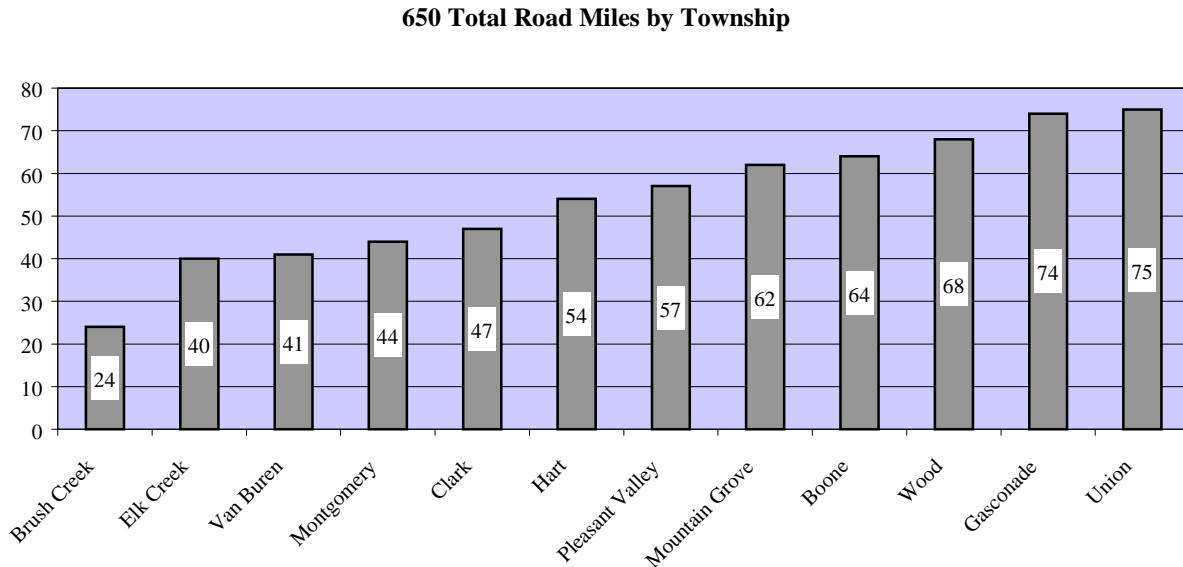
As required by Section 65.620(1), RSMo, upon the abolishment of the townships, Cindy Cottengim became the Wright County Collector, and is now responsible for collecting all property taxes levied in Wright County. In accordance with Section 65.620(3), RSMo, the terms of office of the township collectors expired upon the abolition of the township organization.

The Wright County Commission appointed Naomi Gray on April 4, 2001 to serve as Wright County Treasurer. She continued to serve in that capacity until Governor Holden appointed Faye Campbell to the position on June 8, 2001. Based upon state law and decisions made by the Wright County Salary Commission, the county has determined the salary of the County Treasurer to be \$23,060 per year, and the salary of the County Collector remains at \$31,160 per year.

THE FUTURE

Wright County is now responsible for all road maintenance and improvement

Wright County has approximately 650 miles of county roads that were divided among the various townships prior to the abolishment. As a result of the abolishment the county is now responsible for all county roads, except the 62 miles of road in the Mountain Grove Special Road District. The following chart shows the miles of road by township prior to the abolishment.



Prior to the abolishment, the county's responsibility for roads consisted of building and maintaining all county bridges and all county paved roads. The county also performed maintenance on culverts and cut brush along county roads. At the request of a township the county also offered assistance by spreading gravel or chat to rebuild roads or perform snow removal. The county would occasionally provide funding to the townships for special projects.

The county's road efforts are funded through the county's special road and bridge fund. The main source of revenue to this fund is the County Aid Road Trust (CART) revenue received from the state. Wright County received approximately \$900,000 in CART revenues in 2000.

Each of the 12 townships were responsible for grading and maintaining all the gravel roads within their respective townships. The township's road efforts were funded by the property taxes levied by each township. These tax levies generated approximately \$300,000 per year in revenue.

As a result of the abolishment, the county has undertaken efforts to secure additional funding for the responsibilities of township roads.

Wright County pursues various alternatives to obtain funding for roads

The Wright County Commission considered placing on the August 2001 ballot a proposition for a \$.35 levy per \$100 of assessed valuation for the maintenance of county roads and bridges outside the special road district. However, the County Commission withdrew the proposition due to legal questions.

Each township had a general and a road and bridge tax levy prior to the abolishment. The townships' general tax levies ranged from seven to ten cents per \$100 assessed valuation. Because the townships general levies were the result of an allocation of 20 percent of the county's \$.50 general levy, the Wright County Clerk contacted the State Auditor's Office to determine what effect the abolishment of the township's general levies would have on the county's general revenue tax rate ceiling. It was determined the result would be a \$.06 increase in the county's tax rate ceiling for general revenue.

Attorney General's Opinion No. 18, 1986 to Lybyer indicates that a county that abolishes the township form of government cannot impose a road and bridge levy without voter approval. In an effort to obtain clarification on the status of the townships' road and bridge levies after the abolishment, the Wright County Prosecuting Attorney has requested an attorney general's opinion on whether the road and bridge levies of the townships can be transferred to the county. No opinion had been returned as of our fieldwork completion date.

On November 6, 2001 Wright County voters approved a \$.005 sales tax for road and bridge purposes. The issue passed 849 (Yes) to 664 (No). The sales tax will become effective in April 2002, and Wright County anticipates it will generate approximately \$650,000 annually.

The ballot question also called for the elimination of the Mountain Grove Special Road District's \$.25 road and bridge levy, and to replace it with 30 percent of the proceeds from the sales tax. This \$.25 road and bridge levy generated approximately \$95,000 annually, but 30 percent of the sales tax revenue is anticipated to be \$195,000 annually.

Outlook and concluding remarks

Given the limited guidance to follow, the abolishment process in Wright County appears to have been carried out efficiently and in compliance with the Attorney General Opinion and the limited amount of law on the subject. The county did not experience a major, immediate financial impact from the abolishment of the township organization and the related failure of the countywide road and bridge tax levy because the townships had already collected their current taxes for 2000. The funding of future road and bridge activities appears secured with the recently approved \$.005 sales tax. This sales tax will replace the townships road and bridge tax levies eliminated after the abolishment, and provide Wright County with the funding necessary for the additional responsibility for township roads. Wright County should continue to monitor their funding responsibilities of township roads, and ensure legal guidance is obtained concerning the implementation of their new sales tax and agreement with the Mountain Grove Special Road District.

APPENDICES

Appendix A-1

ABOLISHMENT OF TOWNSHIP GOVERNMENT IN WRIGHT COUNTY

RECEIPTS, DISBURSEMENTS, AND CASH BALANCES

FOUR MONTHS ENDED APRIL 30, 2001

(Unaudited)

		Brush					Mountain	Pleasant					
		Boone	Creek	Clark	Elk Creek	Hart	Montgomery	Grove	Valley	Union	Van Buren	Wood	Total
RECEIPTS	\$												
Property taxes and other		14,558	8,720	19,463	9,633	23,632	26,897	24,241	45,983	24,603	12,395	35,438	245,563
Total receipts		14,558	8,720	19,463	9,633	23,632	26,897	24,241	45,983	24,603	12,395	35,438	245,563
DISBURSEMENTS													
Road maintenance and administration		9,011	1,502	4,306	2,039	7,458	10,074	27,800	41,702	13,505	4,020	5,330	126,747
Turnover to county*		15,629	33,786	43,255	16,329	52,303	42,065	904	20,484	15,018	18,293	40,510	298,576
Total disbursements		24,640	35,288	47,561	18,368	59,761	52,139	28,704	62,186	28,523	22,313	45,840	425,323
RECEIPTS OVER (UNDER)													
DISBURSEMENTS		(10,082)	(26,568)	(28,098)	(8,735)	(36,129)	(25,242)	(4,463)	(16,203)	(3,920)	(9,918)	(10,402)	(179,760)
CASH BALANCE, January 1		10,082	26,568	28,098	8,735	36,129	25,242	4,463	16,203	3,550	9,918	10,402	179,390
CASH BALANCE, April 30**		0	0	0	0	0	0	0	0	(370)	0	0	(370)

* Financial records of Gasconade Township were not sufficient to obtain complete financial data, and therefore are not presented. Gasconade Township turned over \$41,127 to the County Clerk on April 6, 2001.

**The negative cash balance for Union Township is the result of an overdraft of their bank account after the abolishment. Wright County subsequently paid the \$370 to the bank.

Appendix A-2

ABOLISHMENT OF TOWNSHIP GOVERNMENT IN WRIGHT COUNTY

RECEIPTS, DISBURSEMENTS, AND CASH BALANCES

YEAR ENDED DECEMBER 31, 2000

(Unaudited)

		Brush					Mountain	Pleasant					
		Boone	Creek	Clark	Elk Creek	Hart	Montgomery	Grove	Valley	Union	Van Buren	Wood	Total
RECEIPTS	\$												
Property taxes and other		23,245	13,566	29,364	15,700	37,632	23,109	28,579	61,108	32,578	24,423	38,867	328,171
Total receipts		23,245	13,566	29,364	15,700	37,632	23,109	28,579	61,108	32,578	24,423	38,867	328,171
DISBURSEMENTS													
Road maintenance and administration		16,640	6,833	21,964	17,321	27,687	28,658	34,189	79,315	36,802	29,211	49,978	348,598
Total disbursements		16,640	6,833	21,964	17,321	27,687	28,658	34,189	79,315	36,802	29,211	49,978	348,598
RECEIPTS OVER (UNDER)													
DISBURSEMENTS		6,605	6,733	7,400	(1,621)	9,945	(5,549)	(5,610)	(18,207)	(4,224)	(4,788)	(11,111)	(20,427)
CASH BALANCE, January 1		3,477	19,835	20,698	10,356	26,184	30,791	10,073	34,410	7,774	14,706	21,513	199,817
CASH BALANCE, December 31		10,082	26,568	28,098	8,735	36,129	25,242	4,463	16,203	3,550	9,918	10,402	179,390

Appendix B

ABOLISHMENT OF TOWNSHIP GOVERNMENT IN WRIGHT COUNTY ASSESSED VALUATIONS, TAX LEVIES AND DELINQUENT TAXES YEAR ENDED DECEMBER 31, 2000

Township	Assessed Valuation	Tax Levy Per \$100 of Assessed Valuation		Delinquent Taxes At April 1, 2001
		General Revenue	Road and Bridge	
Boone	\$ 5,189,027	\$ 0.08	\$ 0.29	\$ 3,040
Brush Creek	3,010,753	0.07	0.30	1,540
Clark	7,196,195	0.07	0.30	3,810
Elk Creek	3,156,587	0.08	0.32	1,110
Gasconade	6,937,119	0.10	0.34	3,970
Hart	6,853,956	0.10	0.30	3,150
Montgomery	4,096,338	0.10	0.36	2,050
Mountain Grove *	39,172,788	0.07	0.00	10,570
Pleasant Valley	17,154,042	0.07	0.28	10,430
Union	6,902,218	0.08	0.30	3,450
Van Buren	3,841,406	0.08	0.32	2,030
Wood	11,451,575	0.09	0.27	4,270
				<u>\$ 49,420</u>

* The Mountain Grove township was encompassed by the Mountain Grove Special Road District which had a levy for road and bridge purposes of 0.25.

Appendix C

ABOLISHMENT OF TOWNSHIP GOVERNMENT IN WRIGHT COUNTY TOWNSHIP ELECTED OFFICIALS APRIL 3, 2001

Boone

Glynda Dickinson, Clerk
Johnnie Lemons, Board Member
Charlie Miller, Board Member
Faron Adamson, Trustee
Billie McKneelen, Collector

Clark

Robin Hutson, Clerk
Della Storms, Board Member
Joe Locke, Board Member
Russell Raney, Trustee
Nadine Locke, Collector

Gasconade

Janettie Johnson, Clerk
Jack Hicks, Board Member
Jim E. Sampson, Board Member
Ray Johnson, Trustee
Beulah Short, Collector

Montgomery

Ruth Wade, Clerk
Conley McNeil, Board Member
Kenneth Coble, Board Member
Kenneth Wade, Trustee
Clarissia Washburn, Collector

Brush Creek

Pat Taylor, Clerk
Don Taylor, Board Member
Kenneth Jones, Board Member
Junior Pasley, Trustee
Jodi Stigall, Collector

Elk Creek

Lori Shaver, Clerk
Tom Jennings, Board Member
Jim Stewart, Board Member
Donald Long, Trustee
Cathern Long, Collector

Hart

Tammy Williams, Clerk
Zach Williams, Board Member
Paul Vanderbogart, Board Member
Helen Sanders, Trustee
Wayne Dixon, Collector

Mountain Grove

Harvey Carder, Clerk
Paul Gasperson, Board Member
Afton Gilley, Board Member
Eddie Welch, Trustee
Rosa Ault, Collector

Pleasant Valley

Mona Cox, Clerk
Frank Williams, Board Member
Terry Allen, Board Member
Doyle Cox, Trustee
Deanna Cornelius, Collector

Van Buren

Arlene Ellis, Clerk
Larry Turner, Board Member
Leotta Moore, Board Member
Karen Sinning, Trustee
Ruth Rippee, Collector

Union

Delbert Cook, Clerk
Jerry Hicks, Board Member
Bill Alford, Board Member
Phyllis Cook, Trustee
Paulette Barrett, Collector

Wood

Carol Barnes, Clerk
Bret Barnes, Board Member
Drace Feston, Board Member
Shirley Moore, Trustee
Tracy Chadwell, Collector



MISSOURI 3RD CLASS COUNTIES

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-119
December 18, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2001

IMPORTANT: This report contains information about the ninety-two (92) Missouri counties which do not have a county auditor. Currently there are ninety (90) such third class counties. Taney County became a first class county and Newton County became a second class county effective January 1, 2001. Using recently issued audit reports, county budgets, and county published financial statements, this report has been compiled to show comparative financial information. Data for the years 2000, 1999, and 1998 are presented in this report.

The highlights of our review include financial data regarding significant county funds (such as the General Revenue Fund, Special Road and Bridge Fund, and various sales tax funds) and comments regarding our review of the 1998 federal award expenditures and the 2000 published financial statements of all counties. This is the first year information regarding federal awards and published financial statements has been included.

The majority of the counties' General Revenue and Special Road and Bridge Funds had receipts and disbursements ranging from \$500,000 to \$1,499,999. Sales tax is the main source of receipts (average of 41 percent for all counties) for the General Revenue Fund, while intergovernmental revenues, such as federal and state aid, are the main source of receipts (average of 65 percent for all counties) for the Special Road and Bridge Fund.

One method for measuring counties' financial condition is to compare a fund's year-end cash balance to disbursements. The average ratio for the Special Road and Bridge Fund has decreased while the average ratio for the General Revenue Fund has increased. However, there has been little change in these ratios over the past three years.

General County Government represents the main disbursement category (average of 45 percent for all counties) for most counties' General Revenue Fund. Public Safety represents the next major disbursement category (average of 35 percent for all counties). For counties having a law enforcement sales tax, public safety disbursements may be paid from a law enforcement sales tax fund rather than the General Revenue Fund.

Sales tax funds are established by counties to account for additional sales taxes approved by voters and earmarked for a specific purpose, including capital improvements, law enforcement, and road and bridge work. Fifty counties have established one or more of these funds. During 2000 receipts into these type funds totaled approximately \$56,000,000.

Most counties receive federal financial assistance to operate various federal programs. While the majority of counties expended \$300,000 or less in federal awards during 1998,

(over)

YELLOW SHEET

a few expended more than \$900,000. Counties are required to submit a schedule of expenditures of federal awards (SEFA) to the State Auditor's Office with the annual budget. A review of each county's 1998 SEFA amounts determined that counties underreported federal award expenditures by approximately \$11,000,000, or 33 percent of total identified federal award expenditures. Inaccurate reporting could result in noncompliance with audit and reporting requirements which could result in future reductions of federal funds.

Counties are required to publish their annual financial statements by the first Monday in March of each year. A review of each county's 2000 published financial statements determined that most counties financial statements were good or fair and presented a significant portion of the required statutory information. About one-third of the counties did not publish their financial statement by the statutory deadline.

All reports are available on our website: www.auditor.state.mo.us

MISSOURI 3RD CLASS COUNTIES

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STATE AUDITOR'S TRANSMITTAL LETTER



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
County Commissions

The Missouri State Auditor's office, as required by Section 29.230, RSMo 2000, is responsible for audits of counties throughout the state which have not elected a county auditor. Currently, there are ninety such 3rd class counties (92 as of December 31, 2000). The State Auditor is required to conduct county audits once every four years; however, to assist counties in meeting federal audit requirements, the State Auditor also performs or contracts for a financial and compliance audit of various county operating funds every two years.

This report was compiled using recently issued audit reports, county budgets, and county published financial statements. The objectives of this report were to:

1. Compile various financial information of all 3rd class counties into comparative schedules.
2. Assess county data in relation to all 3rd class counties and identify significant trends or changes.

Because this report is based upon a combination of audited and unaudited information, no opinion can be expressed as to the accuracy of the unaudited amounts. This, along with differences which exist between counties with regard to their organization, funding sources, and financial reporting procedures, results in some comparison problems.

The State Auditor's office has issued an aggregate report on Missouri 3rd class counties for several years. To improve the presentation and better reflect information of interest to readers, changes have been made to the overall format and content of the report through the

years. For example, this year's report presents data and comments regarding federal awards to counties and published financial statements. We continue to solicit suggestions which may be beneficial to those involved in county government and other readers of this report.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

July 23, 2001 (field work completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	David Zaiser

EXECUTIVE SUMMARY

MISSOURI 3RD CLASS COUNTIES EXECUTIVE SUMMARY

The following tables, charts, and conclusions are highlights of our review of financial information of the 3rd class counties in Missouri. These highlights represent data of significant county funds, such as the General Revenue Fund, Special Road and Bridge Fund, and various sales tax funds. In addition, highlights are included from our review of the 1998 federal award expenditures and the 2000 published financial statements of all counties. Specific information has also been compiled into Schedules 1 through 7 of this report.

Overall receipts and disbursements

The following charts categorize the counties based on receipts and disbursements of the General Revenue and Special Road and Bridge Funds for the three years ended December 31, 2000, as presented in Schedules 1-A and 1-B.

General Revenue Fund						
	Receipts			Disbursements		
	2000	1999	1998	2000	1999	1998
< \$ 500,000	3	4	4	4	4	6
500,000 - 999,999	24	31	29	22	29	27
1,000,000 - 1,499,999	24	19	22	25	21	22
1,500,000 - 2,000,000	13	13	17	15	16	17
> \$ 2,000,000	28	25	20	26	22	20
Total	92	92	92	92	92	92

Special Road and Bridge Fund						
	Receipts			Disbursements		
	2000	1999	1998	2000	1999	1998
< \$ 500,000	4	3	2	7	3	5
500,000 - 999,999	32	34	34	31	37	30
1,000,000 - 1,499,999	34	33	38	31	33	39
1,500,000 - 2,000,000	13	15	10	12	11	13
> \$ 2,000,000	9	7	8	11	8	5
Total	92	92	92	92	92	92

Measuring financial condition

One method for measuring financial condition is to compare a fund's year-end cash balance to disbursements for the year. The average cash balance to disbursements ratios shown on Schedules 2-A and 2-B indicate that the Special Road and Bridge Fund ratio has slightly decreased, while the General Revenue Fund ratio has slightly increased. Over the past three years the General Revenue Fund ratio and Special Road and Bridge Fund ratio have experienced

little change. These schedules show the 2000 average cash balance to disbursement ratio was .33 and .33 for the General Revenue Fund and Special Road and Bridge Fund, respectively. These average ratios indicate cash available at year-end would fund county operations for approximately three to four months. The following table categorizes the counties based on the cash balance to disbursements ratios during the last three years.

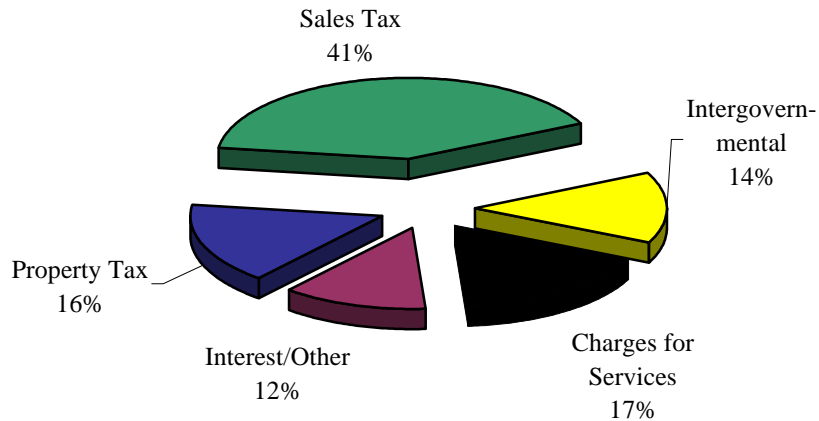
Cash Balance: Disbursements	General Revenue Fund			Special Road and Bridge Fund		
	2000	1999	1998	2000	1999	1998
> .90:1	7	4	4	7	7	11
.76:1 - .90:1	3	3	3	4	8	2
.61:1 - .75:1	6	7	4	7	6	2
.46:1 - .60:1	2	8	5	6	4	6
.31:1 - .45:1	15	12	13	8	11	18
.16:1 - .30:1	25	22	24	21	19	18
.0:1 - .15:1	30	33	37	38	36	35
< 0	4	3	2	1	1	0
Total	92	92	92	92	92	92

The table above shows that the majority of counties have a cash balance to disbursements ratio of .30 or less for both the General Revenue and Special Road and Bridge Fund. A declining ratio may be indicative of a poor or worsening financial condition, while a growing ratio might represent a county's effort to accumulate and reserve monies for a significant future purpose or an improved financial condition. While the cash balance to disbursements ratio can assist in analyzing financial condition, such factors as types of receipts, cash flow, receivables, debt, and discretionary versus mandated disbursements also have a significant effect on the financial well-being of a county. Additionally, the availability of sales tax funds as shown on Schedule 5 or an unusually large spending level in one year can distort the financial condition analysis.

Breakdown of receipts

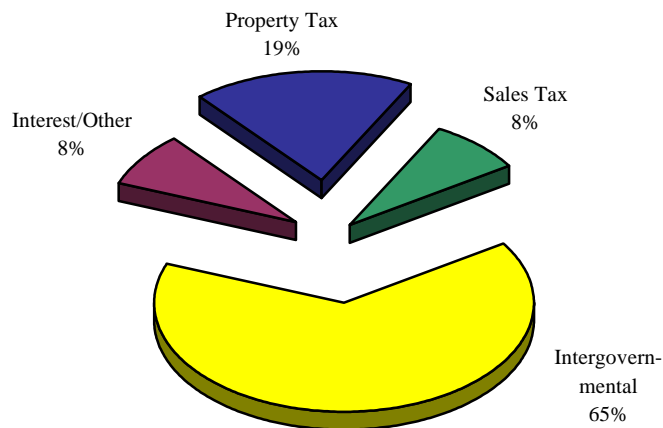
Sales tax receipts represent the main source of receipts for most counties' General Revenue Fund and are used to assist in meeting day-to-day operating and law enforcement costs. Schedule 3-A presents the composition of receipts into the General Revenue Fund for each county, whereas the following chart depicts the average receipt amounts as a percentage of the total for the General Revenue Fund for all 3rd class counties for 2000. There has been little change in the percentages for the three years ended December 31, 2000.

General Revenue Fund Percentage Composition of Receipts - 2000



Intergovernmental revenues represent the main source of receipts for most counties' Special Road and Bridge Fund. Intergovernmental revenues include, among other monies, state distributions of county aid road trust (CART) monies, federal bridge project and disaster monies, and other government distributions. Schedule 3-B presents the composition of receipts into the Special Road and Bridge Fund for each county, whereas the following chart depicts the average receipt amounts as a percentage of the total for the Special Road and Bridge Fund for all 3rd class counties for 2000. There has been little change in the percentages for the three years ended December 31, 2000.

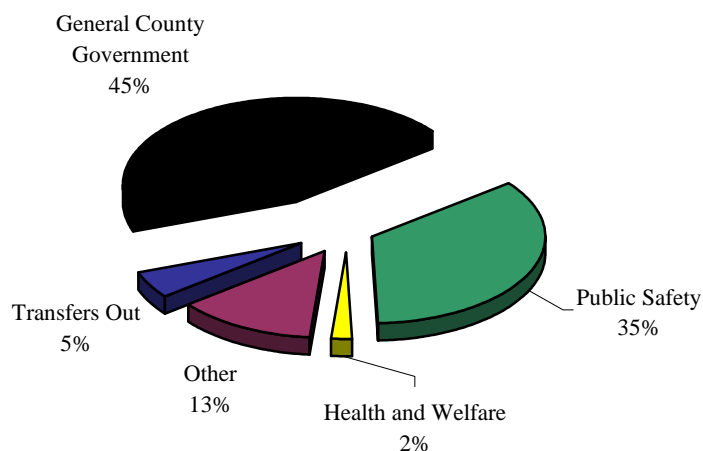
Special Road and Bridge Fund Percentage Composition of Receipts - 2000



Breakdown of disbursements

General County Government represents the main disbursement category for most counties' General Revenue Fund. For counties having a law enforcement sales tax, public safety disbursements may be paid from a law enforcement sales tax fund rather than from the General Revenue Fund. The majority of the counties do not have health and welfare disbursements from the General Revenue Fund. Those with significant disbursements in this category generally do not have a county health center board. Schedule 4 presents the composition of disbursements by function from the General Revenue Fund for each county, whereas the following chart depicts the average disbursement amounts as a percentage of the total for the General Revenue Fund for all 3rd class counties for 2000. There has been little change in the percentages for the three years ended December 31, 2000.

General Revenue Fund Percentage Composition of Disbursements - 2000



In addition to the law enforcement sales tax funds mentioned above, many counties also have capital improvement sales tax funds and/or road and bridge sales tax funds. The availability and use of these monies may impact the disbursements of the General Revenue Fund and Special Road and Bridge Fund, and how these funds are utilized. Schedules 3-A, 3-B, and 4 show that the "Other" receipts and disbursements categories are becoming more significant in some counties. When appropriate, counties need to classify receipts and disbursements in more specific and appropriate categories.

Sales tax funds

Many counties have significant sales tax receipts. Schedule 5 presents receipts, disbursements and cash balance information for various sales tax funds established by the counties. These funds represent additional sales taxes approved by voters and earmarked for a specific purpose. Without sales taxes, capital improvement projects might have to be canceled, deferred, or funded

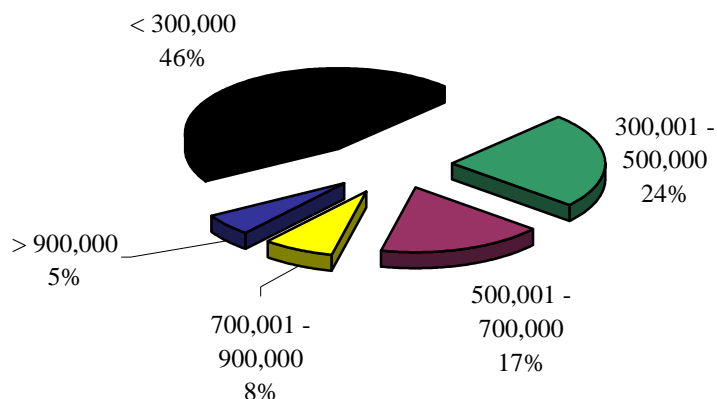
through other county funds, and the services currently provided by the counties might have to be reduced. Of the 3rd class counties, fifty have established one or more of these sales tax funds. For 2000 we noted 23 capital improvement sales tax funds with receipts totaling approximately \$18,300,000, 32 law enforcement sales tax funds with receipts totaling approximately \$26,500,000, and 11 road and bridge sales tax funds with receipts totaling approximately \$11,500,000. A review of data for the last several years shows that the overall level of activity of receipts and the cash balances in these types of funds has increased.

Federal awards

Most counties receive federal financial assistance to operate various federal programs. Each county is required to prepare and submit a schedule of expenditures of federal awards (SEFA) to the State Auditor's Office with the annual budget. A summary of each county's 1998 SEFA amounts is presented on Schedule 6. Federal regulations require political subdivisions expending \$300,000 or more in federal funds in either year of the audit period to obtain a single audit. As indicated in the schedule, fifteen counties' SEFA information was not submitted or indicated no federal monies were expended. However, compilation of federal data and/or an audit determined these counties had federal award expenditures that should have been reported. Overall, of the total identified federal award expenditures of approximately \$34,000,000, counties underreported federal award expenditures by approximately \$11,000,000. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

The level of federal award expenditures varies from county to county. The following chart presents the percentage of counties whose federal award expenditures fall within specific dollar ranges. (However, when considering the two years of information, approximately 75 percent of the 3rd class counties actually were required to have a single audit.)

1998 Federal Award Expenditures



Published financial statements

Counties are required by Section 50.800, RSMo 2000, to publish their annual financial statements by the first Monday in March of each year. The published financial statements of all 3rd class counties were reviewed for statutory compliance. Schedule 7 presents an overall evaluation of each county's published financial statement, along with the date and cost of publication. All of the counties' financial statements were evaluated as good or fair and presented a significant portion of the required statutory information. However, some that were evaluated as fair had more significant problems than others. These will be closely evaluated again during the review of 2001 published financial statements. Our review determined that counties' interpretations of the statutory requirements differ greatly, and identified numerous inconsistencies in the formats of presentation and information included in the financial statements.

The overall evaluations referred to above represent a conclusion based on various attributes; primarily, which county funds were included in the published financial statements, the level of expenditure details provided for the county funds presented, and the date of publication. For these attributes, our review determined the following:

- Seventy-one counties included data on most county funds or at least the significant county funds, such as General Revenue, Special Road and Bridge, and Assessment. The other twenty-one counties omitted some funds.
- Seventy-five counties included expenditure detail by vendor for some county funds or at least the significant county funds. The other seventeen counties did not provide the necessary detail.
- Only sixty-one counties published their financial statements by the statutory deadline. However, fifteen of the thirty-one counties that did not meet the deadline did publish their financial statements within one week after the statutory deadline.

In order for the published financial statements to be meaningful and adequately inform the citizens of the county's financial activities, the statements need to be published timely and include all county funds with sufficient detail.

OBJECTIVE, SCOPE, AND METHODOLOGY

MISSOURI 3RD CLASS COUNTIES OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objectives of this report were to 1) compile various financial information of all 3rd class counties into comparative schedules; and, 2) assess county data in relation to all 3rd class counties and identify significant trends or changes.

Scope

This report is titled "Missouri 3rd Class Counties" because the ninety-two counties for which information is presented are counties of the third class (Taney County became a 1st class county and Newton County became a 2nd class county effective January 1, 2001).

Several documents were used in compiling the information included in this report.

- A recent audit report for each county was used to obtain audited information. Some counties had been audited through 1999, whereas other counties had only been audited through 1998.
- The 2001 county budgets contain information for 2000 and were used in compiling unaudited actual receipts and disbursements information for all counties for the year 2000. The unaudited actual receipts and disbursements information for 1999 was obtained from the 2000 county budgets.
- Each county's published financial statement for the year ended December 31, 2000.

Methodology

Receipts, disbursements, and cash balance information for each county's General Revenue Fund and Special Road and Bridge Fund was compiled for 2000, 1999, and 1998. This information was placed in various schedules, tables, and charts for report presentation and analyzed for significant trends or changes, similarities and/or differences between counties, and the financial conditions of the counties. The compilation of the financial data is presented in Schedules 1-A, 1-B, 2-A, 2-B, 3-A, 3-B, and 4. The disbursement functions presented in Schedule 4 were compiled into five categories for Executive Summary purposes. The General County Government category is comprised of the following disbursement functions: County Commission, County Clerk, Elections, Buildings and Grounds, Fringe Benefits, Treasurer, Collector, Recorder, Circuit Clerk, Associate Circuit, Court Administration, and Public Administrator. The Public Safety category is comprised of the following disbursements functions: Sheriff, Jail, Prosecuting Attorney, Juvenile Officer, and Coroner. Health and Welfare, Other, and Transfers Out are their own individual categories. In addition to the abovementioned schedules, various tables, charts, and comments regarding the General Revenue and Special Road and Bridge Funds are presented in the Transmittal Letter.

State laws provide for several different types of special-purpose sales taxes that may be imposed by county commissioners with approval by the majority of county voters. Schedule 5 presents receipts, disbursements and cash balances for various county sales tax funds for 2000 and 1999. The funds presented consist of additional sales taxes approved by voters, pursuant to Sections 67.547, 67.582, and 67.700 - 67.727, RSMo 2000, which are not placed in the county's General Revenue or Special Road and Bridge Fund. These sales taxes are earmarked for a specific purpose, including capital improvements, law enforcement, and road and bridge work. Some counties have more than one of these additional funds, in which case, the amounts have been added together for presentation purposes.

Federal regulations require auditees to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. Each county is required to prepare and submit a SEFA to the State Auditor's Office with the annual budget. Federal program expenditures information for 1998 was compiled and is presented in Schedule 6. This information is presented for 1998 because it is the most recent year that all third class counties have been audited. This schedule presents the five federal award programs with the largest expenditures for all counties combined, with all other federal award expenditures compiled into a category labeled "Other". Although only 1998 data is presented, the audit period for the counties included another year (either 1997 or 1999). If the county expended \$300,000 or more in federal awards in either year of the audit period, the county was required to obtain a single audit. For those counties where a single audit was required, amounts presented were taken from audit reports containing the 1998 SEFA and an audited total is reflected. For counties where a single audit was not required, amounts presented were taken from the county-prepared SEFA and no audited total is presented. A total county SEFA amount (obtained from county-prepared SEFAs) is presented for all counties. For those counties which had a single audit, the total audited federal award expenditure amount was compared to the total county federal award expenditure amount, resulting in the "Over/(Under) Reported For Audited Counties" column.

The 2000 published financial statements of all the 3rd class counties were reviewed. Information required to be published was grouped into categories and each county was evaluated for accuracy, completeness, and compliance. The categories reviewed included the following: school funds, assessed valuation, tax rate ceilings and levies, delinquent tax information, **county funds**, agency funds, other disbursement information (jurors and election judges), **expenditure/warrant detail**, and **publication date of the financial statements**. Schedule 7 presents an overall evaluation, date of publication, and cost of publication for each county. The overall evaluation for each county (fair or good) is primarily based on the categories in bold print. The date and cost of publication were obtained from the affidavit of publication submitted by each county to the State Auditor's Office.

Limitations

When analyzing the schedules and other data in this report, it is important to remember that audited and unaudited information has been used. When actual audit reports for those years shown as unaudited are completed, some differences may result. The presentation of a combination of audited and unaudited amounts results in some comparison problems.

Funding sources (such as property tax levies, sales taxes, and state or federal grants) also vary between counties and can impact the analysis of the data.

Counties' accounting and financial reporting procedures differ. For example, some counties may account for special-purpose sales tax monies in separate funds; whereas, other counties may account for these monies as a part of the General Revenue or Special Road and Bridge Funds. Likewise, some monies available for general purposes may be kept in separate funds by some counties; while other counties account for such monies as a part of the General Revenue Fund.

Differences in classifying receipts and disbursements often exist between budget documents prepared by county officials and audit reports issued by the State Auditor's office and independent certified public accountants. Audit adjustments are sometimes made to receipts, disbursements, and cash balances presented on the various budgets to correct errors and reconciliation problems noted.

Counties do not always prepare budgets for various funds as required by law. If this occurs, unaudited data which is obtained from county budget documents will not be presented.

Additionally, the structure and organization of the counties will cause some differences when comparing county information. Twenty-three of the 3rd class counties have a township form of government. These counties are as follows:

Barton	Daviess	Henry	Stoddard
Bates	DeKalb	Linn	Sullivan
Caldwell	Dunklin	Livingston	Texas
Carroll	Gentry	Mercer	Vernon
Chariton	Grundy	Nodaway	Wright *
Dade	Harrison	Putnam	

* - In April 2001, voters approved a ballot issue to abolish the township form of government.

SCHEDULES

Schedule 1-A

MISSOURI 3RD CLASS COUNTIES
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
GENERAL REVENUE FUND

County	December 31,								
	2000			1999			1998		
	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance
Adair	\$ 1,973,731 *	1,759,295 *	240,940 *	1,879,458	1,916,042	26,504	1,812,391	1,764,909	63,088
Andrew	1,117,912 *	1,056,073 *	1,326,837 *	1,124,138	974,732	1,264,998	1,097,799	827,817	1,115,592
Atchison	962,585 *	1,067,309 *	226,297 *	896,469	958,149	331,021	941,034	964,848	392,701
Audrain	2,440,244 *	2,132,750 *	1,370,155 *	2,168,278	1,839,893	1,062,661	2,126,974	1,701,361	734,276
Barry	2,770,640 *	2,232,377 *	2,323,686 *	2,728,358 *	2,360,244 *	1,785,423 *	2,271,547	2,079,233	1,417,309
Barton	762,899 *	769,240 *	307,300 *	725,604	749,232	313,641	700,915	758,625	337,269
Bates	715,674 *	615,582 *	428,527 *	654,624	507,425	328,435	590,483	449,416	181,236
Benton	1,469,980 *	1,452,789 *	253,207 *	1,443,623	1,429,467	236,016	1,409,856	1,372,397	221,860
Bollinger	1,023,586 *	1,008,427 *	19,771 *	851,499	862,651	4,612	889,017	893,737	15,764
Butler	4,619,453 *	4,260,838 *	878,751 *	4,717,795 *	4,360,396 *	520,136 *	3,996,961	4,091,527	162,737
Caldwell	811,194 *	854,015 *	(73,822)	902,830	838,390	(31,001)	702,753	831,466	(95,441)
Carroll	1,421,563 *	1,368,342 *	274,477 *	1,217,103 *	1,105,617 *	221,256 *	1,123,789	1,173,732	109,770
Carter	579,539 *	562,455 *	120,488 *	651,076	602,190	103,404	881,956	827,433	54,518
Cedar	981,724 *	936,339 *	392,035 *	1,012,844	935,532	346,650	891,734	862,995	269,338
Chariton	1,128,765 *	1,203,913 *	56,541 *	1,082,223	1,337,102	131,689	1,213,107	1,230,155	386,568
Christian	2,341,019 *	1,915,312 *	1,562,369 *	2,195,011	2,002,430	1,136,662	2,311,084	1,911,335	944,081
Clark	759,163 *	762,034 *	40,277 *	820,145 *	780,661 *	43,148 *	727,877	726,653	3,664
Clinton	1,606,196 *	1,629,526 *	51,616 *	1,531,970	1,523,128	74,946	1,410,766	1,443,432	66,104
Cooper	1,779,126 *	1,559,414 *	1,487,053 *	1,672,187 *	1,577,519 *	1,267,341 *	1,611,555	1,656,152	1,172,673
Crawford	1,991,861 *	2,010,638 *	36,729 *	1,853,658 *	1,825,174 *	55,506 *	1,774,902	1,764,044	27,022
Dade	482,607 *	545,055 *	341,737 *	426,353 *	472,546 *	404,185 *	409,298	421,953	450,378
Dallas	990,564 *	940,275 *	248,297 *	919,391 *	970,073 *	198,008 *	893,955	872,864	248,690
Daviess	656,100 *	592,497 *	698,467 *	645,261 *	576,359 *	634,864 *	615,821	596,816	565,962
DeKalb	1,006,356 *	1,022,698 *	72,340 *	961,918	997,858	88,682	1,017,424	973,748	124,622
Dent	1,199,865 *	1,276,573 *	508,893 *	1,115,604	1,075,718	585,601	1,048,158	1,001,634	545,715
Douglas	1,256,829 *	1,217,165 *	405,225 *	1,064,582	1,129,511	365,561	1,041,260	1,030,241	430,490
Dunklin	2,904,199 *	2,328,800 *	1,896,284 *	2,453,540 *	2,056,323 *	1,320,885 *	2,549,869	2,352,250	923,668
Gasconade	1,467,571 *	1,396,123 *	544,412 *	1,387,750	1,215,780	472,964	1,346,923	1,376,988	300,994
Gentry	933,176 *	937,274 *	147,862 *	969,921	930,019	151,960	881,792	848,939	112,058
Grundy	860,785 *	944,066 *	563,595 *	951,144 *	1,049,885 *	646,876 *	909,823	899,485	745,617
Harrison	773,064 *	798,057 *	56,079 *	743,984 *	787,454 *	81,072 *	826,179	942,438	124,542
Henry	2,153,951 *	2,185,621 *	402,932 *	2,018,346 *	1,927,675 *	434,602 *	1,846,821	1,842,179	343,931
Hickory	1,050,652 *	1,037,813 *	187,427 *	1,022,738	1,008,191	174,588	985,572	882,027	160,041
Holt	943,255 *	917,527 *	143,253 *	872,387 *	840,273 *	117,525 *	886,189	882,429	85,411
Howard	975,995 *	1,101,320 *	388,689 *	943,669 *	984,059 *	514,014 *	996,281	1,041,552	554,404
Howell	2,748,193 *	2,698,526 *	328,216 *	2,686,274 *	2,666,633 *	278,549 *	2,498,775	2,511,365	258,908
Iron	1,216,017 *	1,204,349 *	375,649 *	1,220,961	1,161,542	363,981	1,180,850	1,131,243	304,562
Knox	518,858 *	474,042 *	59,001 *	460,318	447,588	14,185	500,489	501,102	1,455
Laclede	3,466,627 *	3,318,451 *	966,231 *	3,064,205 *	2,743,813 *	818,055 *	2,787,769	2,582,537	497,663
Lawrence	2,793,030 *	2,704,442 *	638,345 *	2,631,195 *	2,619,592 *	549,757 *	2,478,119	2,371,988	538,154
Lewis	1,150,558 *	1,073,573 *	201,163 *	994,351 *	1,088,895 *	124,178 *	1,081,316	1,024,139	218,722
Lincoln	3,634,932 *	3,182,832 *	998,441 *	3,418,852	3,176,472	546,341	3,622,260	3,340,197	303,961
Linn	1,213,868 *	1,113,373 *	466,278 *	1,060,044	1,011,164	365,783	1,144,677	1,043,476	316,903
Livingston	1,645,849 *	1,500,921 *	277,741 *	1,493,188	1,556,572	132,813	1,399,296	1,543,815	196,197
Macon	1,787,156 *	1,698,079 *	214,341 *	1,387,983	1,321,992	125,264	1,280,965	1,375,011	59,273
Madison	\$ 1,177,622 *	1,187,156 *	15,317 *	1,100,694 *	1,092,336 *	24,851 *	1,118,475	1,121,796	16,493

* Unaudited (see Objective, Scope and Methodology section)

Schedule 1-A

MISSOURI 3RD CLASS COUNTIES
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
GENERAL REVENUE FUND

County	December 31,								
	2000			1999			1998		
	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance
Maries	\$ 1,014,926 *	1,025,009 *	86,535 *	875,251 *	846,972 *	96,618 *	864,070	856,415	68,339
Marion	3,338,551 *	3,281,362 *	668,646 *	3,310,573 *	2,995,914 *	611,457 *	3,035,275	2,995,516	296,798
McDonald	1,688,644 *	1,593,997 *	130,781 *	1,384,169	1,436,305	36,134	1,583,147	1,838,255	88,270
Mercer	603,128 *	606,797 *	132,707 *	550,929 *	539,683 *	136,376 *	570,614	557,357	125,130
Miller	2,338,235 *	2,284,080 *	521,931 *	2,136,519	1,966,954	467,776	1,935,004	1,685,289	298,211
Mississippi	1,915,483 *	1,741,114 *	677,291 *	1,582,139	1,523,485	502,922	1,646,426	1,525,248	444,268
Moniteau	1,054,835 *	1,046,801 *	42,219 *	980,257 *	991,069 *	34,185 *	891,820	952,358	44,997
Monroe	1,237,746 *	1,152,964 *	142,881 *	1,189,235	1,207,904	58,099	1,104,390	1,151,627	76,768
Montgomery	1,772,166 *	1,805,470 *	(5,494) *	1,704,121	1,753,015	27,810	1,737,378	1,667,585	76,704
Morgan	1,742,764 *	1,553,521 *	1,039,170 *	1,584,632 *	1,397,940 *	849,927 *	1,552,878	1,463,657	663,235
Newton	6,090,607 *	6,936,333 *	1,971,465 *	5,585,485 *	5,180,390 *	2,817,191 *	5,278,307	4,938,117	2,412,096
Nodaway	2,351,819 *	1,745,681 *	2,175,597 *	2,219,433 *	2,190,968 *	1,569,459 *	2,130,055	2,161,376	1,540,994
Oregon	1,050,437 *	1,073,594 *	601,221 *	988,517	1,013,114	624,378	1,035,613	1,031,067	648,975
Osage	959,158 *	936,621 *	153,326 *	844,302	853,598	130,789	825,958	821,772	140,085
Ozark	1,057,380 *	1,017,264 *	61,767 *	994,616	973,076	21,651	1,026,618	1,028,080	111
Pemiscot	2,129,404 *	2,043,051 *	217,990 *	1,962,188 *	2,028,630 *	131,637 *	1,807,681	1,880,516	198,079
Perry	2,036,286 *	2,034,820 *	494,568 *	1,940,897 *	1,794,856 *	493,102 *	1,885,954	2,007,622	347,061
Phelps	3,775,599 *	3,701,197 *	402,553 *	3,696,142 *	3,631,475 *	328,151 *	3,891,428	3,634,462	263,484
Pike	2,501,191 *	2,303,824 *	288,908 *	2,328,420	2,449,702	91,541	2,324,337	2,540,487	212,823
Polk	1,023,328 *	951,462 *	896,097 *	911,767	706,544	824,231	845,606	653,665	619,008
Pulaski	2,244,700 *	2,335,266 *	332,676 *	2,212,057 *	2,262,560 *	423,242 *	2,312,578	2,339,375	473,745
Putnam	538,743 *	553,953 *	68,978 *	523,886 *	522,827 *	84,188 *	382,018	411,792	83,129
Ralls	1,243,887 *	1,226,624 *	96,373 *	1,197,660 *	1,122,779 *	79,110 *	1,092,702	1,191,415	4,229
Randolph	2,765,101 *	2,841,037 *	(141,537) *	2,690,320 *	2,667,577 *	(65,601) *	2,610,092	2,687,996	(88,344)
Ray	2,047,002 *	2,060,492 *	47,525 *	2,104,134 *	2,072,586 *	61,015 *	1,875,216	1,981,376	29,467
Reynolds	688,292 *	679,530 *	80,053 *	637,050	665,525	71,291	565,307	617,508	99,766
Ripley	508,779 *	467,242 *	372,202 *	455,443 *	484,512 *	330,665 *	531,531	435,064	359,734
St. Clair	3,552,630 *	3,492,688 *	114,971 *	2,667,576 *	2,957,677 *	55,029 *	1,689,879	1,747,599	345,130
Ste. Genevieve	3,325,166 *	3,434,590 *	722,808 *	3,143,254 *	3,095,441 *	832,232 *	3,073,261	3,056,766	784,419
Schuyler	222,109 *	299,337 *	183,358 *	553,559 *	574,626 *	260,586 *	378,274	361,425	281,653
Scotland	710,645 *	707,490 *	253,247 *	650,076 *	626,778 *	250,092 *	642,133	609,494	226,794
Scott	2,874,781 *	3,360,373 *	151,290 *	3,054,198	2,853,393	636,882	3,012,840	3,147,072	436,077
Shannon	835,205 *	809,464 *	43,163 *	754,291	782,057	17,422	660,770	738,526	45,188
Shelby	853,998 *	817,203 *	228,131 *	835,857	749,766	191,336	722,765	760,553	105,245
Stoddard	2,232,210 *	2,577,116 *	902,546 *	2,307,611 *	2,266,561 *	1,247,452 *	2,211,399	2,713,108	1,206,402
Stone	4,592,849 *	4,352,784 *	884,864 *	1,882,037 *	1,782,013 *	644,799 *	1,782,117	2,041,337	544,775
Sullivan	931,799 *	966,724 *	174,135 *	947,934 *	960,385 *	209,060 *	816,152	857,522	221,511
Taney	7,912,942 *	6,529,177 *	7,639,651 *	8,062,277	4,949,354	6,255,886	6,010,103	5,256,922	3,142,963
Texas	1,201,204 *	1,281,650 *	478,511 *	1,198,379 *	1,166,276 *	558,957 *	1,159,988	1,270,167	526,854
Vernon	1,752,467 *	1,731,250 *	436,046 *	1,679,699	1,638,668	414,829	1,642,319	1,668,578	373,798
Warren	2,357,550 *	1,895,219 *	1,325,750 *	2,136,778 *	1,708,300 *	863,419 *	1,913,674	1,855,029	434,941
Washington	1,854,464 *	1,826,866 *	65,707 *	1,547,581	1,553,511	38,109	1,589,824	1,572,485	44,039
Wayne	1,185,597 *	1,167,228 *	(13,146) *	994,617	1,028,585	(31,515)	939,692	1,035,604	2,453
Webster	1,856,320 *	1,645,974 *	540,669 *	1,778,000 *	1,660,629 *	330,323 *	1,478,758	1,467,969	212,952
Worth	293,878 *	308,969 *	(15,091) *	425,965	424,516	0	410,972	414,020	(1,449)
Wright	1,156,429 *	1,127,363 *	428,824 *	1,195,527	1,144,656	399,758	1,082,073	1,038,497	348,887
Average	\$ 1,735,706	1,672,651	527,949	1,614,662	1,528,233	464,893	1,526,020	1,505,556	378,465

* Unaudited (see Objective, Scope and Methodology section)

Schedule 1-B

MISSOURI 3RD CLASS COUNTIES
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
SPECIAL ROAD AND BRIDGE FUND

		December 31,								
		2000			1999			1998		
County		Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance	Receipts	Disbursements	Cash Balance
Adair	\$	1,777,770 *	1,769,883 *	247,533 *	1,248,256	1,065,518	239,646	1,416,255	1,581,284	56,908
Andrew		1,759,809 *	2,074,742 *	310,961 *	1,868,141	1,672,882	625,894	1,903,327	1,990,765	430,635
Atchison		1,024,181 *	920,986 *	102,786 *	665,353	956,450	(409)	1,165,127	961,017	290,688
Audrain		1,720,642 *	1,747,861 *	489,390 *	1,704,983	1,925,146	516,609	1,704,103	1,441,768	736,772
Barry		241,680 *	317,273 *	219,050 *	239,064 *	343,261 *	294,643 *	430,419	349,073	398,840
Barton		882,985 *	767,436 *	519,209 *	864,090	930,367	403,660	674,420	499,932	469,937
Bates		1,349,385 *	1,426,375 *	408,762 *	1,267,036	1,084,997	485,752	1,059,222	924,746	303,713
Benton		1,256,676 *	1,327,704 *	1,014,094 *	1,195,689	1,364,643	1,085,122	1,237,405	1,207,162	1,254,076
Bollinger		895,275 *	868,981 *	107,990 *	763,703	778,032	81,696	713,615	687,294	96,025
Butler		2,110,751 *	2,376,221 *	288,673 *	2,711,110 *	2,670,723 *	554,143 *	1,830,795	1,683,222	513,756
Caldwell		1,077,871 *	913,737 *	148,759 *	1,051,692	1,200,368	-15,375	1,134,338	1,179,866	133,301
Carroll		1,231,245 *	1,326,989 *	698,512 *	1,463,845 *	1,300,616 *	794,256 *	1,475,011	1,092,439	631,027
Carter		431,624 *	425,711 *	135,753 *	432,145	390,791	129,840	544,494	525,474	88,486
Cedar		757,934 *	699,959 *	233,598 *	1,245,226	1,261,050	175,623	571,769	462,818	191,447
Chariton		829,971 *	890,934 *	709,376 *	820,443	751,223	770,339	1,284,265	1,310,296	701,119
Christian		4,546,964 *	3,848,069 *	1,336,112 *	2,467,221	2,811,988	637,217	2,897,872	2,552,774	981,984
Clark		1,387,145 *	1,416,920 *	73,116 *	1,500,098 *	1,397,682 *	102,891 *	990,895	1,005,749	475
Clinton		1,338,633 *	1,362,546 *	87,521 *	1,252,630	1,463,655	111,434	1,244,324	1,398,372	322,459
Cooper		1,045,790 *	1,115,535 *	440,615 *	1,032,292 *	768,478 *	510,360 *	1,050,583	1,118,063	246,546
Crawford		1,772,032 *	1,712,469 *	1,310,868 *	1,900,438 *	1,608,184 *	1,251,305 *	1,600,680	1,482,668	959,051
Dade		620,565 *	634,507 *	183,866 *	563,633 *	646,202 *	197,808 *	943,143	909,826	280,382
Dallas		949,333 *	1,023,957 *	142,819 *	901,122 *	939,640 *	217,443 *	872,378	1,162,391	255,961
Daviess		912,055 *	872,359 *	963,463 *	921,544 *	835,841 *	923,767 *	2,234,875	1,968,888	838,064
DeKalb		1,148,212 *	1,174,196 *	722,309 *	911,505	968,831	748,293	781,581	662,111	805,619
Dent		929,645 *	881,221 *	157,618 *	912,804	965,306	109,194	1,008,930	1,120,132	161,696
Douglas		867,098 *	858,487 *	73,037 *	885,341	931,834	64,426	826,593	832,027	110,919
Dunklin		886,727 *	898,062 *	1,023,830 *	1,039,866 *	852,483 *	1,035,165 *	801,849	825,864	847,782
Gasconade		1,592,428 *	1,414,409 *	792,053 *	1,517,334	1,166,357	614,034	1,309,773	1,183,215	263,057
Gentry		615,312 *	700,483 *	7,598 *	1,253,737	1,290,115	92,769	1,033,895	1,093,407	129,147
Grundy		567,684 *	456,556 *	216,499 *	792,070 *	943,310 *	105,371 *	655,088	596,281	256,611
Harrison		1,823,832 *	1,550,439 *	2,065,778 *	1,523,453 *	1,688,095 *	1,792,385 *	1,678,633	1,170,358	1,957,027
Henry		1,006,442 *	1,187,336 *	901,688 *	1,316,704 *	1,244,069 *	1,082,582 *	1,084,115	950,290	1,009,947
Hickory		624,776 *	694,464 *	43,626 *	613,638	564,501	113,314	575,715	586,096	64,177
Holt		1,138,388 *	1,137,286 *	91,804 *	1,192,640 *	1,213,535 *	90,702 *	1,004,624	1,117,624	111,597
Howard		932,173 *	965,357 *	345,527 *	956,161 *	936,675 *	378,711 *	1,015,378	1,056,438	359,225
Howell		1,476,279 *	1,490,976 *	161,530 *	1,416,452 *	1,454,325 *	176,227 *	1,375,469	1,333,937	214,100
Iron		1,158,842 *	1,138,594 *	421,288 *	973,153	967,539	401,040	896,254	886,415	395,426
Knox		1,001,483 *	865,619 *	344,365 *	1,073,062	1,018,105	208,501	1,239,153	1,350,765	153,544
Laclede		1,136,584 *	1,026,769 *	129,431 *	1,056,922 *	1,140,077 *	19,616 *	905,048	1,002,710	102,771
Lawrence		2,322,854 *	2,277,518 *	223,338 *	2,072,233 *	2,148,132 *	178,002 *	1,969,844	1,997,897	253,901
Lewis		822,238 *	796,967 *	33,669 *	765,953 *	802,979 *	8,398 *	753,014	808,416	45,424
Lincoln		3,638,859 *	3,559,762 *	613,580 *	3,567,079	3,278,722	534,483	3,290,322	3,141,405	246,126
Linn		1,937,229 *	2,107,848 *	259,199 *	1,610,957	1,402,224	429,818	1,336,459	1,525,973	221,085
Livingston		1,210,347 *	1,064,021 *	244,524 *	1,046,790	1,056,471	98,198	779,882	836,315	107,879
Macon		1,332,464 *	1,540,658 *	162,810 *	1,413,926	1,493,977	371,004	1,292,342	1,279,248	451,055
Madison	\$	704,034 *	684,600 *	19,673 *	632,499 *	682,878 *	239 *	771,469	730,821	50,618

* Unaudited (see Objective, Scope and Methodology section)

Schedule 1-B

MISSOURI 3RD CLASS COUNTIES
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
SPECIAL ROAD AND BRIDGE FUND

		December 31,								
		2000			1999			1998		
County		Cash			Cash			Cash		
		Receipts	Disbursements	Balance	Receipts	Disbursements	Balance	Receipts	Disbursements	Balance
Maries	\$	446,281 *	463,241 *	65,520 *	436,890 *	421,667 *	82,480 *	1,831,118	1,779,631	67,257
Marion		1,294,513 *	1,312,803 *	106,571 *	1,240,326 *	1,146,710 *	124,861 *	1,085,683	1,054,665	31,245
McDonald		1,363,737 *	1,410,061 *	349,950 *	1,300,477	1,278,721	396,274	1,190,512	1,186,974	374,518
Mercer		1,196,576 *	1,113,669 *	139,832 *	541,026 *	984,278 *	56,925 *	821,029	935,389	500,177
Miller		1,131,553 *	1,185,746 *	261,834 *	1,276,351	1,168,993	316,027	1,656,649	1,524,416	208,669
Mississippi		902,487 *	872,953 *	199,640 *	1,055,888	1,203,391	170,106	839,862	775,748	317,609
Moniteau		857,553 *	869,121 *	63,391 *	875,208 *	956,583 *	74,959 *	872,228	861,156	156,334
Monroe		1,433,116 *	1,401,875 *	211,066 *	1,211,172	1,074,834	179,825	915,438	1,025,035	43,487
Montgomery		1,229,046 *	1,176,525 *	247,212 *	1,315,642	1,269,885	194,691	1,071,499	1,052,985	148,934
Morgan		1,418,461 *	1,453,519 *	975,374 *	1,701,912 *	1,246,581 *	1,010,432 *	1,436,729	1,654,526	555,101
Newton		2,884,268 *	2,680,645 *	225,587 *	1,705,522 *	2,451,365 *	21,964 *	2,004,358	1,780,505	767,807
Nodaway		2,152,704 *	2,268,252 *	1,495,793 *	2,433,891 *	2,337,134 *	1,611,341 *	2,139,763	1,660,216	1,514,584
Oregon		660,245 *	551,515 *	505,426 *	636,638	560,152	396,696	607,822	477,955	320,210
Osage		929,262 *	1,049,733 *	117,029 *	787,934	803,854	237,500	863,278	784,055	253,420
Ozark		869,181 *	869,065 *	49,593 *	882,638	884,414	49,477	862,217	813,285	51,253
Pemiscot		1,145,790 *	1,267,425 *	316,039 *	1,032,736 *	1,114,730 *	437,674 *	1,030,768	923,132	519,668
Perry		1,259,356 *	1,434,716 *	377,555 *	1,286,621 *	1,165,943 *	552,915 *	1,101,034	1,055,284	432,237
Phelps		2,074,329 *	2,078,301 *	746 *	2,321,506 *	2,413,162 *	4,718 *	2,479,550	2,384,088	96,374
Pike		1,855,694 *	1,779,626 *	220,440 *	1,975,254	1,948,723	144,372	1,930,449	1,822,162	117,841
Polk		2,390,130 *	2,367,159 *	59,261 *	1,829,777	1,851,276	36,290	2,077,684	2,149,817	57,789
Pulaski		1,039,184 *	1,081,246 *	75,923 *	1,017,398 *	986,513 *	117,985 *	1,215,442	1,236,865	87,100
Putnam		990,072 *	963,652 *	203,139 *	732,048 *	744,534 *	176,719 *	808,421	788,764	189,205
Ralls		1,054,965 *	1,110,806 *	165,241 *	1,032,925 *	1,160,050 *	221,082 *	1,099,316	1,231,711	348,207
Randolph		1,625,811 *	1,635,216 *	1,198,678 *	1,673,195 *	1,638,934 *	1,208,083 *	1,498,658	1,492,712	1,173,822
Ray		1,588,400 *	1,672,692 *	(26,155) *	1,600,114 *	1,553,084 *	58,137 *	1,200,291	1,517,159	11,107
Reynolds		938,490 *	921,139 *	140,229 *	984,022	1,067,690	122,878	942,544	890,890	206,546
Ripley		441,164 *	459,470 *	134,186 *	636,061 *	576,831 *	152,492 *	456,143	483,969	93,262
St. Clair		878,151 *	876,108 *	237,700 *	887,983 *	914,587 *	235,657 *	823,598	757,853	262,261
Ste. Genevieve		1,128,165 *	962,743 *	1,508,594 *	1,022,248 *	938,293 *	1,343,172 *	1,084,155	1,074,716	1,259,217
Schuyler		523,363 *	544,467 *	263,310 *	735,975 *	625,692 *	284,414 *	765,724	664,160	174,131
Scotland		955,337 *	1,169,041 *	166,514 *	931,594 *	806,629 *	380,218 *	951,208	1,037,705	255,253
Scott		984,219 *	979,583 *	205,414 *	943,337	870,254	200,778	931,085	940,815	127,695
Shannon		885,392 *	745,510 *	1,077,199 *	786,556	739,763	937,317	788,195	587,431	890,524
Shelby		882,661 *	899,178 *	182,390 *	869,084	749,529	198,907	1,029,782	1,053,346	79,352
Stoddard		1,613,072 *	1,700,895 *	1,176,651 *	1,671,586 *	1,582,609 *	1,264,474 *	1,374,741	1,358,779	1,175,497
Stone		4,332,625 *	4,137,553 *	599,160 *	4,040,525 *	4,459,431 *	404,088 *	4,050,451	3,811,226	822,994
Sullivan		646,528 *	716,488 *	345,511 *	624,284 *	645,526 *	415,471 *	1,093,076	1,173,930	436,713
Taney		1,344,424 *	119,353 *	3,292,943 *	1,274,172	1,580,128	2,067,872	1,580,457	1,384,045	2,373,828
Texas		933,294 *	937,939 *	80,151 *	924,295 *	991,358 *	84,796 *	915,552	917,478	151,859
Vernon		1,534,278 *	1,809,944 *	295,998 *	1,428,196	1,207,826	571,664	1,170,197	1,480,123	351,294
Warren		1,387,011 *	1,594,655 *	771,405 *	1,489,067 *	1,131,149 *	979,049 *	1,466,977	1,027,243	621,131
Washington		1,729,454 *	1,719,488 *	178,372 *	1,561,218	1,535,984	168,406	1,484,576	1,460,088	143,172
Wayne		1,097,461 *	1,087,180 *	110,022 *	1,496,444	1,421,716	99,741	1,133,019	1,177,298	25,013
Webster		1,248,098 *	1,157,589 *	188,388 *	1,229,095 *	1,254,903 *	97,879 *	1,224,880	1,178,531	123,687
Worth		505,825 *	422,737 *	135,927 *	778,271	804,502	52,839	667,307	665,121	79,070
Wright		1,183,373 *	1,067,422 *	237,383 *	895,862	890,164	121,432	929,062	928,306	115,734
Average	\$	1,279,993	1,265,335	414,780	1,236,272	1,234,113	400,122	1,226,818	1,191,358	397,963

* Unaudited (see Objective, Scope and Methodology section)

Schedule 2-A

MISSOURI 3RD CLASS COUNTIES
 RATIO OF CASH BALANCE TO DISBURSEMENTS
 GENERAL REVENUE FUND

County	Year Ended December 31,		
	2000	1999	1998
Adair	.14 *	.01	.04
Andrew	1.26 *	1.30	1.35
Atchison	.21 *	.35	.41
Audrain	.64 *	.58	.43
Barry	1.04 *	.76 *	.68
Barton	.40 *	.42	.44
Bates	.70 *	.65	.40
Benton	.17 *	.17	.16
Bollinger	.02 *	.01	.02
Butler	.21 *	.12 *	.04
Caldwell	(.09) *	(.04)	(.11)
Carroll	.20 *	.20 *	.09
Carter	.21 *	.17	.07
Cedar	.42 *	.37	.31
Chariton	.05 *	.10	.31
Christian	.82 *	.57	.49
Clark	.05 *	.06 *	.01
Clinton	.03 *	.05	.05
Cooper	.95 *	.80 *	.71
Crawford	.02 *	.03 *	.02
Dade	.63 *	.86 *	1.07
Dallas	.26 *	.20 *	.28
Daviess	1.18 *	1.10 *	.95
DeKalb	.07 *	.09	.13
Dent	.40 *	.54	.54
Douglas	.33 *	.32	.42
Dunklin	.81 *	.64 *	.39
Gasconade	.39 *	.39	.22
Gentry	.16 *	.16	.13
Grundy	.60 *	.62 *	.83
Harrison	.07 *	.10 *	.13
Henry	.18 *	.23 *	.19
Hickory	.18 *	.17	.18
Holt	.16 *	.14 *	.10
Howard	.35 *	.52 *	.53
Howell	.12 *	.10 *	.10
Iron	.31 *	.31	.27
Knox	.12 *	.03	.00
Laclede	.29 *	.30 *	.19
Lawrence	.24 *	.21 *	.23
Lewis	.19 *	.11 *	.21
Lincoln	.31 *	.17	.09
Linn	.42 *	.36	.30
Livingston	.19 *	.09	.13
Macon	.13 *	.09	.04
Madison	.01 *	.02 *	.01

* Unaudited (see Objective, Scope and Methodology section)

Schedule 2-A

MISSOURI 3RD CLASS COUNTIES
 RATIO OF CASH BALANCE TO DISBURSEMENTS
 GENERAL REVENUE FUND

County	Year Ended December 31,		
	2000	1999	1998
Maries	.08 *	.11 *	.08
Marion	.20 *	.20 *	.10
McDonald	.08 *	.03	.05
Mercer	.22 *	.25 *	.22
Miller	.23 *	.24	.18
Mississippi	.39 *	.33	.29
Moniteau	.04 *	.03 *	.05
Monroe	.12 *	.05	.07
Montgomery	.00 *	.02	.05
Morgan	.67 *	.61 *	.45
Newton	.28 *	.54 *	.49
Nodaway	1.25 *	.72 *	.71
Oregon	.56 *	.62	.63
Osage	.16 *	.15	.17
Ozark	.06 *	.02	.00
Pemiscot	.11 *	.06 *	.11
Perry	.24 *	.27 *	.17
Phelps	.11 *	.09 *	.07
Pike	.13 *	.04	.08
Polk	.94 *	1.17	.95
Pulaski	.14 *	.19 *	.20
Putnam	.12 *	.16 *	.20
Ralls	.08 *	.07 *	.00
Randolph	(.05) *	(.02) *	(.03)
Ray	.02 *	.03 *	.01
Reynolds	.12 *	.11	.16
Ripley	.80 *	.68 *	.83
St. Clair	.03 *	.02 *	.20
Ste. Genevieve	.21 *	.27 *	.26
Schuyler	.61 *	.45 *	.78
Scotland	.36 *	.40 *	.37
Scott	.05 *	.22	.14
Shannon	.05 *	.02	.06
Shelby	.28 *	.26	.14
Stoddard	.35 *	.55 *	.44
Stone	.20 *	.36 *	.27
Sullivan	.18 *	.22 *	.26
Taney	1.17 *	1.26	.60
Texas	.37 *	.48 *	.41
Vernon	.25 *	.25	.22
Warren	.70 *	.51 *	.23
Washington	.04 *	.02	.03
Wayne	(.01) *	(.03)	.00
Webster	.33 *	.20 *	.15
Worth	(.05) *	.00	.00
Wright	.38 *	.35	.34
Average	.33	.31	.29

* Unaudited (see Objective, Scope and Methodology section)

Schedule 2-B

MISSOURI 3RD CLASS COUNTIES
 RATIO OF CASH BALANCE TO DISBURSEMENTS
 SPECIAL ROAD AND BRIDGE FUND

County	Year Ended December 31,		
	2000	1999	1998
Adair	.14 *	.22	.04
Andrew	.15 *	.37	.22
Atchison	.11 *	.00	.30
Audrain	.28 *	.27	.51
Barry	.69 *	.86 *	1.14
Barton	.68 *	.43	.94
Bates	.29 *	.45	.33
Benton	.76 *	.80	1.04
Bollinger	.12 *	.11	.14
Butler	.12 *	.21 *	.31
Caldwell	.16 *	(.01)	.11
Carroll	.53 *	.61 *	.58
Carter	.32 *	.33	.17
Cedar	.33 *	.14	.41
Chariton	.80 *	1.03	.54
Christian	.35 *	.23	.38
Clark	.05 *	.07 *	.00
Clinton	.06 *	.08	.23
Cooper	.39 *	.66 *	.22
Crawford	.77 *	.78 *	.65
Dade	.29 *	.31 *	.31
Dallas	.14 *	.23 *	.22
Daviess	1.10 *	1.11 *	.43
DeKalb	.62 *	.77	1.22
Dent	.18 *	.11	.14
Douglas	.09 *	.07	.13
Dunklin	1.14 *	1.21 *	1.03
Gasconade	.56 *	.53	.22
Gentry	.01 *	.07	.12
Grundy	.47 *	.11 *	.43
Harrison	1.33 *	1.06 *	1.67
Henry	.76 *	.87 *	1.06
Hickory	.06 *	.20	.11
Holt	.08 *	.07 *	.10
Howard	.36 *	.40 *	.34
Howell	.11 *	.12 *	.16
Iron	.37 *	.41	.45
Knox	.40 *	.20	.11
Laclede	.13 *	.02 *	.10
Lawrence	.10 *	.08 *	.13
Lewis	.04 *	.01 *	.06
Lincoln	.17 *	.16	.08
Linn	.12 *	.31	.14
Livingston	.23 *	.09	.13
Macon	.11 *	.25	.35
Madison	.03 *	.00 *	.07

* Unaudited (see Objective, Scope and Methodology section)

Schedule 2-B

MISSOURI 3RD CLASS COUNTIES
 RATIO OF CASH BALANCE TO DISBURSEMENTS
 SPECIAL ROAD AND BRIDGE FUND

County	Year Ended December 31,		
	2000	1999	1998
Maries	.14 *	.20 *	.04
Marion	.08 *	.11 *	.03
McDonald	.25 *	.31	.32
Mercer	.13 *	.06 *	.53
Miller	.22 *	.27	.14
Mississippi	.23 *	.14	.41
Moniteau	.07 *	.08 *	.18
Monroe	.15 *	.17	.04
Montgomery	.21 *	.15	.14
Morgan	.67 *	.81 *	.34
Newton	.08 *	.01 *	.43
Nodaway	.66 *	.69 *	.91
Oregon	.92 *	.71	.67
Osage	.11 *	.30	.32
Ozark	.06 *	.06	.06
Pemiscot	.25 *	.39 *	.56
Perry	.26 *	.47 *	.41
Phelps	.00 *	.00 *	.04
Pike	.12 *	.07	.06
Polk	.03 *	.02	.03
Pulaski	.07 *	.12 *	.07
Putnam	.21 *	.24 *	.24
Ralls	.15 *	.19 *	.28
Randolph	.73 *	.74 *	.79
Ray	(.02) *	.04 *	.01
Reynolds	.15 *	.12	.23
Ripley	.29 *	.26 *	.19
St. Clair	.27 *	.26 *	.35
Ste. Genevieve	1.57 *	1.43 *	1.17
Schuyler	.48 *	.45 *	.26
Scotland	.14 *	.47 *	.25
Scott	.21 *	.23	.14
Shannon	1.44 *	1.27	1.52
Shelby	.20 *	.27	.08
Stoddard	.69 *	.80 *	.87
Stone	.14 *	.09 *	.22
Sullivan	.48 *	.64 *	.37
Taney a	27.59 *	1.31	1.72
Texas	.09 *	.09 *	.17
Vernon	.16 *	.47	.24
Warren	.48 *	.87 *	.60
Washington	.10 *	.11	.10
Wayne	.10 *	.07	.02
Webster	.16 *	.08 *	.10
Worth	.32 *	.07	.12
Wright	.22 *	.14	.12
Average	.33	.37	.37

* Unaudited (see Objective, Scope and Methodology section)

a - Because of a change in Taney County's road and bridge disbursement practices, its 2000 ratio was not proportional to the other years. Therefore, it is omitted from the average ratio.

Schedule 3-A

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE
 GENERAL REVENUE FUND

County	Property Taxes			Sales Tax			Intergovernmental			Charges for Services			Interest			Other		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Adair	0 *	0	0	65 *	62	61	13 *	10	11	16 *	19	16	1 *	1	1	5 *	8	11
Andrew	19 *	24	21	37 *	34	34	1 *	5	6	24 *	24	27	9 *	6	7	10 *	7	5
Atchison	39 *	39	37	22 *	23	23	10 *	12	10	23 *	19	21	3 *	3	3	3 *	4	6
Audrain	15 *	17	17	42 *	44	44	19 *	15	15	18 *	20	20	2 *	1	1	4 *	3	3
Barry	0 *	0 *	1	54 *	50 *	55	14 *	15 *	17	17 *	17 *	20	4 *	2 *	3	11 *	16 *	4
Barton	8 *	8	8	57 *	55	54	8 *	7	7	17 *	20	20	3 *	3	3	7 *	7	8
Bates	52 *	57	55	0 *	0	0	3 *	6	5	30 *	30	33	4 *	2	2	11 *	5	5
Benton	12 *	13	13	39 *	39	38	18 *	17	17	21 *	23	22	2 *	1	2	8 *	7	8
Bollinger	16 *	17	15	52 *	57	51	6 *	5	7	12 *	14	11	0 *	0	1	14 *	7	15
Butler	8 *	7 *	8	37 *	31 *	35	16 *	17 *	19	10 *	12 *	14	1 *	0 *	1	28 *	33 *	23
Caldwell	24 *	23	26	26 *	25	25	9 *	18	16	13 *	18	23	0 *	0	0	28 *	16	10
Carroll	23 *	25 *	24	21 *	23 *	22	15 *	12 *	11	29 *	34 *	37	1 *	1 *	1	11 *	5 *	5
Carter	2 *	2	1	56 *	48	35	18 *	17	20	18 *	19	12	1 *	1	0	5 *	13	32
Cedar	13 *	10	12	43 *	38	41	15 *	18	22	20 *	19	20	3 *	2	2	6 *	13	3
Chariton	26 *	24	22	23 *	20	22	28 *	35	35	12 *	14	12	1 *	1	2	10 *	6	7
Christian	0 *	0	11	42 *	41	34	10 *	11	10	39 *	41	37	4 *	3	3	5 *	4	5
Clark	34 *	30 *	30	25 *	22 *	24	9 *	15 *	14	19 *	18 *	20	1 *	1 *	1	12 *	14 *	11
Clinton	20 *	19	24	30 *	29	30	20 *	23	18	22 *	22	23	1 *	1	1	7 *	6	4
Cooper	17 *	17 *	10	33 *	32 *	32	11 *	22 *	30	16 *	11 *	11	5 *	4 *	5	18 *	14 *	12
Crawford	7 *	8 *	6	40 *	40 *	39	24 *	22 *	23	18 *	20 *	21	0 *	0 *	0	11 *	10 *	11
Dade	19 *	14 *	13	43 *	42 *	47	14 *	18 *	9	15 *	18 *	17	5 *	6 *	7	4 *	2 *	7
Dallas	2 *	2 *	2	50 *	50 *	51	14 *	19 *	10	29 *	25 *	33	2 *	2 *	2	3 *	2 *	2
Daviess	31 *	30 *	31	32 *	33 *	31	7 *	6 *	5	16 *	18 *	16	6 *	4 *	4	8 *	9 *	13
DeKalb	4 *	4	3	53 *	51	45	12 *	9	11	15 *	18	16	1 *	1	1	15 *	17	24
Dent	5 *	5	5	53 *	51	49	10 *	9	10	19 *	24	23	2 *	3	3	11 *	8	10
Douglas	7 *	8	7	53 *	58	56	22 *	16	16	14 *	15	15	2 *	1	2	2 *	2	4
Dunklin	10 *	10 *	20	44 *	50 *	42	12 *	10 *	11	14 *	16 *	14	3 *	3 *	1	17 *	11 *	12
Gasconade	14 *	14	14	56 *	59	55	3 *	2	3	18 *	17	20	2 *	2	2	7 *	6	6
Gentry	31 *	28	29	32 *	39	44	13 *	7	6	13 *	14	12	2 *	1	1	9 *	11	8
Grundy	11 *	9 *	8	50 *	42 *	40	14 *	18 *	20	15 *	13 *	15	4 *	3 *	4	6 *	15 *	13
Harrison	35 *	34 *	30	27 *	26 *	23	3 *	5 *	7	28 *	28 *	29	1 *	1 *	2	6 *	6 *	9
Henry	2 *	4 *	1	48 *	47 *	47	22 *	20 *	22	21 *	21 *	22	1 *	1 *	1	6 *	7 *	7
Hickory	10 *	11	12	62 *	62	40	9 *	8	9	12 *	14	13	1 *	1	1	6 *	4	25
Holt	26 *	24 *	22	31 *	31 *	30	17 *	17 *	20	18 *	21 *	21	2 *	1 *	2	6 *	6 *	5
Howard	22 *	21 *	19	25 *	25 *	23	19 *	22 *	24	13 *	13 *	17	3 *	3 *	3	18 *	16 *	14
Howell	1 *	1 *	1	54 *	54 *	54	26 *	25 *	24	15 *	15 *	16	1 *	1 *	1	3 *	4 *	4
Iron	33 *	36	32	25 *	25	26	11 *	18	17	16 *	16	17	2 *	2	2	13 *	3	6
Knox	28 *	23	27	45 *	45	41	0 *	2	2	17 *	18	18	1 *	1	1	9 *	11	11
Laclede	8 *	7 *	8	48 *	50 *	52	6 *	6 *	8	21 *	25 *	25	2 *	1 *	2	15 *	11 *	5
Lawrence	9 *	10 *	10	39 *	38 *	39	27 *	27 *	27	16 *	17 *	19	3 *	2 *	2	6 *	6 *	3
Lewis	19 *	15 *	18	45 *	49 *	43	5 *	4 *	5	14 *	14 *	17	1 *	1 *	1	16 *	17 *	16
Lincoln	12 *	13	9	43 *	42	36	13 *	13	19	18 *	19	16	2 *	1	1	12 *	12	19
Linn	9 *	9	8	52 *	56	51	14 *	11	11	15 *	16	15	3 *	2	2	7 *	6	13
Livingston	0 *	0	0	50 *	50	52	27 *	27	26	12 *	13	15	1 *	1	1	10 *	9	6
Macon	15 *	18	18	30 *	36	38	31 *	16	18	15 *	18	19	1 *	1	1	8 *	11	6
Madison	13 *	13 *	6	32 *	33 *	29	12 *	11 *	16	22 *	23 *	33	0 *	0 *	0	21 *	20 *	16

* Unaudited (see Objective, Scope and Methodology section)

Schedule 3-A

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE
 GENERAL REVENUE FUND

County	Property Taxes			Sales Tax			Intergovernmental			Charges for Services			Interest			Other		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Maries	25 *	27 *	26	35 *	38 *	41	11 *	9 *	4	14 *	16 *	15	1 *	1 *	1	14 *	9 *	13
Marion	2 *	2 *	2	43 *	43 *	46	29 *	26 *	24	19 *	18 *	20	1 *	1 *	0	6 *	10 *	8
McDonald	23 *	23	20	37 *	40	32	13 *	16	14	15 *	18	16	1 *	1	1	11 *	2	17
Mercer	29 *	31 *	29	41 *	39 *	41	11 *	11 *	14	7 *	9 *	8	1 *	1 *	1	11 *	9 *	7
Miller	7 *	7	5	46 *	45	48	15 *	19	21	21 *	22	22	2 *	1	1	9 *	6	3
Mississippi	17 *	13	13	46 *	52	46	5 *	19	23	8 *	11	13	2 *	2	2	22 *	3	3
Moniteau	23 *	21 *	22	41 *	38 *	38	15 *	20 *	16	17 *	17 *	18	1 *	1 *	1	3 *	3 *	5
Monroe	19 *	17	15	42 *	40	41	13 *	15	17	18 *	17	19	1 *	1	1	7 *	10	7
Montgomery	17 *	17	13	30 *	33	32	30 *	34	28	14 *	13	12	1 *	1	1	8 *	2	14
Morgan	16 *	17 *	16	48 *	49 *	45	1 *	0 *	1	19 *	20 *	22	2 *	3 *	2	14 *	11 *	14
Newton	0 *	0 *	0	71 *	72 *	69	9 *	9 *	9	12 *	13 *	14	4 *	2 *	3	4 *	4 *	5
Nodaway	1 *	0 *	1	73 *	71 *	70	3 *	5 *	7	9 *	11 *	9	5 *	3 *	4	9 *	10 *	9
Oregon	4 *	4	3	62 *	64	61	16 *	16	19	10 *	11	10	3 *	2	3	5 *	3	4
Osage	18 *	20	21	43 *	44	41	9 *	7	8	21 *	21	22	2 *	2	2	7 *	6	6
Ozark	10 *	11	10	44 *	47	41	12 *	14	11	17 *	13	12	0 *	0	0	17 *	15	26
Pemiscot	15 *	14 *	14	26 *	29 *	31	17 *	15 *	16	28 *	30 *	33	1 *	1 *	1	13 *	11 *	5
Perry	19 *	21 *	15	48 *	46 *	42	10 *	10 *	19	12 *	14 *	13	1 *	1 *	2	10 *	8 *	9
Phelps	12 *	11 *	10	35 *	34 *	25	24 *	28 *	30	11 *	12 *	11	4 *	4 *	0	14 *	11 *	24
Pike	17 *	19	18	23 *	23	23	37 *	39	42	7 *	7	8	1 *	1	1	15 *	11	8
Polk	52 *	53	52	0 *	0	0	3 *	3	3	27 *	28	31	7 *	7	6	11 *	9	8
Pulaski	1 *	1 *	1	51 *	46 *	38	12 *	22 *	10	22 *	19 *	19	1 *	1 *	2	13 *	11 *	30
Putnam	35 *	37 *	47	48 *	45 *	29	1 *	3 *	4	10 *	9 *	15	1 *	2 *	2	5 *	4 *	3
Ralls	22 *	20 *	18	48 *	49 *	48	5 *	5 *	8	13 *	16 *	16	1 *	0 *	0	11 *	10 *	10
Randolph	15 *	15 *	15	40 *	39 *	37	20 *	18 *	23	18 *	21 *	20	1 *	1 *	1	6 *	6 *	4
Ray	0 *	0 *	0	64 *	58 *	61	0 *	0 *	8	22 *	24 *	20	1 *	0 *	1	13 *	18 *	10
Reynolds	44 *	42	45	0 *	0	0	24 *	27	25	19 *	19	21	1 *	1	2	12 *	11	7
Ripley	41 *	40 *	37	0 *	0 *	0	21 *	20 *	17	24 *	25 *	20	4 *	5 *	4	10 *	10 *	22
St. Clair	7 *	10 *	15	7 *	8 *	12	5 *	2 *	4	57 *	71 *	65	1 *	1 *	2	23 *	8 *	2
Ste. Genevieve	10 *	12 *	12	19 *	20 *	20	56 *	52 *	47	8 *	10 *	10	2 *	1 *	2	5 *	5 *	9
Schuyler	40 *	17 *	23	54 *	19 *	27	6 *	38 *	19	0 *	16 *	20	0 *	4 *	3	0 *	6 *	8
Scotland	29 *	31 *	32	34 *	34 *	32	18 *	14 *	19	11 *	13 *	12	3 *	3 *	3	5 *	5 *	2
Scott	9 *	8	9	39 *	53	53	9 *	10	13	31 *	23	20	1 *	1	1	11 *	5	4
Shannon	18 *	10	12	23 *	24	28	17 *	27	29	18 *	21	23	0 *	1	1	24 *	17	7
Shelby	30 *	24	26	43 *	45	44	9 *	7	9	7 *	14	13	2 *	1	2	9 *	9	6
Stoddard	15 *	14 *	15	45 *	44 *	43	22 *	22 *	22	12 *	14 *	14	3 *	4 *	4	3 *	2 *	2
Stone	8 *	19 *	19	56 *	33 *	26	10 *	13 *	15	14 *	30 *	32	1 *	1 *	3	11 *	4 *	5
Sullivan	17 *	18 *	22	45 *	42 *	45	14 *	13 *	1	15 *	19 *	19	2 *	2 *	3	7 *	6 *	10
Taney	0 *	0	0	66 *	60	71	3 *	3	5	16 *	13	14	6 *	3	4	9 *	21	6
Texas	4 *	4 *	4	57 *	57 *	54	12 *	12 *	13	15 *	18 *	19	2 *	2 *	3	10 *	7 *	7
Vernon	17 *	14	12	44 *	44	42	11 *	11	15	16 *	15	16	2 *	1	1	10 *	15	14
Warren	11 *	12 *	12	43 *	45 *	46	6 *	7 *	8	26 *	28 *	29	3 *	2 *	1	11 *	6 *	4
Washington	18 *	15	21	30 *	38	32	27 *	12	10	15 *	16	16	0 *	0	0	10 *	19	21
Wayne	16 *	15	20	32 *	36	36	28 *	25	23	12 *	15	13	0 *	0	1	12 *	9	7
Webster	5 *	8 *	6	52 *	48 *	52	5 *	5 *	9	25 *	29 *	29	1 *	1 *	1	12 *	9 *	3
Worth	54 *	39	31	17 *	12	11	2 *	3	6	22 *	13	11	0 *	0	0	5 *	33	41
Wright	0 *	0	0	56 *	53	54	20 *	24	24	14 *	15	14	3 *	2	2	7 *	6	6
Average	16	16	16	41	39	38	14	15	15	17	19	19	2	2	2	10	9	10

* Unaudited (see Objective, Scope and Methodology section)

Schedule 3-B

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE
 SPECIAL ROAD AND BRIDGE FUND

County	Property Taxes			Sales Tax			Intergovernmental			Interest			Other		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Adair	26 *	39	30	0 *	0	0	66 *	57	57	2 *	1	1	6 *	3	12
Andrew	32 *	39	31	17 *	15	15	40 *	42	51	2 *	2	2	9 *	2	1
Atchison	42 *	60	35	0 *	0	0	0 *	0	0	1 *	2	0	57 *	38	65
Audrain	46 *	48	46	0 *	0	0	50 *	47	49	2 *	1	1	2 *	4	4
Barry	37 *	35 *	18	0 *	0 *	0	49 *	54 *	76	10 *	9 *	6	4 *	2 *	0
Barton	0 *	0	0	0 *	0	0	74 *	93	97	4 *	3	2	22 *	4	1
Bates	3 *	3	7	0 *	0	0	91 *	92	88	2 *	1	1	4 *	4	4
Benton	22 *	23	21	9 *	0	0	61 *	66	66	7 *	10	10	1 *	1	3
Bollinger	23 *	25	25	0 *	0	0	60 *	70	74	1 *	1	1	16 *	4	0
Butler	6 *	4 *	6	30 *	23 *	32	63 *	72 *	62	1 *	0 *	0	0 *	1 *	0
Caldwell	3 *	0	0	0 *	9	7	86 *	87	89	1 *	1	1	10 *	3	3
Carroll	0 *	0 *	4	0 *	0 *	0	97 *	98 *	94	3 *	2 *	2	0 *	0 *	0
Carter	17 *	15	11	0 *	0	0	80 *	78	61	2 *	1	1	1 *	6	27
Cedar	13 *	8	16	0 *	0	0	75 *	76	83	1 *	0	1	11 *	16	0
Chariton	0 *	0	0	0 *	0	0	95 *	95	97	5 *	5	3	0 *	0	0
Christian	12 *	0	0	58 *	64	48	27 *	33	34	2 *	2	1	1 *	1	17
Clark	30 *	27 *	39	0 *	0 *	0	66 *	71 *	59	0 *	0 *	1	4 *	2 *	1
Clinton	49 *	49	48	7 *	8	7	35 *	33	35	2 *	3	3	7 *	7	7
Cooper	41 *	39 *	39	0 *	0 *	0	54 *	52 *	52	3 *	2 *	2	2 *	7 *	7
Crawford	20 *	19 *	20	35 *	31 *	34	40 *	45 *	42	5 *	4 *	4	0 *	1 *	0
Dade	4 *	2 *	4	0 *	0 *	0	93 *	95 *	94	2 *	1 *	1	1 *	2 *	1
Dallas	28 *	27 *	26	0 *	0 *	0	68 *	68 *	69	2 *	2 *	4	2 *	3 *	1
Daviess	0 *	0 *	0	0 *	0 *	0	93 *	91 *	98	6 *	4 *	1	1 *	5 *	1
DeKalb	0 *	0	0	7 *	10	11	86 *	81	80	5 *	4	5	2 *	5	4
Dent	29 *	28	25	15 *	0	0	50 *	66	59	1 *	1	2	5 *	5	14
Douglas	21 *	20	17	0 *	0	0	78 *	75	79	1 *	1	1	0 *	4	3
Dunklin	0 *	0 *	0	15 *	12 *	0	71 *	69 *	97	4 *	10 *	3	10 *	9 *	0
Gasconade	24 *	24	25	31 *	32	33	36 *	35	40	2 *	2	2	7 *	7	0
Gentry	3 *	1	2	0 *	0	0	91 *	89	94	1 *	1	1	5 *	9	3
Grundy	7 *	5 *	6	0 *	0 *	0	91 *	88 *	91	1 *	1 *	2	1 *	6 *	1
Harrison	0 *	0 *	0	23 *	26 *	22	68 *	66 *	70	5 *	5 *	5	4 *	3 *	3
Henry	8 *	5 *	7	0 *	0 *	0	76 *	84 *	86	5 *	3 *	4	11 *	8 *	3
Hickory	26 *	28	28	0 *	0	0	72 *	71	70	1 *	1	1	1 *	0	1
Holt	26 *	23 *	25	27 *	27 *	27	46 *	48 *	46	1 *	1 *	2	0 *	1 *	0
Howard	16 *	17 *	14	24 *	21 *	19	42 *	36 *	59	1 *	1 *	2	17 *	25 *	6
Howell	2 *	2 *	1	19 *	19 *	19	76 *	78 *	78	1 *	1 *	1	2 *	0 *	1
Iron	35 *	40	42	0 *	0	0	40 *	52	55	3 *	3	3	22 *	5	0
Knox	31 *	28	23	12 *	10	8	51 *	53	63	1 *	1	1	5 *	8	5
Laclede	0 *	0 *	0	0 *	0 *	0	75 *	78 *	90	0 *	0 *	1	25 *	22 *	9
Lawrence	2 *	2 *	2	47 *	49 *	49	42 *	47 *	47	0 *	0 *	1	9 *	2 *	1
Lewis	30 *	27 *	30	0 *	0 *	0	58 *	63 *	61	0 *	0 *	1	12 *	10 *	8
Lincoln	24 *	23	22	43 *	41	39	27 *	26	27	1 *	1	1	5 *	9	11
Linn	2 *	3	3	28 *	33	37	67 *	62	57	2 *	2	2	1 *	0	1
Livingston	5 *	6	7	0 *	0	0	94 *	93	92	1 *	1	1	0 *	0	0
Macon	34 *	29	32	0 *	0	0	62 *	67	61	2 *	2	3	2 *	2	4
Madison	30 *	32 *	23	0 *	0 *	0	62 *	60 *	65	0 *	0 *	0	8 *	8 *	12

* Unaudited (see Objective, Scope and Methodology section)

Schedule 3-B

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE
 SPECIAL ROAD AND BRIDGE FUND

County	Property Taxes			Sales Tax			Intergovernmental			Interest			Other		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Maries	19 *	19 *	7	9 *	9 *	3	54 *	54 *	24	0 *	0 *	0	18 *	18 *	66
Marion	56 *	57 *	52	0 *	0 *	0	41 *	40 *	45	1 *	1 *	1	2 *	2 *	2
McDonald	0 *	1	0	44 *	40	39	52 *	54	58	1 *	1	1	3 *	4	2
Mercer	2 *	5 *	11	0 *	0 *	0	91 *	88 *	83	1 *	5 *	4	6 *	2 *	2
Miller	22 *	18	13	0 *	0	0	70 *	59	42	2 *	3	1	6 *	20	44
Mississippi	42 *	30	40	0 *	0	0	56 *	69	57	2 *	1	2	0 *	0	1
Moniteau	36 *	34 *	32	0 *	0 *	0	62 *	64 *	67	1 *	1 *	1	1 *	1 *	0
Monroe	11 *	14	18	5 *	6	8	81 *	72	71	1 *	1	1	2 *	7	2
Montgomery	52 *	45	51	0 *	0	0	45 *	53	47	1 *	1	1	2 *	1	1
Morgan	19 *	16 *	18	11 *	10 *	0	66 *	71 *	78	4 *	2 *	4	0 *	1 *	0
Newton	12 *	19 *	14	0 *	0 *	0	56 *	70 *	65	0 *	1 *	2	32 *	10 *	19
Nodaway	5 *	4 *	4	0 *	0 *	0	84 *	72 *	69	5 *	4 *	3	6 *	20 *	24
Oregon	14 *	14	14	0 *	0	0	79 *	81	82	4 *	2	1	3 *	3	3
Osage	24 *	22	19	9 *	0	0	62 *	75	80	1 *	2	1	4 *	1	0
Ozark	19 *	17	18	0 *	0	0	81 *	82	81	0 *	0	0	0 *	1	1
Pemiscot	34 *	39 *	37	12 *	15 *	0	51 *	40 *	60	1 *	1 *	3	2 *	5 *	0
Perry	48 *	47 *	43	0 *	0 *	0	48 *	48 *	53	3 *	2 *	3	1 *	3 *	1
Phelps	10 *	11 *	10	33 *	29 *	28	41 *	37 *	34	0 *	0 *	0	16 *	23 *	28
Pike	18 *	16	16	35 *	31	32	44 *	51	43	1 *	1	1	2 *	1	8
Polk	11 *	13	10	0 *	0	0	46 *	47	53	0 *	0	0	43 *	40	37
Pulaski	37 *	29 *	21	0 *	0 *	0	58 *	61 *	47	1 *	1 *	1	4 *	9 *	31
Putnam	3 *	4 *	3	0 *	0 *	0	95 *	93 *	93	1 *	2 *	2	1 *	1 *	2
Ralls	29 *	31 *	26	11 *	11 *	10	53 *	52 *	58	2 *	2 *	2	5 *	4 *	4
Randolph	30 *	31 *	26	0 *	0 *	0	60 *	60 *	67	5 *	4 *	5	5 *	5 *	2
Ray	26 *	25 *	33	0 *	0 *	0	72 *	74 *	61	1 *	1 *	2	1 *	0 *	4
Reynolds	25 *	19	19	0 *	0	0	60 *	77	79	1 *	1	1	14 *	3	1
Ripley	0 *	0 *	0	0 *	0 *	0	97 *	97 *	93	2 *	1 *	2	1 *	2 *	5
St. Clair	27 *	26 *	26	0 *	0 *	0	69 *	68 *	71	2 *	2 *	2	2 *	4 *	1
Ste. Genevieve	27 *	29 *	27	0 *	0 *	0	62 *	65 *	59	8 *	6 *	8	3 *	0 *	6
Schuyler	38 *	28 *	25	0 *	0 *	0	58 *	68 *	72	3 *	2 *	1	1 *	2 *	2
Scotland	28 *	29 *	28	17 *	16 *	14	49 *	48 *	48	3 *	3 *	3	3 *	4 *	7
Scott	39 *	40	38	0 *	0	0	59 *	59	60	2 *	1	1	0 *	0	1
Shannon	14 *	12	16	0 *	0	0	73 *	82	80	2 *	5	4	11 *	1	0
Shelby	21 *	20	17	8 *	9	6	65 *	68	75	2 *	1	1	4 *	2	1
Stoddard	0 *	0 *	0	0 *	0 *	0	99 *	97 *	96	1 *	3 *	4	0 *	0 *	0
Stone	0 *	0 *	0	64 *	64 *	58	25 *	27 *	38	1 *	1 *	1	10 *	8 *	3
Sullivan	0 *	0 *	0	0 *	0 *	0	94 *	94 *	96	4 *	5 *	3	2 *	1 *	1
Taney	0 *	0	0	0 *	0	22	84 *	90	69	13 *	9	7	3 *	1	2
Texas	0 *	0 *	0	0 *	0 *	0	100 *	99 *	99	0 *	1 *	1	0 *	0 *	0
Vernon	6 *	6	7	0 *	0	0	90 *	91	88	2 *	1	2	2 *	2	3
Warren	37 *	35 *	32	0 *	0 *	0	58 *	61 *	65	4 *	3 *	2	1 *	1 *	1
Washington	23 *	22	21	33 *	33	33	39 *	39	42	1 *	1	1	4 *	5	3
Wayne	9 *	8	11	35 *	26	33	51 *	65	55	1 *	0	0	4 *	1	1
Webster	27 *	27 *	25	0 *	0 *	0	71 *	71 *	69	1 *	1 *	1	1 *	1 *	5
Worth	31 *	24	21	0 *	0	0	67 *	70	70	1 *	0	1	1 *	6	8
Wright	2 *	3	2	0 *	0	0	96 *	95	96	1 *	1	1	1 *	1	1
Average	19	18	18	8	8	8	65	67	66	2	2	2	6	5	6

* Unaudited (see Objective, Scope and Methodology section)

Schedule 4

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
 GENERAL REVENUE FUND

County	County Commission			County Clerk			Elections			Buildings and Grounds			Fringe Benefits		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Adair	5 *	5	5	6 *	5	5	3 *	1	3	4 *	4	4	15 *	12	10
Andrew	8 *	9	7	11 *	10	11	5 *	2	4	3 *	4	4	12 *	12	11
Atchison	7 *	8	6	8 *	8	7	1 *	1	1	18 *	5	7	13 *	14	13
Audrain	4 *	4	4	4 *	6	5	3 *	0	3	6 *	5	6	6 *	7	7
Barry	4 *	3 *	4	3 *	2 *	2	5 *	2 *	4	4 *	4 *	6	11 *	9 *	9
Barton	9 *	10	8	8 *	9	8	11 *	5	7	13 *	16	27	7 *	4	4
Bates	14 *	17	13	11 *	12	12	6 *	2	5	13 *	12	14	10 *	10	10
Benton	6 *	6	4	4 *	4	4	4 *	1	4	2 *	3	3	6 *	5	5
Bollinger	6 *	7	4	5 *	6	5	6 *	1	5	6 *	6	7	5 *	5	4
Butler	2 *	2 *	2	3 *	3 *	3	2 *	1 *	2	8 *	7 *	7	11 *	10 *	11
Caldwell	8 *	8	9	8 *	7	8	1 *	2	0	5 *	8	9	11 *	9	8
Carroll	6 *	7 *	6	6 *	7 *	7	7 *	4 *	6	5 *	5 *	10	11 *	12 *	11
Carter	9 *	8	5	4 *	4	3	3 *	0	2	3 *	2	2	5 *	4	4
Cedar	5 *	5	5	7 *	6	6	7 *	2	6	8 *	6	9	8 *	7	6
Chariton	6 *	5	3	7 *	6	5	4 *	1	2	8 *	6	9	11 *	10	11
Christian	6 *	5	4	6 *	5	6	9 *	4	6	4 *	3	3	13 *	11	12
Clark	6 *	6 *	6	7 *	7 *	7	4 *	0 *	2	5 *	4 *	4	0 *	0 *	1
Clinton	5 *	6	4	4 *	4	4	4 *	3	4	9 *	8	12	13 *	8	10
Cooper	6 *	5 *	4	6 *	5 *	4	5 *	2 *	3	4 *	7 *	6	9 *	8 *	7
Crawford	4 *	4 *	3	4 *	4 *	4	4 *	0 *	3	3 *	4 *	4	1 *	8 *	8
Dade	11 *	12 *	10	8 *	9 *	10	5 *	2 *	6	12 *	15 *	8	4 *	6 *	6
Dallas	9 *	8 *	6	7 *	7 *	6	5 *	2 *	4	4 *	4 *	11	10 *	9 *	8
Daviess	11 *	10 *	9	10 *	11 *	9	6 *	3 *	5	9 *	9 *	11	3 *	4 *	3
DeKalb	7 *	7	4	7 *	7	6	2 *	0	2	6 *	11	5	9 *	9	9
Dent	7 *	7	7	6 *	7	6	4 *	1	4	16 *	7	7	5 *	7	4
Douglas	5 *	6	4	5 *	5	6	3 *	0	4	5 *	6	5	12 *	11	9
Dunklin	11 *	11 *	9	6 *	6 *	5	4 *	2 *	3	5 *	6 *	6	12 *	11 *	8
Gasconade	8 *	9	5	7 *	8	6	6 *	3	6	3 *	4	4	0 *	0	0
Gentry	5 *	5	4	8 *	8	7	3 *	1	2	8 *	4	3	9 *	7	7
Grundy	7 *	6 *	5	8 *	7 *	8	4 *	2 *	4	6 *	15 *	5	7 *	6 *	7
Harrison	9 *	9 *	7	8 *	8 *	7	6 *	4 *	4	7 *	8 *	10	4 *	4 *	4
Henry	4 *	4 *	3	4 *	4 *	4	6 *	3 *	5	5 *	4 *	5	7 *	7 *	5
Hickory	7 *	7	5	5 *	5	5	4 *	2	4	4 *	4	5	6 *	6	5
Holt	7 *	7 *	5	8 *	8 *	7	4 *	0 *	2	4 *	3 *	7	15 *	14 *	14
Howard	7 *	7 *	5	5 *	6 *	5	3 *	2 *	2	5 *	5 *	4	6 *	6 *	5
Howell	3 *	3 *	3	3 *	3 *	3	4 *	2 *	3	3 *	2 *	2	13 *	11 *	11
Iron	6 *	6	4	6 *	7	6	2 *	0	3	6 *	4	6	13 *	11	9
Knox	9 *	9	7	9 *	10	8	3 *	0	2	14 *	11	10	8 *	7	7
Laclede	3 *	4 *	3	3 *	4 *	3	2 *	1 *	2	15 *	18 *	15	8 *	8 *	3
Lawrence	6 *	6 *	8	3 *	3 *	3	3 *	2 *	4	4 *	8 *	4	8 *	8 *	8
Lewis	7 *	7 *	5	5 *	5 *	5	2 *	2 *	2	3 *	3 *	3	7 *	6 *	11
Lincoln	5 *	5	4	4 *	3	3	3 *	1	2	4 *	4	3	10 *	8	9
Linn	6 *	6	6	6 *	6	7	8 *	2	5	7 *	6	5	8 *	7	6
Livingston	4 *	6	4	5 *	5	4	5 *	2	4	6 *	5	6	15 *	14	13
Macon	5 *	6	5	4 *	5	4	3 *	1	3	4 *	6	6	11 *	13	13
Madison	5 *	6 *	4	6 *	6 *	5	5 *	2 *	5	6 *	6 *	6	10 *	11 *	9

* Unaudited (see Objective, Scope and Methodology section)

Schedule 4

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
 GENERAL REVENUE FUND

County	County Commission			County Clerk			Elections			Buildings and Grounds			Fringe Benefits		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Maries	5 *	6 *	6	5 *	6 *	6	5 *	1 *	4	5 *	5 *	4	9 *	9 *	9
Marion	3 *	3 *	3	5 *	5 *	4	4 *	2 *	3	4 *	4 *	4	0 *	0 *	0
McDonald	4 *	4	3	5 *	5	4	4 *	2	2	4 *	5	6	9 *	9	6
Mercer	10 *	11 *	7	8 *	9 *	8	3 *	1 *	2	8 *	9 *	9	9 *	6 *	6
Miller	5 *	5	4	4 *	4	5	8 *	3	6	4 *	6	4	10 *	11	12
Mississippi	5 *	6	4	4 *	4	4	2 *	0	3	6 *	7	7	6 *	5	10
Moniteau	6 *	6 *	5	7 *	7 *	7	5 *	2 *	3	4 *	4 *	9	8 *	8 *	8
Monroe	5 *	5	4	6 *	6	6	5 *	1	3	6 *	6	5	11 *	12	13
Montgomery	4 *	4	4	5 *	5	4	1 *	0	1	4 *	4	5	0 *	0	0
Morgan	7 *	7 *	7	6 *	6 *	6	2 *	0 *	2	3 *	2 *	2	4 *	4 *	3
Newton	2 *	2 *	2	2 *	2 *	2	1 *	0 *	1	7 *	8 *	7	8 *	11 *	10
Nodaway	5 *	4 *	3	5 *	4 *	4	4 *	1 *	2	11 *	6 *	16	9 *	7 *	4
Oregon	7 *	7	5	8 *	8	6	4 *	1	3	3 *	3	3	10 *	10	10
Osage	7 *	8	7	6 *	7	7	5 *	3	6	4 *	5	5	6 *	6	6
Ozark	6 *	6	5	5 *	5	4	4 *	2	3	5 *	4	5	12 *	12	10
Pemiscot	4 *	4 *	3	3 *	3 *	3	6 *	3 *	5	4 *	6 *	10	14 *	12 *	12
Perry	4 *	4 *	3	4 *	4 *	3	2 *	0 *	2	7 *	7 *	8	11 *	11 *	10
Phelps	4 *	3 *	3	4 *	4 *	3	4 *	1 *	3	7 *	7 *	7	8 *	9 *	10
Pike	4 *	3	3	3 *	3	2	2 *	2	3	2 *	2	2	10 *	9	10
Polk	10 *	14	11	8 *	10	9	11 *	4	14	26 *	9	14	3 *	4	3
Pulaski	4 *	4 *	4	4 *	3 *	3	4 *	1 *	2	5 *	5 *	5	9 *	8 *	4
Putnam	12 *	13 *	12	11 *	10 *	12	5 *	1 *	4	8 *	7 *	9	4 *	6 *	9
Ralls	6 *	7 *	5	5 *	6 *	5	5 *	1 *	4	4 *	5 *	4	11 *	13 *	13
Randolph	4 *	4 *	3	3 *	3 *	3	2 *	0 *	1	4 *	2 *	2	12 *	12 *	11
Ray	6 *	6 *	5	6 *	5 *	6	1 *	1 *	2	7 *	7 *	8	0 *	0 *	0
Reynolds	9 *	9	7	7 *	7	7	5 *	2	4	4 *	5	4	5 *	6	5
Ripley	14 *	14 *	8	10 *	11 *	9	0 *	0 *	0	10 *	8 *	10	5 *	5 *	4
St. Clair	2 *	3 *	3	3 *	3 *	4	1 *	1 *	2	43 *	42 *	18	0 *	0 *	0
Ste. Genevieve	3 *	3 *	3	3 *	3 *	3	1 *	0 *	1	2 *	2 *	2	0 *	0 *	0
Schuyler	16 *	8 *	10	13 *	7 *	11	7 *	0 *	2	19 *	33 *	8	4 *	4 *	7
Scotland	7 *	7 *	6	6 *	7 *	7	1 *	0 *	2	14 *	11 *	11	5 *	5 *	5
Scott	3 *	3	2	2 *	2	2	2 *	1	2	11 *	7	9	13 *	15	13
Shannon	8 *	8	5	6 *	6	5	3 *	0	3	6 *	5	8	13 *	12	10
Shelby	7 *	8	5	7 *	7	6	3 *	0	2	8 *	6	4	9 *	11	11
Stoddard	3 *	4 *	2	4 *	4 *	3	6 *	4 *	4	4 *	4 *	3	9 *	11 *	12
Stone	2 *	6 *	4	2 *	5 *	4	4 *	6 *	6	2 *	5 *	4	8 *	6 *	5
Sullivan	8 *	8 *	6	8 *	8 *	6	6 *	2 *	4	11 *	14 *	24	4 *	4 *	4
Taney	4 *	4	2	2 *	3	3	3 *	2	2	4 *	5	5	12 *	18	15
Texas	6 *	7 *	5	8 *	8 *	7	4 *	1 *	3	7 *	4 *	6	14 *	12 *	10
Vernon	5 *	5	4	9 *	8	7	3 *	1	3	8 *	7	7	8 *	6	5
Warren	4 *	5 *	4	7 *	6 *	6	3 *	1 *	2	10 *	13 *	8	0 *	4 *	0
Washington	6 *	7	5	6 *	7	7	4 *	2	4	5 *	5	7	0 *	0	0
Wayne	6 *	6	5	7 *	7	7	4 *	0	5	3 *	6	7	17 *	11	11
Webster	5 *	5 *	4	5 *	5 *	4	5 *	2 *	3	4 *	3 *	4	8 *	7 *	6
Worth	8 *	6	6	11 *	8	9	4 *	1	2	6 *	5	6	5 *	3	4
Wright	5 *	5	5	6 *	5	6	5 *	0	3	5 *	5	5	10 *	9	8
Average	6	6	5	6	6	6	4	1	3	7	7	7	8	8	7

* Unaudited (see Objective, Scope and Methodology section)

Schedule 4

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
 GENERAL REVENUE FUND

County	Treasurer			Collector			Recorder			Circuit Clerk			Associate Circuit		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Adair	3 *	3	3	6 *	5	5	6 *	5	5	1 *	2	2	1 *	1	1
Andrew	4 *	3	3	8 *	8	9	2 *	0	0	1 *	2	4	1 *	1	1
Atchison	3 *	3	2	5 *	6	5	1 *	1	1	0 *	1	0	1 *	1	1
Audrain	2 *	2	2	3 *	4	4	4 *	4	4	1 *	1	1	1 *	1	1
Barry	1 *	1 *	1	4 *	4 *	4	2 *	1 *	2	1 *	1 *	1	1 *	1 *	1
Barton	7 *	6	5	0 *	0	0	4 *	4	3	1 *	2	2	0 *	0	0
Bates	10 *	11	12	0 *	0	0	10 *	11	11	1 *	2	2	1 *	1	1
Benton	2 *	2	1	7 *	7	6	2 *	2	1	1 *	2	1	0 *	0	1
Bollinger	2 *	3	2	6 *	7	5	2 *	2	2	1 *	1	2	1 *	1	1
Butler	1 *	1 *	1	3 *	3 *	3	3 *	3 *	3	0 *	0 *	0	1 *	1 *	1
Caldwell	5 *	5	5	0 *	0	0	0 *	0	0	4 *	4	4	1 *	1	1
Carroll	4 *	5 *	5	0 *	0 *	0	1 *	3 *	2	0 *	0 *	0	0 *	1 *	1
Carter	2 *	2	2	5 *	6	4	2 *	1	1	1 *	1	1	1 *	1	1
Cedar	2 *	2	2	5 *	6	5	3 *	3	1	3 *	3	4	0 *	0	0
Chariton	4 *	5	4	0 *	0	0	0 *	5	0	5 *	1	5	1 *	0	0
Christian	3 *	3	2	6 *	6	6	6 *	0	0	0 *	6	6	3 *	3	3
Clark	3 *	3 *	3	8 *	8 *	8	0 *	0 *	0	3 *	3 *	4	1 *	1 *	1
Clinton	3 *	3	2	5 *	5	4	2 *	2	2	2 *	1	1	1 *	1	1
Cooper	2 *	2 *	2	5 *	5 *	4	2 *	2 *	0	1 *	1 *	3	1 *	1 *	1
Crawford	2 *	2 *	1	5 *	4 *	4	2 *	2 *	2	1 *	1 *	1	0 *	1 *	0
Dade	8 *	10 *	11	0 *	0 *	0	4 *	2 *	0	0 *	0 *	5	4 *	5 *	4
Dallas	4 *	3 *	3	9 *	8 *	8	0 *	0 *	0	3 *	4 *	5	4 *	6 *	6
Daviess	6 *	6 *	6	0 *	0 *	0	0 *	0 *	0	3 *	3 *	3	3 *	3 *	1
DeKalb	3 *	3	3	1 *	1	2	0 *	0	0	4 *	4	5	2 *	2	2
Dent	3 *	4	3	5 *	5	7	2 *	2	2	1 *	1	1	1 *	1	1
Douglas	3 *	3	3	6 *	6	6	0 *	0	0	2 *	2	2	1 *	1	1
Dunklin	4 *	4 *	3	0 *	0 *	0	3 *	4 *	3	1 *	1 *	1	2 *	2 *	2
Gasconade	3 *	3	2	7 *	8	7	0 *	0	0	3 *	3	2	0 *	1	1
Gentry	5 *	4	5	0 *	0	0	0 *	0	1	1 *	1	0	1 *	1	1
Grundy	5 *	4 *	5	0 *	0 *	0	0 *	0 *	0	3 *	3 *	3	1 *	1 *	0
Harrison	7 *	7 *	5	0 *	0 *	0	3 *	3 *	1	0 *	0 *	0	0 *	1 *	1
Henry	3 *	4 *	4	0 *	0 *	0	4 *	5 *	3	1 *	1 *	1	1 *	1 *	1
Hickory	2 *	3	2	6 *	6	6	2 *	2	3	0 *	0	0	0 *	0	0
Holt	2 *	3 *	2	6 *	6 *	5	0 *	0 *	0	0 *	0 *	0	0 *	1 *	1
Howard	2 *	3 *	2	6 *	6 *	5	1 *	1 *	1	1 *	0 *	1	2 *	2 *	1
Howell	2 *	2 *	1	4 *	4 *	4	3 *	3 *	2	1 *	1 *	1	1 *	1 *	1
Iron	3 *	3	2	6 *	6	5	0 *	0	0	2 *	2	2	2 *	2	1
Knox	4 *	4	3	10 *	10	9	3 *	3	2	0 *	0	0	0 *	0	0
Laclede	1 *	2 *	1	3 *	3 *	3	2 *	2 *	2	1 *	1 *	2	0 *	0 *	0
Lawrence	1 *	1 *	1	3 *	3 *	3	3 *	3 *	3	0 *	0 *	1	1 *	1 *	1
Lewis	3 *	3 *	2	6 *	5 *	5	3 *	3 *	4	1 *	1 *	1	1 *	1 *	1
Lincoln	2 *	2	1	5 *	5	5	3 *	3	3	1 *	1	1	1 *	1	1
Linn	5 *	6	5	0 *	0	0	4 *	3	4	1 *	1	2	1 *	1	1
Livingston	4 *	3	3	0 *	0	0	2 *	2	2	1 *	1	1	1 *	1	1
Macon	2 *	2	2	4 *	5	4	2 *	2	2	0 *	1	1	0 *	1	1
Madison	2 *	2 *	2	5 *	5 *	5	0 *	0 *	0	4 *	2 *	2	1 *	1 *	1

* Unaudited (see Objective, Scope and Methodology section)

Schedule 4

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
 GENERAL REVENUE FUND

County	Treasurer			Collector			Recorder			Circuit Clerk			Associate Circuit		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Maries	2 *	3 *	2	6 *	10 *	6	0 *	0 *	0	2 *	2 *	2	1 *	1 *	1
Marion	1 *	1 *	1	5 *	6 *	5	2 *	3 *	2	1 *	1 *	0	2 *	2 *	2
McDonald	2 *	2	1	5 *	5	4	2 *	2	2	1 *	1	1	0 *	0	0
Mercer	5 *	5 *	5	0 *	0 *	0	0 *	0 *	0	1 *	1 *	1	1 *	1 *	1
Miller	2 *	2	2	4 *	4	5	2 *	2	2	0 *	0	0	1 *	1	1
Mississippi	2 *	2	1	4 *	4	5	0 *	1	1	1 *	1	1	0 *	1	0
Moniteau	3 *	3 *	2	6 *	6 *	6	2 *	2 *	3	0 *	0 *	0	1 *	1 *	1
Monroe	2 *	2	2	5 *	5	5	0 *	0	0	3 *	2	2	1 *	0	1
Montgomery	2 *	2	1	4 *	3	3	0 *	0	0	1 *	1	2	1 *	1	1
Morgan	2 *	2 *	2	7 *	7 *	6	3 *	4 *	3	1 *	1 *	0	2 *	1 *	1
Newton	1 *	1 *	0	2 *	3 *	3	2 *	2 *	2	0 *	0 *	0	1 *	1 *	2
Nodaway	4 *	3 *	3	0 *	0 *	0	4 *	3 *	3	2 *	1 *	1	0 *	0 *	1
Oregon	3 *	3	2	6 *	7	5	3 *	2	3	1 *	1	1	1 *	1	1
Osage	3 *	3	2	6 *	6	7	3 *	5	3	0 *	0	0	1 *	1	1
Ozark	2 *	2	2	5 *	5	4	2 *	2	2	0 *	0	0	1 *	1	1
Pemiscot	2 *	2 *	1	4 *	4 *	4	4 *	4 *	3	0 *	1 *	1	1 *	1 *	1
Perry	1 *	2 *	1	3 *	3 *	3	0 *	0 *	0	3 *	3 *	3	0 *	0 *	0
Phelps	1 *	1 *	1	3 *	3 *	3	1 *	0 *	0	4 *	4 *	4	2 *	2 *	0
Pike	2 *	2	1	3 *	4	3	1 *	1	1	0 *	0	0	1 *	0	0
Polk	6 *	7	5	10 *	12	12	7 *	12	9	0 *	0	0	1 *	3	2
Pulaski	1 *	1 *	1	4 *	3 *	3	2 *	2 *	1	1 *	1 *	1	1 *	0 *	0
Putnam	6 *	5 *	7	0 *	0 *	0	0 *	0 *	0	5 *	4 *	5	1 *	2 *	2
Ralls	2 *	3 *	2	5 *	6 *	5	0 *	0 *	0	3 *	4 *	3	1 *	1 *	1
Randolph	1 *	1 *	1	3 *	4 *	3	3 *	3 *	2	1 *	1 *	1	1 *	1 *	1
Ray	2 *	2 *	2	6 *	6 *	6	5 *	5 *	4	1 *	1 *	1	2 *	2 *	2
Reynolds	3 *	3	3	8 *	8	9	0 *	0	0	3 *	3	3	1 *	1	1
Ripley	5 *	5 *	3	14 *	12 *	12	5 *	4 *	6	0 *	0 *	0	2 *	1 *	3
St. Clair	1 *	1 *	1	2 *	2 *	4	1 *	1 *	1	1 *	1 *	1	0 *	0 *	0
Ste. Genevieve	1 *	2 *	1	3 *	3 *	3	3 *	3 *	3	0 *	0 *	0	0 *	0 *	0
Schuyler	6 *	3 *	4	12 *	6 *	10	0 *	0 *	0	1 *	1 *	1	1 *	0 *	1
Scotland	2 *	3 *	2	7 *	8 *	7	1 *	2 *	1	0 *	0 *	0	1 *	1 *	1
Scott	1 *	2	1	3 *	4	4	3 *	3	2	0 *	0	1	1 *	1	1
Shannon	3 *	3	2	6 *	7	6	2 *	2	2	1 *	1	1	1 *	1	1
Shelby	3 *	3	2	5 *	6	5	4 *	3	3	0 *	0	0	1 *	1	1
Stoddard	4 *	5 *	4	0 *	0 *	0	4 *	5 *	3	1 *	1 *	1	1 *	2 *	1
Stone	1 *	3 *	2	3 *	7 *	5	2 *	5 *	4	0 *	0 *	0	1 *	0 *	0
Sullivan	5 *	5 *	5	0 *	1 *	0	0 *	0 *	2	3 *	3 *	2	0 *	0 *	0
Taney	1 *	1	1	3 *	4	3	3 *	3	3	1 *	1	1	0 *	0	0
Texas	4 *	5 *	4	1 *	1 *	1	2 *	3 *	3	1 *	0 *	0	1 *	1 *	1
Vernon	4 *	4	0	0 *	0	4	4 *	4	3	2 *	3	2	0 *	0	0
Warren	2 *	2 *	1	7 *	7 *	7	3 *	3 *	3	1 *	1 *	1	1 *	1 *	1
Washington	3 *	3	3	7 *	8	7	5 *	5	5	0 *	0	0	2 *	2	2
Wayne	2 *	2	2	5 *	6	5	1 *	2	2	1 *	1	1	1 *	1	1
Webster	2 *	2 *	2	5 *	5 *	5	2 *	2 *	2	1 *	1 *	1	1 *	1 *	1
Worth	4 *	3	3	7 *	5	5	0 *	0	0	0 *	1	1	2 *	1	1
Wright	6 *	5	6	0 *	0	0	2 *	2	2	1 *	1	1	1 *	1	1
Average	3	3	3	4	4	4	2	2	2	1	1	1	1	1	1

* Unaudited (see Objective, Scope and Methodology section)

Schedule 4

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
 GENERAL REVENUE FUND

County	Court Administration			Public Administrator			Other			Sheriff			Jail		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Adair	1 *	0	0	4 *	2	3	16 *	21	16	5 *	7	6	0 *	0	0
Andrew	2 *	1	2	2 *	2	2	19 *	24	25	0 *	0	0	0 *	0	0
Atchison	0 *	0	0	2 *	1	1	5 *	5	8	11 *	16	21	9 *	10	10
Audrain	0 *	1	0	1 *	1	2	10 *	13	14	0 *	0	0	0 *	0	0
Barry	0 *	0 *	0	0 *	0 *	0	13 *	21 *	7	24 *	20 *	22	13 *	11 *	13
Barton	1 *	1	1	4 *	4	5	19 *	18	13	0 *	0	0	0 *	0	0
Bates	1 *	1	2	8 *	6	4	13 *	15	12	0 *	0	0	0 *	0	0
Benton	1 *	1	2	0 *	1	1	8 *	6	8	40 *	41	42	7 *	6	4
Bollinger	0 *	1	1	1 *	1	1	11 *	7	14	23 *	19	28	13 *	14	4
Butler	0 *	0 *	0	3 *	0 *	0	16 *	23 *	11	24 *	22 *	23	12 *	11 *	12
Caldwell	0 *	0	0	1 *	1	1	16 *	16	14	28 *	23	24	0 *	0	0
Carroll	4 *	4 *	0	6 *	2 *	2	0 *	2 *	3	22 *	24 *	23	13 *	14 *	12
Carter	0 *	0	0	3 *	3	2	10 *	25	14	29 *	20	19	4 *	7	5
Cedar	1 *	1	1	1 *	1	1	15 *	7	10	22 *	27	28	3 *	3	3
Chariton	1 *	1	0	1 *	1	1	6 *	6	5	34 *	27	27	5 *	6	7
Christian	3 *	3	2	2 *	2	2	10 *	10	9	0 *	0	0	0 *	0	0
Clark	1 *	1 *	1	1 *	1 *	1	16 *	19 *	13	37 *	36 *	28	0 *	0 *	9
Clinton	0 *	0	0	0 *	0	0	11 *	15	12	25 *	27	25	6 *	8	10
Cooper	1 *	1 *	2	2 *	2 *	1	17 *	14 *	14	14 *	22 *	26	2 *	2 *	1
Crawford	0 *	1 *	0	2 *	1 *	2	11 *	10 *	13	23 *	21 *	21	15 *	15 *	11
Dade	0 *	0 *	0	2 *	1 *	1	12 *	15 *	15	0 *	0 *	0	0 *	0 *	0
Dallas	2 *	2 *	1	3 *	2 *	5	8 *	10 *	8	0 *	0 *	0	0 *	0 *	0
Daviess	2 *	1 *	1	1 *	1 *	1	10 *	12 *	15	0 *	0 *	0	0 *	0 *	0
DeKalb	0 *	0	0	0 *	0	0	20 *	16	21	26 *	28	28	0 *	0	0
Dent	1 *	1	1	2 *	2	2	9 *	7	7	18 *	21	20	9 *	11	11
Douglas	1 *	1	3	3 *	2	3	11 *	8	10	22 *	23	21	5 *	7	5
Dunklin	1 *	0 *	0	2 *	1 *	0	4 *	4 *	14	20 *	19 *	16	13 *	14 *	11
Gasconade	0 *	0	0	2 *	2	2	15 *	10	19	23 *	24	22	12 *	10	7
Gentry	0 *	2	1	2 *	2	2	22 *	12	13	19 *	14	15	7 *	7	6
Grundy	1 *	1 *	4	2 *	2 *	2	7 *	5 *	7	19 *	16 *	20	13 *	10 *	9
Harrison	1 *	1 *	1	6 *	3 *	3	16 *	17 *	14	21 *	18 *	23	3 *	4 *	4
Henry	2 *	2 *	2	0 *	0 *	0	9 *	7 *	8	14 *	15 *	15	9 *	9 *	8
Hickory	1 *	1	1	2 *	2	1	10 *	11	10	37 *	37	36	4 *	5	5
Holt	0 *	0 *	0	1 *	1 *	1	21 *	19 *	12	15 *	16 *	15	8 *	9 *	9
Howard	3 *	1 *	4	1 *	2 *	1	29 *	26 *	20	0 *	0 *	0	0 *	0 *	0
Howell	0 *	0 *	0	1 *	1 *	1	23 *	27 *	29	17 *	18 *	17	6 *	5 *	5
Iron	1 *	1	1	1 *	1	2	7 *	8	18	31 *	33	26	4 *	5	4
Knox	0 *	0	0	5 *	5	3	13 *	7	7	0 *	0	15	0 *	0	8
Laclede	1 *	1 *	0	2 *	1 *	2	14 *	9 *	11	10 *	12 *	15	15 *	16 *	15
Lawrence	1 *	1 *	1	2 *	1 *	1	9 *	7 *	5	24 *	22 *	22	8 *	9 *	9
Lewis	0 *	0 *	2	2 *	2 *	2	25 *	23 *	24	0 *	0 *	15	0 *	0 *	0
Lincoln	2 *	2	1	1 *	1	1	8 *	9	8	0 *	0	0	0 *	0	0
Linn	1 *	2	2	2 *	2	2	10 *	8	12	20 *	23	21	10 *	11	7
Livingston	0 *	0	0	2 *	2	1	3 *	4	8	19 *	19	18	23 *	25	24
Macon	0 *	1	0	2 *	2	2	32 *	7	10	19 *	24	15	4 *	5	12
Madison	0 *	0 *	0	1 *	1 *	1	24 *	20 *	10	18 *	19 *	25	6 *	8 *	9

* Unaudited (see Objective, Scope and Methodology section)

Schedule 4

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
 GENERAL REVENUE FUND

County	Court Administration			Public Administrator			Other			Sheriff			Jail		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Maries	1 *	1 *	0	1 *	1 *	1	14 *	14 *	14	23 *	19 *	20	12 *	12 *	13
Marion	1 *	0 *	1	3 *	3 *	2	8 *	11 *	9	10 *	11 *	13	33 *	35 *	35
McDonald	0 *	1	1	0 *	0	0	22 *	11	30	14 *	20	15	14 *	15	11
Mercer	0 *	0 *	0	2 *	2 *	2	10 *	12 *	11	30 *	30 *	34	3 *	1 *	2
Miller	0 *	0	1	1 *	1	1	11 *	7	5	19 *	19	21	0 *	0	2
Mississippi	1 *	1	0	1 *	1	1	27 *	25	19	0 *	0	15	0 *	0	11
Moniteau	1 *	1 *	2	3 *	4 *	2	9 *	8 *	6	18 *	17 *	17	14 *	14 *	12
Monroe	0 *	0	0	2 *	2	1	12 *	17	14	21 *	26	26	4 *	6	7
Montgomery	1 *	1	1	0 *	0	0	23 *	22	21	19 *	17	19	27 *	25	21
Morgan	0 *	1 *	0	2 *	3 *	2	13 *	37 *	25	0 *	0 *	0	0 *	0 *	0
Newton	1 *	1 *	1	0 *	0 *	0	15 *	20 *	21	24 *	23 *	22	10 *	11 *	11
Nodaway	0 *	0 *	0	3 *	2 *	2	9 *	7 *	9	19 *	14 *	14	13 *	10 *	10
Oregon	0 *	0	0	2 *	2	2	12 *	12	18	22 *	22	21	2 *	5	4
Osage	0 *	0	0	1 *	1	0	7 *	6	6	30 *	30	28	7 *	4	4
Ozark	0 *	0	0	2 *	1	2	11 *	12	17	30 *	25	21	4 *	10	12
Pemiscot	0 *	0 *	0	1 *	1 *	1	10 *	10 *	11	23 *	22 *	24	10 *	10 *	9
Perry	1 *	2 *	1	1 *	1 *	1	21 *	22 *	21	17 *	16 *	15	10 *	9 *	9
Phelps	0 *	0 *	4	2 *	1 *	1	2 *	9 *	3	17 *	26 *	24	15 *	0 *	0
Pike	1 *	1	1	1 *	0	0	12 *	13	12	0 *	0	0	0 *	0	0
Polk	0 *	1	1	4 *	4	4	12 *	13	10	0 *	0	0	0 *	0	0
Pulaski	3 *	5 *	2	3 *	2 *	2	14 *	19 *	17	29 *	25 *	21	1 *	1 *	1
Putnam	1 *	0 *	0	2 *	2 *	3	30 *	34 *	13	0 *	0 *	0	0 *	0 *	0
Ralls	1 *	1 *	1	1 *	1 *	1	13 *	9 *	10	28 *	28 *	32	0 *	0 *	0
Randolph	0 *	0 *	0	1 *	2 *	2	4 *	8 *	8	20 *	19 *	18	21 *	18 *	23
Ray	0 *	0 *	1	3 *	1 *	2	7 *	10 *	8	17 *	17 *	17	24 *	24 *	22
Reynolds	1 *	1	1	1 *	1	1	12 *	11	12	28 *	28	29	2 *	2	1
Ripley	2 *	2 *	2	3 *	3 *	3	15 *	16 *	15	0 *	0 *	0	0 *	0 *	0
St. Clair	0 *	0 *	1	1 *	1 *	1	1 *	2 *	4	8 *	8 *	13	31 *	30 *	39
Ste. Genevieve	0 *	1 *	0	1 *	1 *	1	15 *	12 *	14	19 *	20 *	18	43 *	42 *	44
Schuyler	2 *	1 *	1	2 *	1 *	2	15 *	18 *	12	0 *	0 *	0	0 *	0 *	0
Scotland	0 *	0 *	1	1 *	1 *	1	7 *	5 *	5	31 *	32 *	34	0 *	0 *	0
Scott	0 *	0	1	1 *	1	1	12 *	12	15	16 *	18	16	23 *	17	16
Shannon	0 *	0	0	2 *	2	2	4 *	7	10	24 *	25	25	7 *	4	5
Shelby	1 *	0	0	1 *	1	1	6 *	4	10	20 *	22	22	8 *	12	11
Stoddard	0 *	0 *	0	0 *	1 *	1	5 *	9 *	6	25 *	27 *	23	0 *	0 *	0
Stone	2 *	4 *	8	1 *	3 *	3	15 *	18 *	32	20 *	0 *	0	8 *	0 *	0
Sullivan	1 *	1 *	2	2 *	2 *	2	6 *	5 *	4	30 *	28 *	21	6 *	5 *	8
Taney	0 *	0	0	1 *	1	1	28 *	19	25	18 *	24	21	6 *	5	6
Texas	5 *	3 *	3	1 *	1 *	1	6 *	6 *	14	15 *	16 *	13	12 *	14 *	13
Vernon	2 *	2	1	3 *	3	2	7 *	7	8	19 *	20	19	11 *	11	11
Warren	0 *	0 *	0	1 *	1 *	1	29 *	23 *	19	0 *	0 *	0	0 *	0 *	0
Washington	0 *	1	0	2 *	2	2	31 *	26	26	0 *	0	0	0 *	0	0
Wayne	0 *	0	0	1 *	2	1	17 *	14	12	24 *	26	25	0 *	0	0
Webster	0 *	0 *	0	2 *	3 *	2	11 *	16 *	22	36 *	34 *	30	0 *	0 *	0
Worth	0 *	0	0	2 *	1	1	9 *	39	31	10 *	6	8	7 *	4	3
Wright	1 *	1	1	1 *	1	1	7 *	12	6	21 *	19	21	4 *	4	4
Average	1	1	1	2	2	2	13	13	13	17	17	17	7	7	7

* Unaudited (see Objective, Scope and Methodology section)

Schedule 4

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
 GENERAL REVENUE FUND

County	Prosecuting Attorney			Juvenile Officer			Coroner			Health and Welfare			Operating Transfers		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Adair	10 *	9	8	13 *	15	18	1 *	1	1	0 *	0	0	0 *	2	5
Andrew	8 *	8	8	2 *	3	3	1 *	1	1	1 *	1	1	10 *	9	4
Atchison	12 *	14	12	1 *	2	2	1 *	1	1	0 *	0	0	2 *	3	2
Audrain	11 *	12	11	9 *	13	17	1 *	1	1	0 *	0	0	34 *	25	18
Barry	9 *	7 *	6	4 *	6 *	6	1 *	1 *	1	0 *	0 *	0	0 *	6 *	11
Barton	10 *	12	8	3 *	4	5	0 *	0	0	1 *	1	1	2 *	4	3
Bates	0 *	0	0	0 *	0	0	0 *	0	0	0 *	0	1	2 *	0	1
Benton	8 *	8	6	1 *	3	4	1 *	1	1	0 *	0	0	0 *	1	2
Bollinger	7 *	8	7	4 *	7	7	1 *	1	1	0 *	0	0	0 *	3	0
Butler	5 *	5 *	8	5 *	6 *	9	1 *	1 *	1	0 *	1 *	1	0 *	0 *	2
Caldwell	9 *	9	8	1 *	2	2	1 *	1	1	0 *	0	0	1 *	4	6
Carroll	6 *	7 *	6	1 *	2 *	4	0 *	1 *	1	0 *	0 *	0	8 *	0 *	1
Carter	9 *	7	11	4 *	5	4	1 *	1	1	0 *	0	0	5 *	3	19
Cedar	6 *	6	6	3 *	3	5	1 *	1	1	0 *	0	0	0 *	11	1
Chariton	5 *	4	3	1 *	2	4	1 *	1	1	0 *	0	0	0 *	13	13
Christian	14 *	12	12	4 *	6	7	1 *	1	1	0 *	0	0	10 *	20	19
Clark	6 *	6 *	6	1 *	3 *	5	1 *	1 *	1	0 *	0 *	0	0 *	1 *	0
Clinton	8 *	6	5	1 *	2	2	1 *	1	1	0 *	0	0	0 *	0	1
Cooper	7 *	7 *	5	2 *	3 *	3	1 *	1 *	1	10 *	10 *	10	3 *	0 *	3
Crawford	7 *	6 *	5	2 *	3 *	4	1 *	1 *	1	13 *	12 *	13	0 *	0 *	0
Dade	0 *	0 *	0	0 *	0 *	0	0 *	0 *	0	0 *	0 *	0	30 *	23 *	24
Dallas	9 *	11 *	8	14 *	15 *	15	2 *	2 *	1	0 *	0 *	0	7 *	7 *	5
Daviess	13 *	12 *	10	1 *	2 *	3	2 *	1 *	1	0 *	0 *	0	20 *	22 *	22
DeKalb	8 *	6	6	1 *	2	2	1 *	1	1	0 *	0	0	3 *	3	4
Dent	8 *	9	9	2 *	4	5	1 *	1	1	0 *	0	0	0 *	2	2
Douglas	10 *	10	10	2 *	3	4	1 *	1	1	0 *	0	0	3 *	5	3
Dunklin	7 *	8 *	7	4 *	6 *	7	1 *	1 *	1	0 *	0 *	0	0 *	0 *	4
Gasconade	8 *	7	6	2 *	2	3	1 *	1	1	0 *	0	0	0 *	5	7
Gentry	6 *	6	5	1 *	1	2	1 *	1	1	2 *	1	1	0 *	23	24
Grundy	8 *	7 *	6	6 *	8 *	12	1 *	1 *	1	0 *	0 *	0	2 *	6 *	2
Harrison	7 *	7 *	7	1 *	4 *	5	1 *	2 *	1	0 *	0 *	0	0 *	0 *	3
Henry	6 *	7 *	6	19 *	20 *	22	1 *	1 *	1	0 *	0 *	0	5 *	6 *	7
Hickory	6 *	6	5	1 *	1	2	1 *	1	1	0 *	0	0	2 *	1	4
Holt	6 *	7 *	5	1 *	4 *	5	1 *	1 *	1	0 *	0 *	8	1 *	1 *	1
Howard	7 *	8 *	6	6 *	8 *	9	1 *	1 *	1	15 *	16 *	15	0 *	0 *	13
Howell	5 *	5 *	5	5 *	6 *	7	1 *	1 *	1	2 *	2 *	1	3 *	3 *	3
Iron	7 *	7	6	2 *	2	4	1 *	1	1	0 *	0	0	0 *	1	0
Knox	10 *	10	8	5 *	8	8	1 *	1	1	0 *	0	0	6 *	15	2
Laclede	6 *	7 *	6	2 *	4 *	6	1 *	0 *	0	0 *	0 *	0	11 *	7 *	11
Lawrence	8 *	8 *	7	2 *	3 *	5	1 *	1 *	1	13 *	13 *	13	0 *	0 *	0
Lewis	6 *	6 *	5	6 *	8 *	10	1 *	1 *	1	0 *	0 *	0	22 *	24 *	2
Lincoln	8 *	8	6	5 *	5	5	1 *	1	1	20 *	23	25	17 *	18	21
Linn	6 *	7	6	3 *	6	8	1 *	1	1	0 *	0	0	1 *	2	0
Livingston	5 *	5	4	3 *	4	4	1 *	1	1	0 *	0	0	1 *	1	2
Macon	5 *	7	7	3 *	9	10	0 *	1	1	0 *	1	1	0 *	1	1
Madison	5 *	6 *	4	1 *	4 *	6	1 *	1 *	1	0 *	0 *	0	0 *	0 *	5

* Unaudited (see Objective, Scope and Methodology section)

Schedule 4

MISSOURI 3RD CLASS COUNTIES
 PERCENTAGE COMPOSITION OF DISBURSEMENTS BY FUNCTION
 GENERAL REVENUE FUND

County	Prosecuting Attorney			Juvenile Officer			Coroner			Health and Welfare			Operating Transfers		
	Year Ended			Year Ended			Year Ended			Year Ended			Year Ended		
	December 31,			December 31,			December 31,			December 31,			December 31,		
	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
Maries	5 *	6 *	5	2 *	2 *	3	1 *	1 *	1	1 *	1 *	1	0 *	0 *	2
Marion	8 *	8 *	7	2 *	4 *	7	1 *	1 *	1	0 *	0 *	0	7 *	0 *	1
McDonald	10 *	12	8	1 *	2	2	1 *	1	1	0 *	0	0	2 *	3	3
Mercer	8 *	9 *	8	1 *	2 *	3	1 *	1 *	1	0 *	0 *	0	0 *	0 *	0
Miller	7 *	7	6	2 *	4	8	1 *	1	1	13 *	13	14	6 *	10	0
Mississippi	6 *	7	6	1 *	4	5	1 *	1	1	1 *	1	2	32 *	29	4
Moniteau	10 *	12 *	8	2 *	4 *	7	1 *	1 *	1	0 *	0 *	0	0 *	0 *	1
Monroe	6 *	6	5	2 *	3	5	1 *	1	1	0 *	0	0	8 *	0	0
Montgomery	6 *	6	5	2 *	4	6	0 *	1	0	0 *	0	0	0 *	4	6
Morgan	10 *	8 *	8	3 *	4 *	5	1 *	1 *	1	0 *	0 *	0	34 *	12 *	27
Newton	7 *	8 *	6	2 *	3 *	3	1 *	1 *	0	0 *	0 *	0	14 *	3 *	7
Nodaway	7 *	6 *	5	4 *	5 *	6	1 *	1 *	1	0 *	0 *	0	0 *	26 *	16
Oregon	8 *	7	7	4 *	5	5	1 *	1	1	0 *	0	0	3 *	3	3
Osage	9 *	9	10	3 *	3	4	1 *	1	1	1 *	1	2	0 *	1	1
Ozark	3 *	6	5	2 *	2	3	1 *	2	1	0 *	0	0	5 *	3	3
Pemiscot	11 *	10 *	7	2 *	3 *	4	1 *	1 *	1	0 *	0 *	0	0 *	3 *	0
Perry	5 *	5 *	4	3 *	5 *	6	1 *	1 *	1	0 *	0 *	0	6 *	5 *	9
Phelps	8 *	8 *	6	11 *	11 *	13	1 *	0 *	0	2 *	2 *	2	4 *	9 *	13
Pike	7 *	6	5	2 *	3	3	1 *	0	0	42 *	43	42	6 *	8	12
Polk	0 *	0	0	0 *	0	0	0 *	0	0	0 *	0	0	2 *	7	6
Pulaski	8 *	8 *	7	4 *	5 *	7	1 *	1 *	1	0 *	0 *	0	2 *	6 *	18
Putnam	13 *	12 *	13	1 *	3 *	6	1 *	1 *	1	0 *	0 *	0	0 *	0 *	4
Ralls	6 *	7 *	5	1 *	3 *	4	1 *	1 *	1	0 *	0 *	0	7 *	4 *	4
Randolph	9 *	9 *	8	10 *	12 *	13	1 *	1 *	0	0 *	0 *	0	0 *	0 *	0
Ray	11 *	9 *	8	1 *	3 *	4	1 *	1 *	1	0 *	0 *	1	0 *	0 *	0
Reynolds	8 *	9	8	2 *	3	4	1 *	1	1	0 *	0	0	0 *	0	0
Ripley	0 *	0 *	3	0 *	0 *	0	0 *	0 *	0	0 *	0 *	0	15 *	19 *	22
St. Clair	3 *	3 *	4	1 *	1 *	3	0 *	0 *	0	0 *	0 *	0	1 *	1 *	1
Ste. Genevieve	3 *	3 *	3	2 *	3 *	3	1 *	1 *	1	0 *	0 *	0	0 *	1 *	0
Schuyler	0 *	0 *	0	0 *	0 *	0	0 *	0 *	0	2 *	1 *	1	0 *	17 *	30
Scotland	7 *	8 *	8	5 *	9 *	8	0 *	0 *	1	4 *	0 *	0	1 *	1 *	0
Scott	5 *	6	5	3 *	7	8	1 *	1	1	0 *	0	0	0 *	0	0
Shannon	7 *	7	6	4 *	5	6	1 *	1	1	0 *	0	0	2 *	4	2
Shelby	8 *	8	6	4 *	5	6	1 *	1	1	0 *	0	0	4 *	2	4
Stoddard	5 *	6 *	4	28 *	16 *	11	1 *	1 *	0	0 *	0 *	0	0 *	0 *	22
Stone	7 *	0 *	0	1 *	0 *	0	0 *	0 *	0	4 *	0 *	0	17 *	32 *	23
Sullivan	6 *	6 *	5	1 *	2 *	4	1 *	1 *	1	0 *	1 *	0	2 *	4 *	0
Taney	6 *	8	8	1 *	2	2	0 *	0	0	0 *	0	0	7 *	0	2
Texas	6 *	7 *	6	3 *	6 *	6	1 *	1 *	1	0 *	0 *	0	3 *	4 *	3
Vernon	6 *	7	6	8 *	11	15	1 *	1	1	0 *	0	0	0 *	0	2
Warren	11 *	10 *	10	3 *	6 *	9	1 *	1 *	1	0 *	7 *	6	17 *	9 *	21
Washington	12 *	13	11	5 *	7	8	2 *	2	1	0 *	0	0	10 *	10	12
Wayne	6 *	9	8	2 *	3	4	1 *	1	1	0 *	0	0	2 *	3	3
Webster	7 *	6 *	6	3 *	2 *	3	1 *	0 *	1	1 *	0 *	0	1 *	6 *	4
Worth	12 *	9	9	0 *	1	2	1 *	1	1	1 *	1	1	11 *	5	7
Wright	8 *	8	7	12 *	14	16	1 *	1	1	2 *	2	2	2 *	5	4
Average	7	7	6	3	5	6	1	1	1	2	2	2	5	6	6

* Unaudited (see Objective, Scope and Methodology section)

Schedule 5

MISSOURI 3RD CLASS COUNTIES
SALES TAX FUNDS
TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCE
TWO YEARS ENDED DECEMBER 31, 2000

December 31,								
County	Fund Type	2000			Fund Type	1999		
		Receipts	Disbursements	Cash Balance		Receipts	Disbursements	Cash Balance
Adair	b	\$ 1,366,836 *	936,198 *	1,022,558 *	b	1,267,075	720,775	591,920
Andrew	a,b	616,592 *	508,770 *	666,437 *	a,b	551,829	495,613	558,615
Atchison	c	236,696 *	256,055 *	267,861 *	c	217,890	229,031	287,220
Audrain	b,c	2,394,122 *	2,073,725 *	334,679 *	b,c	2,031,972	2,304,384	14,282
Barry		0 *	0 *	0 *		0 *	0 *	0 *
Barton	b	519,942 *	515,314 *	245,932 *	b	530,267	469,617	241,304
Bates	b	632,559 *	680,538 *	15,890 *	b	613,584	647,790	63,869
Benton	a	654,242 *	720,179 *	507,908 *	a	621,690	770,709	573,845
Bollinger		0 *	0 *	0 *		0	0	0
Butler	b,c	1,207,972 *	1,147,676 *	1,372,959 *	b,c	2,355,804 *	2,504,403 *	1,312,663 *
Caldwell	b,c	443,929 *	371,639 *	227,573 *	b,c	403,776	336,256	155,283
Carroll		0 *	0 *	0 *		0 *	0 *	0 *
Carter		0 *	0 *	0 *		0	0	0
Cedar		0 *	0 *	0 *		0	0	0
Chariton	b	271,739 *	150,077 *	971,560 *	b	408,110	156,166	849,898
Christian	b,c	1,722,726 *	1,811,540 *	(13,541) *	b,c	1,543,103	1,479,335	75,273
Clark	a,c	383,628 *	460,638 *	75,738 *	a,c	368,860 *	305,659 *	152,748 *
Clinton	a	525,739 *	380,558 *	284,722 *	a	447,415	399,161	139,541
Cooper	c	608,984 *	580,243 *	190,081 *	c	550,889 *	588,856 *	161,340 *
Crawford	a	120,959 *	98,170 *	191,170 *	a	113,219 *	42,483 *	168,381 *
Dade	b	427,363 *	427,230 *	1,866 *	b	392,658 *	419,243 *	1,733 *
Dallas	a,b	1,152,877 *	1,147,113 *	93,938 *	a,b	1,157,318 *	1,222,468 *	88,174 *
Daviess	b	281,857 *	270,403 *	78,294 *	b	302,938 *	254,411 *	66,840 *
Dekalb	a	554,217 *	676,097 *	167,074 *	a	542,089	627,799	288,954
Dent		0 *	0 *	0 *		0	0	0
Douglas		0 *	0 *	0 *		0	0	0
Dunklin		0 *	0 *	0 *		0 *	0 *	0 *
Gasconade		0 *	0 *	0 *		0	0	0
Gentry		0 *	0 *	0 *		0	0	0
Grundy		0 *	0 *	0 *		0 *	0 *	0 *
Harrison		0 *	0 *	0 *		0 *	0 *	0 *
Henry		0 *	0 *	0 *		0 *	0 *	0 *
Hickory		0 *	0 *	0 *		0	0	0
Holt		0 *	0 *	0 *		0 *	0 *	0 *
Howard	b	430,060 *	443,992 *	1,711 *	b	408,639 *	394,513 *	15,643 *
Howell		0 *	0 *	0 *		0 *	0 *	0 *
Iron		0 *	0 *	0 *		0	0	0
Knox	b	163,025 *	159,639 *	3,606 *	b	143,547	143,327	220
Laclede	b	1,682,737 *	1,652,398 *	794,031 *	b	1,918,125 *	1,734,382 *	763,692 *
Lawrence		0 *	0 *	0 *		0 *	0 *	0 *
Lewis	a,b	707,063 *	668,607 *	99,490 *	a,b	1,138,793 *	1,127,997 *	61,034 *
Lincoln	a,b	3,633,185 *	3,475,309 *	674,756 *	a,b	3,008,265	3,022,724	516,880
Linn		0 *	0 *	0 *		0	0	0
Livingston		0 *	0 *	0 *		0	0	0
Macon	c	599,062 *	454,933 *	287,008 *	c	872,556	828,431	142,879
Madison		\$ 0 *	0 *	0 *	a	482,504 *	479,648 *	19,516 *

Tickmark Legend

a - Capital Improvement Sales Tax Fund

b - Law Enforcement Sales Tax Fund

c - Road and Bridge Sales Tax Fund (general or capital improvement sales tax designated by the county for road and bridge projects)

* Unaudited (see Objective, Scope and Methodology section)

Schedule 5

MISSOURI 3RD CLASS COUNTIES
 SALES TAX FUNDS
 TOTAL RECEIPTS, DISBURSEMENTS, AND CASH BALANCE
 TWO YEARS ENDED DECEMBER 31, 2000

County	Fund Type	2000			December 31,			
		Receipts	Disbursements	Cash Balance	Fund Type	Receipts	Disbursements	Cash Balance
Maries	a	\$ 216,666 *	180,453 *	36,880 *	a	212,319 *	212,506 *	667 *
Marion	a,c	3,175,726 *	3,232,353 *	1,467,275 *	a,c	2,256,951 *	2,098,810 *	1,523,902 *
McDonald	b	0 *	0 *	145,979 *	b	0	0	145,979
Mercer		0 *	0 *	0 *		0 *	0 *	0 *
Miller	a	1,737,539 *	1,651,620 *	419,071 *	a	1,355,208	1,260,682	333,152
Mississippi	a,b	2,184,409 *	2,014,144 *	273,040 *	a,b	1,619,097	2,134,007	102,775
Moniteau		0 *	0 *	0 *		0 *	0 *	0 *
Monroe		0 *	0 *	0 *		0	0	0
Montgomery	a	392,000 *	377,642 *	368,601 *	a	466,201	381,943	354,243
Morgan	b	1,363,461 *	1,537,741 *	9,489 *	b	1,072,374 *	1,016,856 *	183,769 *
Newton		0 *	0 *	0 *		0 *	0 *	0 *
Nodaway		0 *	0 *	0 *		0 *	0 *	0 *
Oregon		0 *	0 *	0 *		0	0	0
Osage		0 *	0 *	0 *		0	0	0
Ozark	a,b	389,156 *	342,086 *	180,346 *	a	238,333	214,950	133,276
Pemiscot	a,b	971,393 *	681,995 *	1,118,922 *	a,b	906,066 *	513,242 *	829,524 *
Perry		0 *	0 *	0 *		0 *	0 *	0 *
Phelps	b	2,032,114 *	362,245 *	1,709,102 *	b	163,769 *	124,536 *	39,233 *
Pike	b	998,705 *	946,421 *	42,861 *	b	898,689	964,277	(9,423)
Polk	b,c	2,218,234 *	2,163,226 *	1,089,998 *	b,c	2,221,369	2,000,370	1,034,990
Pulaski	a	108,666 *	15 *	2,285,239 *	a	117,564 *	78,056 *	2,176,588 *
Putnam	b	222,662 *	231,898 *	17,952 *	b	214,281 *	211,584 *	27,188 *
Ralls		0 *	0 *	0 *		0 *	0 *	0 *
Randolph		0 *	0 *	0 *		0 *	0 *	0 *
Ray	c	1,164,277 *	1,296,625 *	240,147 *	c	659,275 *	589,221 *	372,495 *
Reynolds		0 *	0 *	0 *		0	0	0
Ripley	b	477,400 *	462,854 *	17,284 *	b	475,419 *	474,131 *	2,738 *
St. Clair		0 *	0 *	0 *		0 *	0 *	0 *
Ste. Genevieve	a	90,164 *	11,854 *	1,647,574 *	a	80,192 *	13,948 *	1,569,264 *
Schuyler	b,c	348,248 *	351,518 *	127,779 *	b,c	325,546 *	322,056 *	131,049 *
Scotland		0 *	0 *	0 *		0 *	0 *	0 *
Scott	b	89,145 *	1,459,394 *	89,145 *		0	0	0
Shannon		0 *	0 *	0 *		0	0	0
Shelby		0 *	0 *	0 *		0	0	0
Stoddard		0 *	0 *	0 *		0 *	0 *	0 *
Stone	d	0 *	0 *	0 *	b	2,085,752 *	2,175,443 *	10,217 *
Sullivan		0 *	0 *	0 *		0 *	0 *	0 *
Taney	a,c	11,200,700 *	9,237,887 *	12,788,847 *	a,c	12,458,929	10,689,487	10,826,034
Texas		0 *	0 *	0 *		0 *	0 *	0 *
Vernon		0 *	0 *	0 *		0	0	0
Warren	a,b	2,904,951 *	2,559,551 *	1,435,342 *	a,b	3,086,243	2,716,755	1,089,942
Washington	a,b	1,710,882 *	1,402,508 *	1,333,330 *	a,b	1,565,000	1,235,080	1,024,956
Wayne		0 *	0 *	0 *		0	0	0
Webster	a	987,821 *	1,110,091 *	43,322 *	a	960,716 *	909,939 *	165,592 *
Worth	a,b	72,335 *	102,033 *	31,476 *	a,b	96,100	127,266	61,174
Wright		\$ 0 *	0 *	0 *		0	0	0

Tickmark Legend

a - Capital Improvement Sales Tax Fund

b - Law Enforcement Sales Tax Fund

c - Road and Bridge Sales Tax Fund (general or capital improvement sales tax designated by the county for road and bridge projects)

d - In 2000, the Law Enforcement Sales Tax monies were included in the General Revenue Fund. In 1999, the Law Enforcement Sales Tax monies were included in a separate fund.

* Unaudited (see Objective, Scope and Methodology section)

Schedule 6

MISSOURI 3RD CLASS COUNTIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
COMPARISON OF AUDITED AND COUNTY SEFA AMOUNTS
YEAR ENDED DECEMBER 31, 1998

Federal Awards Per Audit Reports or County SEFA										Over/(Under)
County	BRO	WIC	CDBG	MCH/Family			Total Audited SEFA	Total County SEFA	Audited Counties	
				Planning	FEMA	Other				
Adair	\$ 230,120	0	0	23,725	0	256,689	510,534	364,168	(146,366)	
Andrew	359,064	28,540	0	45,947	24,122	47,122	504,795	266,469	(238,326)	
Atchison	603,078	22,726	0	29,933	5,275	69,213	730,225	1,832	(728,393)	
Audrain	212,588	0	0	0	525	16,761	229,874	229,874	0	
Barry	183,137	111,367	0	0	0	350,260	644,764	515,217	(129,547)	
Barton	11,230	42,038	0	16,662	0	31,444	101,374	95,231	(6,143)	
Bates	34,614	62,601	0	15,056	16,209	31,599	N/A	160,079	N/A	
Benton	0	0	0	0	0	0	N/A	0	N/A	
Bollinger	17,434	48,331	0	0	0	10,995	N/A	76,760	N/A	
Butler	32,705	137,992	154,548	46,195	0	420,450	791,890	0	(791,890)	
Caldwell	328,374	0	0	14,694	249,817	67,577	660,462	455,792	(204,670)	
Carroll	363,477	28,765	0	13,224	143,287	58,142	606,895	786,787	179,892	
Carter	0	28,792	0	21,728	4,216	160,425	215,161	127,723	(87,438)	
Cedar	0	0	0	0	136,976	29,756	166,732	75,870	(90,862)	
Chariton	397,155	12,586	0	19,057	9,908	164,808	603,514	594,021	(9,493)	
Christian	355,394	123,095	0	43,043	0	384,764	906,296	449,830	(456,466)	
Clark	106,432	20,144	0	18,301	0	75,060	219,937	222,972	3,035	
Clinton	288,517	52,642	0	57,865	750	111,960	511,734	349,271	(162,463)	
Cooper	0	35,050	0	16,242	7,959	176,167	235,418	118,277	(117,141)	
Crawford	7,767	68,232	0	19,647	0	218,978	314,624	279,147	(35,477)	
Dade	57,447	24,826	0	12,638	283,827	14,733	393,471	396,900	3,429	
Dallas	0	2,916	0	5,616	0	106,031	N/A	114,563	N/A	
Daviess	596,353	28,882	65,108	16,238	830,580	6,625	1,543,786	1,413,604	(130,182)	
DeKalb	145,684	0	0	0	14,948	37,844	N/A	198,476	N/A	
Dent	0	0	0	0	0	0	N/A	0	N/A	
Douglas	37,622	54,771	0	23,538	1,000	146,443	263,374	0	(263,374)	
Dunklin	2,069	173,438	0	68,661	5,734	141,510	391,412	466,292	74,880	
Gasconade	0	48,030	0	37,592	6,177	35,370	N/A	127,169	N/A	
Gentry	482,905	41,064	0	39,614	4,161	67,246	634,990	564,827	(70,163)	
Grundy	130,175	34,988	0	14,350	0	103,992	283,505	266,299	(17,206)	
Harrison	109,542	24,176	0	1,399	0	35,434	170,551	207,578	37,027	
Henry	186,717	48,778	350,000	20,044	4,339	271,474	881,352	861,756	(19,596)	
Hickory	0	16,486	0	31,299	1,690	27,695	N/A	77,170	N/A	
Holt	209	13,704	0	8,604	3,254	67,588	N/A	93,359	N/A	
Howard	0	0	0	0	0	0	N/A	0	N/A	
Howell	0	0	908,597	0	3,343	898,892	1,810,832	1,783,907	(26,925)	
Iron	53,303	44,059	0	19,383	2,189	186,893	305,827	309,464	3,637	
Knox	260,045	14,219	5,602	12,615	3,824	15,969	312,274	14,646	(297,628)	
Laclede	0	93,954	0	0	0	71,930	N/A	165,884	N/A	
Lawrence	50,925	117,028	0	70,397	4,380	133,179	375,909	223,197	(152,712)	
Lewis	9,567	36,150	0	28,812	0	16,484	91,013	88,755	(2,258)	
Lincoln	37,937	74,010	62,932	41,686	4,190	349,315	570,070	0	(570,070)	
Linn	239,179	35,102	269,781	15,239	20,430	79,574	659,305	621,374	(37,931)	
Livingston	68,669	43,518	0	19,815	22,185	97,329	251,516	280,006	28,490	
Macon	207,112	41,866	0	22,634	82,089	67,498	421,199	0	(421,199)	
Madison	\$ 185,425	53,356	0	16,358	0	117,920	373,059	439,572	66,513	

Tickmark Legend

BRO - Highway Planning and Construction

WIC - Special Supplemental Nutrition Program for Women Infants and Children

CDBG - Community Development Block Grant/State's Program

MCH/FP - Maternal and Child Health Services Block Grant to the States/Family Planning

FEMA - Emergency Management - State and Local Assistance/Public Assistance Grants

N/A - No federal audit was required because federal awards expended were less than \$300,000 both years of the audit period (see Objective, Scope, and Methodology section)

a - Although the federal awards expended by Audrain County were less than \$300,000 for both years of the audit period, a federal audit was performed.

Schedule 6

MISSOURI 3RD CLASS COUNTIES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
 COMPARISON OF AUDITED AND COUNTY SEFA AMOUNTS
 YEAR ENDED DECEMBER 31, 1998

County	Federal Awards Per Audit Reports or County SEFA						Total Audited SEFA	Total County SEFA	Over/(Under) Reported For Audited Counties
	BRO	WIC	CDBG	MCH/Family Planning	FEMA	Other			
Maries	\$ 0	0	0	0	0	14,550	N/A	14,550	N/A
Marion	67,755	72,257	143	26,655	0	210,371	377,181	352,850	(24,331)
McDonald	0	72,466	0	20,117	2,918	86,965	N/A	182,466	N/A
Mercer	142,513	8,239	37,542	8,854	0	522,066	719,214	794,521	75,307
Miller	685,687	78,159	0	22,375	24,701	33,192	844,114	539,069	(305,045)
Mississippi	8,575	75,303	0	27,189	0	430,777	541,844	365,259	(176,585)
Moniteau	0	0	0	0	0	62	N/A	62	N/A
Monroe	30,111	20,034	11,162	19,727	0	42,037	123,071	123,071	0
Montgomery	0	22,608	0	14,793	0	49,225	86,626	0	(86,626)
Morgan	0	57,790	0	17,426	0	72,804	N/A	148,020	N/A
Newton	188,487	150,187	0	54,505	19,159	187,307	599,645	0	(599,645)
Nodaway	250,356	36,985	0	25,285	0	73,040	385,666	0	(385,666)
Oregon	0	66,261	0	22,343	2,917	203,090	294,611	79,185	(215,426)
Osage	131,714	0	0	0	5,580	941	N/A	138,235	N/A
Ozark	22,445	29,704	23,400	46,444	0	126,552	248,545	164,570	(83,975)
Pemiscot	60,566	125,959	414,665	36,124	0	402,753	1,040,067	0	(1,040,067)
Perry	0	53,401	0	18,476	12,281	50,311	N/A	134,469	N/A
Phelps	0	137,300	0	64,259	0	678,498	880,057	856,533	(23,524)
Pike	201,928	42,513	186,238	8,027	3,051	177,594	619,351	433,381	(185,970)
Polk	288,136	72,577	0	30,795	22,370	90,133	504,011	850,762	346,751
Pulaski	0	156,475	82,027	55,974	0	153,044	447,520	336,591	(110,929)
Putnam	283,124	0	0	12,290	0	11,104	306,518	0	(306,518)
Ralls	109,507	14,286	680	17,631	0	177,840	319,944	260,234	(59,710)
Randolph	0	102,263	0	37,982	0	281,637	421,882	256,543	(165,339)
Ray	80,084	93,275	0	15,078	74,420	137,598	400,455	347,533	(52,922)
Reynolds	0	0	0	0	0	0	N/A	0	N/A
Ripley	22,871	58,542	100,000	27,985	0	198,060	407,458	128,837	(278,621)
St. Clair	0	29,763	90,313	12,582	0	80,851	N/A	213,509	N/A
Ste. Genevieve	0	55,442	0	29,681	0	89,058	N/A	174,181	N/A
Schuyler	150,851	13,825	5,675	10,941	0	43,019	224,311	368,900	144,589
Scotland	378,118	11,745	63,933	12,139	0	19,574	485,509	488,341	2,832
Scott	0	162,686	118,199	179,615	0	92,839	553,339	344,490	(208,849)
Shannon	0	38,664	0	13,883	0	51,247	N/A	103,794	N/A
Shelby	204,265	23,168	28,019	21,862	0	69,152	346,466	365,209	18,743
Stoddard	253,207	83,271	0	47,663	0	99,273	483,414	507,818	24,404
Stone	57,744	78,229	0	46,936	0	541,138	724,047	62,065	(661,982)
Sullivan	477,109	24,306	4,695	16,461	0	45,803	568,374	575,360	6,986
Taney	0	134,398	0	21,415	8,404	1,183,533	1,347,750	153,605	(1,194,145)
Texas	0	71,128	0	20,060	0	136,723	N/A	227,911	N/A
Vernon	232,760	54,860	0	20,932	0	112,190	420,742	0	(420,742)
Warren	38,525	0	73,049	11,388	0	169,597	292,559	337,477	44,918
Washington	24,851	79,147	0	38,460	0	268,561	411,019	369,944	(41,075)
Wayne	73,611	60,797	21,600	20,606	0	184,769	361,383	0	(361,383)
Webster	1,304	114,784	39,462	84,361	0	42,254	282,165	232,036	(50,129)
Worth	0	0	0	0	0	140,676	N/A	140,676	N/A
Wright	\$ 0	56,775	0	14,140	0	35,432	N/A	106,347	N/A
Total	\$ 10,858,175	4,527,794	3,117,370	2,181,310	2,073,185	13,596,378	33,756,532 #	25,162,522 #	(11,191,690)

Tickmark Legend

BRO - Highway Planning and Construction

WIC - Special Supplemental Nutrition Program for Women Infants and Children

CDBG - Community Development Block Grant/State's Program

MCH/FP - Maternal and Child Health Services Block Grant to the States/Family Planning

FEMA - Emergency Management - State and Local Assistance/Public Assistance Grants

N/A - No federal audit was required because federal awards expended were less than \$300,000 both years of the audit period (see Objective, Scope, and Methodology section)

- The total audited SEFA is understated by \$2,597,680 while the total county SEFA is overstated by the same amount.

Schedule 7

MISSOURI 3RD CLASS COUNTIES
PUBLISHED FINANCIAL STATEMENTS
OVERALL EVALUATION, DATE AND COST OF PUBLICATION
YEAR ENDED DECEMBER 31, 2000

County	Overall Evaluation	Date of Publication *	Cost of Publication
Adair	Fair	March 5, 2001	\$ 2,499
Andrew	Fair	February 22, 2001	864
Atchison	Fair	March 8, 2001	N/A
Audrain	Fair	February 26, 2001	380
Barry	Fair	March 2, 2001	N/A
Barton	Good	February 21, 2001	686
Bates	Good	March 8, 2001	N/A
Benton	Good	February 22, 2001	846
Bollinger	Fair	April 26, 2001	N/A
Butler	Fair	February 21, 2001	2,445
Caldwell	Fair	March 1, 2001	580
Carroll	Good	March 9, 2001	850
Carter	Good	March 1, 2001	N/A
Cedar	Good	March 1, 2001	N/A
Chariton	Good	March 1, 2001	655
Christian	Fair	April 4, 2001	4,757
Clark	Fair	February 27, 2001	N/A
Clinton	Fair	March 1, 2001	895
Cooper	Fair	February 16, 2001	240
Crawford	Fair	February 28, 2001	2,067
Dade	Good	March 1, 2001	819
Dallas	Good	March 1, 2001	656
Daviess	Good	February 21, 2001	489
DeKalb	Good	February 28, 2001	N/A
Dent	Fair	March 6, 2001	525
Douglas	Fair	February 22, 2001	1,060
Dunklin	Fair	April 4, 2001	1,206
Gasconade	Good	February 28, 2001	N/A
Gentry	Fair	March 3, 2001	N/A
Grundy	Fair	February 27, 2001	1,090
Harrison	Good	February 28, 2001	N/A
Henry	Good	March 1, 2001	985
Hickory	Fair	March 28, 2001	2,240
Holt	Good	March 1, 2001	294
Howard	Fair	March 24, 2001	2,333
Howell	Fair	March 6, 2001	3,571
Iron	Fair	February 21, 2001	1,683
Knox	Good	February 28, 2001	N/A
Laclede	Fair	February 20, 2001	1,754
Lawrence	Fair	March 2, 2001	497
Lewis	Good	March 15, 2001	551
Lincoln	Fair	February 28, 2001	2,755
Linn	Fair	February 22, 2001	1,355
Livingston	Fair	February 28, 2001	1,703
Macon	Good	February 27, 2001	N/A
Madison	Fair	February 28, 2001	\$ N/A

Tickmark Legend

N/A - Cost amounts were obtained from the affidavit of publication submitted by each county to the State Auditor's Office. If the cost was not indicated it is not included in the schedule.

* - Financial statements are required to be published by the first Monday in March (March 1, 2001).

Schedule 7

MISSOURI 3RD CLASS COUNTIES
PUBLISHED FINANCIAL STATEMENTS
OVERALL EVALUATION, DATE AND COST OF PUBLICATION
YEAR ENDED DECEMBER 31, 2000

County	Overall Evaluation	Date of Publication *	Cost of Publication
Maries	Good	February 28, 2001	\$ N/A
Marion	Good	February 28, 2001	N/A
McDonald	Fair	February 28, 2001	1,410
Mercer	Fair	February 21, 2001	N/A
Miller	Fair	March 20, 2001	3,017
Mississippi	Good	February 20, 2001	960
Moniteau	Good	February 21, 2001	N/A
Monroe	Fair	March 7, 2001	1,755
Montgomery	Fair	February 28, 2001	1,151
Morgan	Fair	March 8, 2001	2,189
Newton	Fair	February 22, 2001	1,523
Nodaway	Fair	March 15, 2001	942
Oregon	Good	March 1, 2001	1,076
Osage	Fair	February 28, 2001	1,378
Ozark	Fair	February 21, 2001	N/A
Pemiscot	Fair	March 8, 2001	N/A
Perry	Good	February 27, 2001	2,799
Phelps	Good	February 15, 2001	2,394
Pike	Fair	March 7, 2001	1,819
Polk	Fair	February 28, 2001	1,270
Pulaski	Fair	February 23, 2001	600
Putnam	Fair	February 14, 2001	N/A
Ralls	Fair	March 15, 2001	N/A
Randolph	Good	February 26, 2001	N/A
Ray	Fair	March 14, 2001	277
Reynolds	Fair	March 1, 2001	1,416
Ripley	Good	February 28, 2001	1,595
St. Clair	Fair	March 2, 2001	1,978
Ste. Genevieve	Good	February 28, 2001	2,468
Schuyler	Fair	February 14, 2001	200
Scotland	Fair	March 1, 2001	N/A
Scott	Fair	February 28, 2001	N/A
Shannon	Fair	April 4, 2001	360
Shelby	Fair	March 14, 2001	903
Stoddard	Fair	March 7, 2001	N/A
Stone	Fair	March 8, 2001	1,530
Sullivan	Good	March 1, 2001	917
Taney	Fair	February 28, 2001	N/A
Texas	Fair	March 15, 2001	N/A
Vernon	Fair	February 25, 2001	3,312
Warren	Good	March 1, 2001	2,871
Washington	Fair	March 1, 2001	3,063
Wayne	Fair	February 8, 2001	1,894
Webster	Fair	February 28, 2001	399
Worth	Fair	April 25, 2001	244
Wright	Fair	March 15, 2001	\$ 1,187

Tickmark Legend

N/A - Cost amounts were obtained from the affidavit of publication submitted by each county to the State Auditor's Office. If the cost was not indicated it is not included in the schedule.

* - Financial statements are required to be published by the first Monday in March (March 1, 2001).



REPORTING OF DRUG OR ALCOHOL TRAFFIC CONVICTIONS

**From The Office Of State Auditor
Claire McCaskill**

*Circuit clerks successfully reported 90 percent of Class D
Felony convictions related to drug or alcohol traffic
offenses.*

Report No. 2001-118
December 18, 2001
www.auditor.state.mo.us

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

December 2001

www.auditor.state.mo.us

Improved reporting of drug/alcohol related traffic convictions has increased state's ability to curb repeat offenders

This audit reviewed how well Missouri's circuit court clerks reported Class D Felony drug/alcohol-related convictions to the state's Highway Patrol. Reporting conviction information increases the state's ability to take appropriate action against repeat offenders.

Circuit clerks correctly reported 90 percent of the drug/alcohol-related convictions to the highway patrol, according to audit tests. Auditors reviewed 205 drug/alcohol-related traffic convictions generated over 6 months in 20 Missouri counties.

Ten courts reported all convictions

Circuit clerks in Dade, Dunklin, Iron, Lawrence, Lewis, Lincoln, Newton, Pemiscot, Ripley, and St. Louis counties successfully reported all required conviction information in such offenses. An automated reporting system aided the high performance rate in St. Louis County, which had the largest case volume—94 convictions. (See page 3)

Training and automation improved reporting

Office of State Courts Administrator personnel performed a similar statewide review of 13,179 cases in 1998, and found 36 percent of the convictions had not been reported. This review prompted court administrators to enhance circuit clerk training. In addition, court administrators decided to automate the reporting of conviction information. Both factors should improve reporting of convictions. (See page 4)

YELLOW SHEET

REPORTING OF DRUG OR ALCOHOL TRAFFIC CONVICTIONS

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of Supreme Court
and
Michael Buenger, Administrator
Office of State Courts Administrator
Jefferson City, Missouri

The State Auditor's Office audited circuit clerks' compliance with the requirement to report Class D Felony convictions to the Highway Patrol.

We concluded, based on audits at 20 of the 114 counties, that circuit clerks had successfully reported 90 percent of Class D Felony drug or alcohol traffic offense convictions to the Highway Patrol. A study conducted by the Office of State Courts Administrator showed a 64 percent compliance rate in 1998. Subsequent to this study, the Administrator conducted 4 training sessions over a 2-year period. Noncompliance was attributed to circuit clerk oversight. Over the next 5 years, the Office of State Courts Administrator is overseeing implementation of automated procedures at the circuit clerk offices, which may improve compliance even more. In the interim, circuit clerks should be notified of the results of the audit to assist in raising the compliance rate.

The audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests of the procedures and records as were considered appropriate under the circumstances.

Claire McCaskill
State Auditor

September 25, 2001 (fieldwork completion)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
Audit Manager:	Robert D. Spence, CGFM
In-Charge Auditor:	Scott L. Fontana

RESULTS AND RECOMMENDATION

Reporting Convictions for Drug or Alcohol Traffic Offenses Has Improved

Circuit clerks in 20 counties audited properly reported the final disposition of 184 of 205 Class D Felony convictions (90 percent) related to drug or alcohol traffic offenses during the period of December 2000 through May 2001. This compliance rate has improved from a 64 percent compliance rate in 1998, which is attributed to Office of State Courts Administrator's proactive training over a 2-year period. Circuit court personnel had not submitted information on 21 of 205 convictions because of an administrative oversight. As a result, Missouri State Highway Patrol (Highway Patrol) and Department of Revenue records did not accurately show violations that would have allowed appropriate enforcement action for repeat offenders.

Background

Sections 577.051 and 43.503, Missouri Revised Statute (RSMo) 2000 require that circuit clerk personnel report these convictions to the Highway Patrol. Highway Patrol personnel forward the information to the Department of Revenue where personnel record the convictions on individual driver records. Class D Felony convictions involve individuals that are persistent or prior offenders, defined as follows:

- **Persistent offender**—an individual who has pleaded guilty to, or has been found guilty of, two or more intoxication-related traffic offenses, where such two or more offenses occurred within a 10-year period.
- **Prior offender**—a person who has pleaded guilty to, or has been found guilty of, one intoxication-related traffic offense within a 5-year period.

The Office of State Courts Administrator (the Administrator) assists in the administration of circuit courts. Circuit clerks must report the following final dispositions for drug or alcohol offenses:

- Pleas of guilty
- Findings of guilty
- Suspended imposition of sentence
- Suspended execution of sentence
- Probation
- Conditional sentences
- Sentences of confinement

(See Appendix II, page 7, for additional background information.)

Audit Procedures

Audit teams visited 20 circuit courts to obtain information and document procedures followed by circuit clerk personnel for reporting Class D Felony convictions. Auditors contacted personnel at the Departments of Revenue and Public Safety to determine procedures for reporting and entering data in respective agency databases. *(See Appendix I, page 6, for additional information.)*

Circuit clerks properly reported the majority of Class D Felony convictions

Audit tests at the 20 circuit court locations revealed that circuit clerk personnel reported 184 of 205 Class D Felony convictions (90 percent) related to drug or alcohol traffic offenses, as required by state statute. Table 1.1 depicts the summary of test results.

Table 1.1: Summary of Test Sites

<i>Name of County</i>	<i>Number of Class D Felony Convictions</i>	<i>Reported to the Department of Revenue</i>	<i>Not Reported to the Department of Revenue</i>	<i>Percentage of Convictions Reported</i>
Butler County	6	5	1	83
Clark County	0	0	0	--
Cooper County	16	11	5	69
Dade County	1	1	0	100
Daviess County	2	1	1	50
Dunklin County	11	11	0	100
Iron County	1	1	0	100
Lawrence County	13	13	0	100
Lewis County	3	3	0	100
Lincoln County	16	16	0	100
Moniteau County	3	2	1	67
Newton County	10	10	0	100
Pemiscot County	1	1	0	100
Perry County	2	0	2	0
Ralls County	5	0	5	0
Ripley County	1	1	0	100
St. Louis County	94	94	0	100
Ste. Genevieve County	6	5	1	83
Stone County	7	3	4	43
Sullivan County	7	6	1	86
Total	205	184	21	90

Source: Auditor's analysis of conviction information at locations visited

As shown above, 10 locations reported all conviction information, as required. The circuit court located in St. Louis County reported the largest volume of convictions with 94 during the test period. St. Louis County circuit clerk personnel use an automated system that generates conviction information nightly for all reportable offenses. Circuit clerk personnel at other locations visited generally did not have an automated system for reporting conviction information.

The Administrator's Court Services Director cited high turnover rates as the primary reason why circuit clerk personnel have not reported the final disposition of all Class D Felony cases.

Reporting problems cited in 1998 review

In 1998, Administrator personnel conducted a review of Class D Felony convictions related to drug and alcohol traffic offenses. Of the 13,179 cases reviewed, 4,711 (36 percent) convictions had not been reported to the Highway Patrol. Administrator personnel took corrective action to assure that the 4,711 cases were properly reported.

Administrator's
review discloses
problems

The Director, Court Services stated that at the time of the review, circuit clerks were reporting conviction information to Administrator personnel instead of the Highway Patrol and mistakenly believed that the information had been forwarded to the Highway Patrol.

Efforts to improve reporting Class D Felony convictions

After the 1998 review, Administrator personnel conducted 4 training sessions for circuit clerks; one as recently as August 2001 that covered reporting conviction information. These sessions covered several topics concerning circuit clerks in addition to the reporting of final disposition of certain cases. According to the Director, Court Services, circuit clerks are not required to attend training sessions offered by Administrator personnel.

Training sessions
result in
improvement

The Administrator has begun automating reports of convictions submitted by circuit clerks and according to the Director, Court Services, if appropriations continue at the present rate, the software should be installed within 5 to 6 years at all circuit courts.

Conclusions

Since Administrator personnel evaluated circuit court compliance with drug and alcohol traffic offense reporting requirements in 1998, circuit courts have improved reporting. Efforts to train personnel and further automate circuit clerk operations should have a positive impact on future reporting of these convictions, however full implementation is not expected for at least 5 years. In the interim, circuit clerks should be reminded of their responsibilities to report the convictions in an effort to get the compliance rate higher than 90 percent.

Recommendation

We recommend the Administrator send notices to circuit clerks advising them of the results of this audit and reemphasizing the need to report drug and alcohol traffic offenses to the Highway Patrol.

Office of State Courts Administrator response:

The Office of State Courts Administrator agrees to send notices to current clerks, informing them of the findings of this study and re-emphasizing the need to report.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of our audit was to determine the extent circuit clerk personnel have reported Class D Felony convictions related to drug or alcohol traffic offenses to the Highway Patrol.

Scope and Methodology

Auditors performed work at the Office of State Courts Administrator, the Department of Public Safety, and the Department of Revenue. Audit tests were performed for the audit period of December 2000 through May 2001. Audit efforts focused on whether circuit clerks properly reported Class D Felony convictions from the following drug or alcohol traffic offenses:

- Driving while intoxicated (including prior and persistent offenders).
- Driving with excessive blood alcohol content (including prior and persistent offenders).
- County or municipal violations involving drug or alcohol traffic offenses.

Test items consisted of individuals that pled guilty or were found guilty of these offenses.

Auditors did the following to achieve the audit objective:

- Visited 20 circuit courts where audit teams were already conducting audits at the county level. Auditors met with circuit clerk personnel to determine procedures used to report Class D Felony convictions. Audit teams also obtained documentation of Class D Felony convictions related to drug or alcohol traffic offenses.
- Determined the total population of the Class D Felony convictions for the test period, in order to facilitate further analysis.
- Received information provided by Administrator personnel on the number of convictions for selected test sites.
- Contacted Highway Patrol personnel to obtain policies and procedures for their handling of conviction information.
- Contacted the Department of Revenue to determine policies and procedures for entering the conviction information on the individuals' driving records.
- Accessed the Department of Revenue's driver record database, to determine if conviction information had been recorded on drivers' records.
- Reviewed prosecutor's records to verify validity of data reported by the St. Louis County circuit clerk's office.

APPENDIX II

BACKGROUND

Circuit clerks use the Record of Conviction (conviction information) to report traffic case dispositions, and Section 43.503, RSMo 2000 requires circuit clerk personnel to report case dispositions to the Highway Patrol.

Section 43.503, RSMo 2000 states that the clerk of the courts of each county or city not within a county shall furnish the central repository, on standard forms supplied by the Highway Patrol, with all final dispositions of criminal cases for which the central repository has a record of an arrest or a record of fingerprints reported pursuant to subsections 6 and 7 of this section. Such information shall include, for each charge:

- “(1) All judgments of not guilty, acquittals on the ground of mental disease or defect excluding responsibility, judgments or pleas of guilty including the sentence, if any, or probation, if any, pronounced by the court, nolle pros, discharges, releases, and dismissals in the trial court;
- (2) Court orders filed with the clerk of the courts, which reverse a reported conviction or vacate or modify a sentence;
- (3) Judgments terminating or revoking a sentence to probation, supervision or conditional release and any resentencing after such revocation; and
- (4) The offense cycle number of the offense, and the originating agency identifier number of the reporting court, using such numbers as assigned by the Highway Patrol.
- (5) The clerk of the courts of each county or city not within a county shall furnish court judgment and sentence documents and the state offense cycle number of the offense, which result in the commitment or assignment of an offender, to the jurisdiction of the Department of Corrections or the Department of Mental Health if the person is committed pursuant to chapter 522, RSMo. This information shall be reported to the Department of Corrections or the Department of Mental Health at the time of commitment or assignment. If the offender was already in the custody of the Department of Corrections or the Department of Mental Health at the time of such subsequent conviction, the clerk shall furnish notice of such subsequent conviction to the appropriate Department by certified mail, return receipt requested, within 10 days of such disposition.
- (6) After the court pronounces sentence, including an order of supervision or an order of probation granted for any offense which is required by statute to be collected, maintained, or disseminated by the central repository, or commits a person to the Department of Mental Health pursuant to chapter 552, RSMo, the prosecuting attorney or the circuit attorney of a city not within a county shall ask the court to order a law enforcement agency to fingerprint immediately all persons appearing before the court to be sentenced or committed who have not previously been fingerprinted for the same case. The court shall order the requested fingerprinting if it determines that any sentenced or committed

APPENDIX II

person has not previously been fingerprinted for the same case. The law enforcement agency shall submit such fingerprints to the central repository without undue delay.

- (7) The Department of Corrections and the Department of Mental Health shall furnish the central repository with all information concerning the receipt, escape, execution, death, release, pardon, parole, commutation of sentence, granting of executive clemency, or discharge of an individual who has been sentenced to that Department's custody for any offenses which are mandated by law to be collected, maintained or disseminated by the central repository. All records forwarded to the central repository by the Department as required by sections 43.500 to 43.530 shall include the offense cycle number of the offense, and the originating agency identifier number of the Department using such numbers as assigned by the Highway Patrol.”

The conviction information submitted by the circuit clerk should contain examples of the following information pertaining to the convicted individual:

- Full name of individual
- Date of birth
- Sex
- Complete address
- A specific description of the violation and charge code
- Case number and/or ticket number
- Conviction and/or disposition date – these dates are the same as the sentencing date
- Court Originator Number
- Judge or court clerk’s signature
- Arrest date
- The name of the County and/or the location of the court.

The courts have 10 days to report any plea or finding of guilty for a violation of Sections 302.010 to 302.780, RSMo 2000. These statutes refer to any moving traffic violations under state law, county law, or municipal ordinances. In addition, the courts have 15 days to report any plea or finding of guilty for a violation of Sections 577.005 to 577.023, RSMo 2000. These statutes refer to any violations of county or municipal ordinances involving drug or alcohol related driving offenses. These offenses include the following:

- Driving while intoxicated
- Driving with excessive blood alcohol content
- County or municipal violations involving drug or alcohol related traffic offenses

The terms persistent offender and prior offender are defined in Section 577.023, RSMo; the following indicate the requirements for an individual to be classified under one of these terms.

APPENDIX II

A persistent offender is one of the following:

- A person who has pleaded guilty to or has been found guilty of two or more intoxication-related traffic offenses, where such two or more offenses occurred within ten years of the occurrence of the intoxication-related traffic offense for which the person is charged;
- A person who has pleaded guilty to or has been found guilty of involuntary manslaughter pursuant to subsection 1 of section 565.024, RSMo, assault in the second degree pursuant to subdivision (4) of subsection 1 of section 565.060, RSMo, assault of a law enforcement officer in the second degree pursuant to subdivision (3) of subsection 1 of section 565.082 RSMo, and

A prior offender is a person who has pleaded guilty to or has been found guilty of one intoxication-related traffic offense, where such prior offense occurred within five years of the occurrence of the intoxication-related traffic offense for which the person is charged.

- Any person who pleads guilty to or is found guilty of a violation of section 577.010 or 577.012 who is alleged and proved to be a prior offender shall be guilty of a Class A Misdemeanor.
- Any person who pleads guilty to or is found guilty of a violation of section 577.010 or 577.012 who is alleged and proved to be a persistent offender shall be guilty of a Class D Felony.
- No court shall suspend the imposition of sentence as to a prior or persistent offender under this section nor sentence such person to pay a fine in lieu of a term of imprisonment, section 557.011, RSMo, to the contrary notwithstanding, nor shall such person be eligible for parole or probation until he has served a minimum of forty-eight consecutive hours' imprisonment, unless as a condition of such parole or probation such person performs at least ten days community service under the supervision of the court in those jurisdictions which have a recognized program for community service.

The court shall find the defendant to be a prior offender or persistent offender, if:

- The indictment or information, original or amended, or the information in lieu of an indictment pleads all essential facts warranting a finding that the defendant is a prior offender or persistent offender; and
- Evidence is introduced that establishes sufficient facts pleaded to warrant a finding beyond a reasonable doubt the defendant is a prior or persistent offender; and
- The court makes findings of fact that warrant a finding beyond a reasonable doubt by the court that the defendant is a prior or persistent offender.



**STE. GENEVIEVE COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-117
December 14, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Ste. Genevieve County, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Ste. Genevieve County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county did not adequately project the anticipated financial condition of several county funds for either of the two years ended December 31, 2000. In addition, the cash balance of the Special Road and Bridge Fund, and Capital Improvement Sales Tax Fund at December 31, 2000, appeared excessive compared to the prior years' annual disbursements. The County Commission did not have a long-term plan for road and bridge improvements or for use of the monies remaining in the Capital Improvement Sales Tax Fund.
- The county's schedule of expenditures of federal awards contained various errors and omissions. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements, which could result in future reductions of federal funds.
- The accumulated cash balance of the Community Mental Health Fund of \$520,416 at December 31, 2000, appeared excessive compared to annual disbursements of approximately \$130,000. The board did not have written documentation of future plans to utilize these monies.
- The Senate Bill 40 Board and Senior Citizens Services Board did not adequately monitor their contracts with various not-for-profit agencies.

(over)

YELLOW SHEET

The audit also suggested improvements in the accounting controls and procedures of the Sheriff, Juvenile Office, Associate Division, Probate Division, and the Prosecuting Attorney's Office.

All reports are available on our website: www.auditor.state.mo.us

STE. GENEVIEVE COUNTY, MISSOURI

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STE. GENEVIEVE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

To the County Commission
and
Officeholders of Ste. Genevieve County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Ste. Genevieve County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ste. Genevieve County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ste. Genevieve County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 30, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Ste. Genevieve County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

August 30, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Darrick A. Fulton
Audit Staff:	B. Simpson
	M. Williams
	Carl E. Zilch, Jr.



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ste. Genevieve County, Missouri

We have audited the special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Ste. Genevieve County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 30, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

STE GENEVIEVE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 832,229	3,426,811	3,434,591	824,449
Special Road and Bridge	1,343,172	1,148,569	962,743	1,528,998
Assessment	62,249	238,409	248,395	52,263
Law Enforcement Training	11,696	7,036	3,874	14,858
Prosecuting Attorney Training	2,314	1,176	957	2,533
Prosecuting Attorney Delinquent Tax	2,079	387	0	2,466
Recorder's User Fees	31,052	10,060	12,031	29,081
Victims of Domestic Violence	1,041	1,540	1,759	822
Capital Improvement Sales Tax	1,569,264	90,164	28,860	1,630,568
Law Enforcement Probation	32,909	1,970	9,566	25,313
Prosecuting Attorney Bad Check	16,400	15,657	18,128	13,929
Criminal Activity Forfeiture Act	2,697	164	0	2,861
9-1-1 Emergency	149,293	390,047	394,540	144,800
Health Center	389,899	416,104	372,972	433,031
Community Mental Health	394,643	256,038	130,265	520,416
Senate Bill 40	24,206	161,504	131,057	54,653
Senior Citizens Service	43,052	122,344	98,261	67,135
Law Library	4,300	6,333	4,392	6,241
Community Center Construction	862,526	920,376	1,241,931	540,971
Community Center Operation	74,011	642,811	672,960	43,862
Sheriff's Fees	35,798	23,449	21,401	37,846
Industrial Development Authority	83,299	95,833	73,832	105,300
Local Law Enforcement Block Grant	18,785	2,455	21,240	0
Circuit Clerk Interest	2,586	657	239	3,004
Associate Circuit Division Interest	2,376	339	446	2,269
Local Law Enforcement Block Grant #2	0	18,278	1,381	16,897
Local Law Enforcement Block Grant 2000	0	13,552	17	13,535
Election Services	0	679	0	679
Nursing Home Maintenance	0	277,302	0	277,302
Total	\$ 5,991,876	8,290,044	7,885,838	6,396,082

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

STE GENEVIEVE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 784,419	3,143,253	3,095,443	832,229
Special Road and Bridge	1,259,217	1,022,248	938,293	1,343,172
Assessment	65,318	197,787	200,856	62,249
Law Enforcement Training	9,269	7,217	4,790	11,696
Prosecuting Attorney Training	2,133	1,227	1,046	2,314
Prosecuting Attorney Delinquent Tax	2,250	1,663	1,834	2,079
Recorder's User Fees	27,711	11,308	7,967	31,052
Victims of Domestic Violence	1,261	1,956	2,176	1,041
Capital Improvement Sales Tax	1,503,020	80,192	13,948	1,569,264
Law Enforcement Probation	38,372	2,987	8,450	32,909
Prosecuting Attorney Bad Check	14,718	8,235	6,553	16,400
Criminal Activity Forfeiture Act	2,620	127	50	2,697
9-1-1 Emergency	130,786	345,273	326,766	149,293
Health Center	331,378	379,370	320,849	389,899
Community Mental Health	268,387	229,269	103,013	394,643
Senate Bill 40	20,960	148,770	145,524	24,206
Senior Citizens Service	45,081	114,861	116,890	43,052
Law Library	3,408	4,603	3,711	4,300
Community Center Construction	601,486	6,200,821	5,939,781	862,526
Community Center Operation	1,547	142,597	70,133	74,011
Sheriff's Fees	19,720	18,538	2,460	35,798
Industrial Development Authority	0	83,354	55	83,299
Local Law Enforcement Block Grant	0	18,785	0	18,785
Circuit Clerk Interest	2,078	1,107	599	2,586
Associate Circuit Division Interest	3,140	625	1,389	2,376
Total	\$ 5,138,279	12,166,173	11,312,576	5,991,876

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 7,360,946	7,980,233	619,287	12,442,900	12,164,440	(278,460)
DISBURSEMENTS	8,766,697	7,884,440	882,257	13,232,310	11,310,588	1,921,722
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,405,751)	95,793	1,501,544	(789,410)	853,852	1,643,262
CASH, JANUARY 1	5,991,876	5,991,876	0	5,129,660	5,133,061	3,401
CASH, DECEMBER 31	4,586,125	6,087,669	1,501,544	4,340,250	5,986,913	1,646,663
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	444,300	439,494	(4,806)	392,500	379,844	(12,656)
Sales taxes	615,000	647,133	32,133	620,000	632,654	12,654
Intergovernmental	1,486,176	1,755,118	268,942	1,506,341	1,666,876	160,535
Charges for services	289,812	255,758	(34,054)	327,194	283,990	(43,204)
Interest	50,000	68,815	18,815	60,500	45,394	(15,106)
Other	91,670	223,952	132,282	136,150	107,167	(28,983)
Transfers in	43,540	36,541	(6,999)	47,259	27,328	(19,931)
Total Receipts	3,020,498	3,426,811	406,313	3,089,944	3,143,253	53,309
DISBURSEMENTS						
County Commission	114,512	112,349	2,163	109,605	95,836	13,769
County Clerk	110,667	110,465	202	105,039	103,803	1,236
Elections	33,000	44,927	(11,927)	7,000	5,941	1,059
Buildings and grounds	68,936	66,733	2,203	74,820	67,400	7,420
County Treasurer	49,449	48,835	614	49,167	46,799	2,368
County Collector	93,837	91,290	2,547	92,531	84,594	7,937
Ex Officio Recorder of Deeds	107,604	109,534	(1,930)	95,602	92,994	2,608
Circuit Clerk	6,050	4,026	2,024	11,123	5,375	5,748
Associate Circuit Court	10,500	5,534	4,966	10,150	6,203	3,947
Associate Circuit (Probate)	0	0	0	1,764	0	1,764
Court administration	23,029	11,238	11,791	21,265	19,162	2,103
Public Administrator	17,504	17,974	(470)	17,146	22,859	(5,713)
Sheriff	627,307	645,497	(18,190)	575,782	623,788	(48,006)
Jail	1,500,161	1,479,113	21,048	1,404,857	1,285,988	118,869
Prosecuting Attorney	114,163	108,066	6,097	104,331	102,490	1,841
Juvenile Officer	64,230	75,466	(11,236)	98,007	87,142	10,865
County Coroner	27,472	22,700	4,772	28,272	20,021	8,251
Dispatch	149,959	147,861	2,098	105,535	105,481	54
Other	279,531	264,326	15,205	325,678	281,468	44,210
Transfers out	29,992	28,992	1,000	28,000	27,000	1,000
Emergency out	86,700	39,665	47,035	92,698	11,099	81,599
Total Disbursements	3,514,603	3,434,591	80,012	3,358,372	3,095,443	262,929
RECEIPTS OVER (UNDER) DISBURSEMENTS	(494,105)	(7,780)	486,325	(268,428)	47,810	316,238
CASH, JANUARY 1	832,229	832,229	0	784,419	784,419	0
CASH, DECEMBER 31	338,124	824,449	486,325	515,991	832,229	316,238

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	316,600	326,144	9,544	303,650	301,479	(2,171)
Intergovernmental	662,950	695,586	32,636	633,500	651,578	18,078
Interest	65,000	93,919	28,919	80,000	65,586	(14,414)
Other	18,300	32,920	14,620	10,000	3,605	(6,395)
Total Receipts	1,062,850	1,148,569	85,719	1,027,150	1,022,248	(4,902)
DISBURSEMENTS						
Salaries	293,654	266,227	27,427	280,035	270,022	10,013
Employee fringe benefits	62,711	51,049	11,662	46,503	43,125	3,378
Supplies	350,000	200,319	149,681	365,000	252,440	112,560
Insurance	30,000	34,480	(4,480)	15,000	39,186	(24,186)
Equipment repairs	40,000	45,041	(5,041)	40,000	30,601	9,399
Rentals	1,500	250	1,250	2,000	612	1,388
Equipment purchases	415,000	210,052	204,948	582,500	198,428	384,072
Construction, repair, and maintenance	120,000	46,482	73,518	120,000	12,234	107,766
Other	137,500	80,802	56,698	124,250	64,317	59,933
Transfer out	43,541	28,041	15,500	47,259	27,328	19,931
Total Disbursements	1,493,906	962,743	531,163	1,622,547	938,293	684,254
RECEIPTS OVER (UNDER) DISBURSEMENTS	(431,056)	185,826	616,882	(595,397)	83,955	679,352
CASH, JANUARY 1	1,343,172	1,343,172	0	1,259,217	1,259,217	0
CASH, DECEMBER 31	912,116	1,528,998	616,882	663,820	1,343,172	679,352
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	211,684	227,029	15,345	190,403	188,533	(1,870)
Interest	5,000	7,052	2,052	5,216	5,241	25
Other	57,089	4,328	(52,761)	3,650	4,013	363
Total Receipts	273,773	238,409	(35,364)	199,269	197,787	(1,482)
DISBURSEMENTS						
Assessor	273,773	248,395	25,378	205,842	200,856	4,986
Total Disbursements	273,773	248,395	25,378	205,842	200,856	4,986
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(9,986)	(9,986)	(6,573)	(3,069)	3,504
CASH, JANUARY 1	62,249	62,249	0	65,318	65,318	0
CASH, DECEMBER 31	62,249	52,263	(9,986)	58,745	62,249	3,504
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	6,700	6,288	(412)	5,382	6,751	1,369
Interest	500	748	248	214	466	252
Other	0	0	0	3,865	0	(3,865)
Total Receipts	7,200	7,036	(164)	9,461	7,217	(2,244)
DISBURSEMENTS						
Sheriff	17,500	3,874	13,626	13,700	4,790	8,910
Total Disbursements	17,500	3,874	13,626	13,700	4,790	8,910
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,300)	3,162	13,462	(4,239)	2,427	6,666
CASH, JANUARY 1	11,696	11,696	0	9,269	9,269	0
CASH, DECEMBER 31	1,396	14,858	13,462	5,030	11,696	6,666

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,000	1,026	26	1,300	1,121	(179)
Interest	90	150	60	90	106	16
Total Receipts	1,090	1,176	86	1,390	1,227	(163)
DISBURSEMENTS						
Prosecuting Attorney	3,404	957	2,447	2,300	1,046	1,254
Total Disbursements	3,404	957	2,447	2,300	1,046	1,254
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,314)	219	2,533	(910)	181	1,091
CASH, JANUARY 1	2,314	2,314	0	2,133	2,133	0
CASH, DECEMBER 31	0	2,533	2,533	1,223	2,314	1,091
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	1,000	249	(751)	850	1,532	682
Interest	110	138	28	110	131	21
Total Receipts	1,110	387	(723)	960	1,663	703
DISBURSEMENTS						
Office expenditures	2,000	0	2,000	2,960	1,686	1,274
Mileage and training	500	0	500	250	148	102
Other	689	0	689	0	0	0
Total Disbursements	3,189	0	3,189	3,210	1,834	1,376
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,079)	387	2,466	(2,250)	(171)	2,079
CASH, JANUARY 1	2,079	2,079	0	2,250	2,250	0
CASH, DECEMBER 31	0	2,466	2,466	0	2,079	2,079
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	10,000	8,334	(1,666)	10,500	9,911	(589)
Interest	0	1,726	1,726	0	1,397	1,397
Total Receipts	10,000	10,060	60	10,500	11,308	808
DISBURSEMENTS						
Supplies	5,000	3,531	1,469	5,000	66	4,934
Contract services	0	0	0	9,000	7,901	1,099
Transfers out	8,500	8,500	0	0	0	0
Total Disbursements	13,500	12,031	1,469	14,000	7,967	6,033
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,500)	(1,971)	1,529	(3,500)	3,341	6,841
CASH, JANUARY 1	31,052	31,052	0	27,711	27,711	0
CASH, DECEMBER 31	27,552	29,081	1,529	24,211	31,052	6,841

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>VICTIMS OF DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	2,000	1,506	(494)	2,450	1,926	(524)
Interest	40	34	(6)	50	30	(20)
Total Receipts	2,040	1,540	(500)	2,500	1,956	(544)
DISBURSEMENTS						
Health and welfare	2,300	1,759	541	2,500	2,176	324
Total Disbursements	2,300	1,759	541	2,500	2,176	324
RECEIPTS OVER (UNDER) DISBURSEMENTS	(260)	(219)	41	0	(220)	(220)
CASH, JANUARY 1	1,041	1,041	0	1,261	1,261	0
CASH, DECEMBER 31	781	822	41	1,261	1,041	(220)
<u>CAPITAL IMPROVEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	1,500	0	(1,500)	0	2,702	2,702
Interest	7,500	90,164	82,664	60,000	77,490	17,490
Total Receipts	9,000	90,164	81,164	60,000	80,192	20,192
DISBURSEMENTS						
Salaries	11,568	11,568	0	10,946	10,946	0
Supplies	10,000	11,854	(1,854)	12,100	3,002	9,098
Equipment	4,300	5,438	(1,138)	20,700	0	20,700
Other	3,500	0	3,500	10,000	0	10,000
Total Disbursements	29,368	28,860	508	53,746	13,948	39,798
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,368)	61,304	81,672	6,254	66,244	59,990
CASH, JANUARY 1	1,569,264	1,569,264	0	1,503,020	1,503,020	0
CASH, DECEMBER 31	1,548,896	1,630,568	81,672	1,509,274	1,569,264	59,990
<u>LAW ENFORCEMENT PROBATION FUND</u>						
RECEIPTS						
Charges for services	1,600	0	(1,600)	20,000	1,660	(18,340)
Interest	1,200	1,970	770	1,000	1,327	327
Total Receipts	2,800	1,970	(830)	21,000	2,987	(18,013)
DISBURSEMENTS						
Salaries	2,153	0	2,153	2,368	377	1,991
Office expenditures	14,700	5,722	8,978	12,745	7,657	5,088
Mileage and training	6,000	470	5,530	13,500	306	13,194
Equipment	5,100	3,374	1,726	3,000	60	2,940
Other	7,200	0	7,200	7,760	50	7,710
Total Disbursements	35,153	9,566	25,587	39,373	8,450	30,923
RECEIPTS OVER (UNDER) DISBURSEMENTS	(32,353)	(7,596)	24,757	(18,373)	(5,463)	12,910
CASH, JANUARY 1	32,909	32,909	0	38,372	38,372	0
CASH, DECEMBER 31	556	25,313	24,757	19,999	32,909	12,910

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	6,000	8,001	2,001	6,000	7,471	1,471
Intergovernmental	0	6,670	6,670	0	0	0
Interest	700	986	286	650	764	114
Total Receipts	6,700	15,657	8,957	6,650	8,235	1,585
DISBURSEMENTS						
Salaries	5,000	5,287	(287)	500	1,567	(1,067)
Office expenditures	16,600	3,832	12,768	6,000	4,986	1,014
Mileage and training	1,500	479	1,021	250	0	250
Equipment	0	8,530	(8,530)	0	0	0
Total Disbursements	23,100	18,128	4,972	6,750	6,553	197
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,400)	(2,471)	13,929	(100)	1,682	1,782
CASH, JANUARY 1	16,400	16,400	0	14,718	14,718	0
CASH, DECEMBER 31	0	13,929	13,929	14,618	16,400	1,782
<u>CRIMINAL ACTIVITY FORFEITURE ACT FUND</u>						
RECEIPTS						
Intergovernmental	900	0	(900)	1,000	0	(1,000)
Interest	125	164	39	100	127	27
Total Receipts	1,025	164	(861)	1,100	127	(973)
DISBURSEMENTS						
Equipment	1,600	0	1,600	1,720	0	1,720
Other	2,100	0	2,100	2,000	50	1,950
Total Disbursements	3,700	0	3,700	3,720	50	3,670
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,675)	164	2,839	(2,620)	77	2,697
CASH, JANUARY 1	2,697	2,697	0	2,620	2,620	0
CASH, DECEMBER 31	22	2,861	2,839	0	2,697	2,697
<u>9-1-1 EMERGENCY FUND</u>						
RECEIPTS						
Intergovernmental	240,132	239,307	(825)	209,927	189,808	(20,119)
9-1-1 phone tax	134,000	141,744	7,744	127,000	134,371	7,371
Interest	6,600	8,996	2,396	8,000	6,638	(1,362)
Other	0	0	0	0	14,456	14,456
Total Receipts	380,732	390,047	9,315	344,927	345,273	346
DISBURSEMENTS						
Salaries	290,222	279,654	10,568	247,727	250,331	(2,604)
Office expenditures	12,308	10,484	1,824	10,469	17,783	(7,314)
Equipment	92,950	89,345	3,605	89,724	33,688	56,036
Mileage and training	2,500	1,299	1,201	2,500	1,459	1,041
Other	13,250	13,758	(508)	26,743	23,505	3,238
Total Disbursements	411,230	394,540	16,690	377,163	326,766	50,397
RECEIPTS OVER (UNDER) DISBURSEMENTS	(30,498)	(4,493)	26,005	(32,236)	18,507	50,743
CASH, JANUARY 1	149,293	149,293	0	130,786	130,786	0
CASH, DECEMBER 31	118,795	144,800	26,005	98,550	149,293	50,743

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER</u>						
RECEIPTS						
Property taxes	230,058	226,300	(3,758)	207,616	210,692	3,076
Intergovernmental	131,296	135,370	4,074	125,482	129,566	4,084
Charges for services	20,499	22,838	2,339	18,319	17,041	(1,278)
Interest	18,000	26,775	8,775	18,500	17,556	(944)
Other	3,300	4,821	1,521	4,600	4,515	(85)
Total Receipts	403,153	416,104	12,951	374,517	379,370	4,853
DISBURSEMENTS						
Salaries	285,853	284,791	1,062	246,013	247,924	(1,911)
Office expenditures	57,705	38,315	19,390	56,190	34,051	22,139
Equipment	17,000	14,800	2,200	8,600	4,302	4,298
Mileage and training	13,600	7,206	6,394	13,912	7,683	6,229
Other	4,128	27,860	(23,732)	12,947	26,889	(13,942)
Total Disbursements	378,286	372,972	5,314	337,662	320,849	16,813
RECEIPTS OVER (UNDER) DISBURSEMENTS	24,867	43,132	18,265	36,855	58,521	21,666
CASH, JANUARY 1	389,899	389,899	0	329,524	331,378	1,854
CASH, DECEMBER 31	414,766	433,031	18,265	366,379	389,899	23,520
<u>COMMUNITY MENTAL HEALTH FUND</u>						
RECEIPTS						
Property taxes	233,500	225,629	(7,871)	211,322	209,613	(1,709)
Interest	18,000	29,571	11,571	17,000	18,907	1,907
Other	1,300	838	(462)	1,350	749	(601)
Total Receipts	252,800	256,038	3,238	229,672	229,269	(403)
DISBURSEMENTS						
Contract services	96,000	80,000	16,000	95,000	80,000	15,000
Office expenditures	2,500	78	2,422	4,500	562	3,938
Equipment	21,000	29,510	(8,510)	13,200	4,153	9,047
Building and Grounds	50,000	0	50,000	25,000	1,924	23,076
Other	21,500	20,677	823	20,780	16,374	4,406
Total Disbursements	191,000	130,265	60,735	158,480	103,013	55,467
RECEIPTS OVER (UNDER) DISBURSEMENTS	61,800	125,773	63,973	71,192	126,256	55,064
CASH, JANUARY 1	394,643	394,643	0	268,387	268,387	0
CASH, DECEMBER 31	456,443	520,416	63,973	339,579	394,643	55,064
<u>SENATE BILL 40 FUND</u>						
RECEIPTS						
Property taxes	149,175	159,680	10,505	145,000	148,129	3,129
Interest	650	1,824	1,174	900	641	(259)
Total Receipts	149,825	161,504	11,679	145,900	148,770	2,870
DISBURSEMENTS						
Contract services	130,014	129,457	557	145,015	143,775	1,240
Other	1,700	1,600	100	1,700	1,749	(49)
Total Disbursements	131,714	131,057	657	146,715	145,524	1,191
RECEIPTS OVER (UNDER) DISBURSEMENTS	18,111	30,447	12,336	(815)	3,246	4,061
CASH, JANUARY 1	24,206	24,206	0	20,960	20,960	0
CASH, DECEMBER 31	42,317	54,653	12,336	20,145	24,206	4,061

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STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENIOR CITIZENS SERVICE FUND</u>						
RECEIPTS						
Property taxes	103,755	109,104	5,349	91,467	103,162	11,695
Intergovernmental	8,124	7,815	(309)	7,400	8,137	737
Interest	4,720	5,425	705	4,500	3,562	(938)
Total Receipts	116,599	122,344	5,745	103,367	114,861	11,494
DISBURSEMENTS						
Office expenditures	200	71	129	200	98	102
Contract services	94,340	98,190	(3,850)	114,517	116,792	(2,275)
Other	15,000	0	15,000	10,000	0	10,000
Total Disbursements	109,540	98,261	11,279	124,717	116,890	7,827
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,059	24,083	17,024	(21,350)	(2,029)	19,321
CASH, JANUARY 1	43,052	43,052	0	45,081	45,081	0
CASH, DECEMBER 31	50,111	67,135	17,024	23,731	43,052	19,321
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	4,000	6,333	2,333	3,400	4,603	1,203
Total Receipts	4,000	6,333	2,333	3,400	4,603	1,203
DISBURSEMENTS						
Law Library	8,300	4,392	3,908	3,250	3,711	(461)
Total Disbursements	8,300	4,392	3,908	3,250	3,711	(461)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,300)	1,941	6,241	150	892	742
CASH, JANUARY 1	4,300	4,300	0	3,408	3,408	0
CASH, DECEMBER 31	0	6,241	6,241	3,558	4,300	742

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COMMUNITY CENTER CONSTRUCTION FUND</u>						
RECEIPTS						
Sales taxes	630,231	648,758	18,527	585,000	630,231	45,231
Bond proceeds	233,454	239,412	5,958	5,700,000	5,453,270	(246,730)
Interest	30,000	32,206	2,206	105,000	29,710	(75,290)
Other	0	0	0	59,000	87,610	28,610
Total Receipts	893,685	920,376	26,691	6,449,000	6,200,821	(248,179)
DISBURSEMENTS						
Bond debt service	523,357	490,453	32,904	502,162	464,235	37,927
Construction costs	679,751	735,655	(55,904)	5,868,500	5,453,316	415,184
Other	47,230	15,823	31,407	92,550	22,230	70,320
Total Disbursements	1,250,338	1,241,931	8,407	6,463,212	5,939,781	523,431
RECEIPTS OVER (UNDER) DISBURSEMENTS	(356,653)	(321,555)	35,098	(14,212)	261,040	275,252
CASH, JANUARY 1	862,526	862,526	0	601,486	601,486	0
CASH, DECEMBER 31	505,873	540,971	35,098	587,274	862,526	275,252
<u>COMMUNITY CENTER OPERATION FUND</u>						
RECEIPTS						
Charges for services	360,659	338,126	(22,533)	223,600	60,803	(162,797)
Interest	2,500	4,685	2,185	0	555	555
Community Center Foundation	259,880	300,000	40,120	0	72,500	72,500
Other	0	0	0	0	8,738	8,738
Total Receipts	623,039	642,811	19,772	223,600	142,596	(81,004)
DISBURSEMENTS						
Salaries	467,847	464,395	3,452	151,709	42,990	108,719
Office expense	22,500	69,142	(46,642)	0	2,732	(2,732)
Mileage and training	5,700	0	5,700	0	226	(226)
Other	196,700	139,423	57,277	70,867	24,185	46,682
Total Disbursements	692,747	672,960	19,787	222,576	70,133	152,443
RECEIPTS OVER (UNDER) DISBURSEMENTS	(69,708)	(30,149)	39,559	1,024	72,463	71,439
CASH, JANUARY 1	74,011	74,011	0	0	1,547	1,547
CASH, DECEMBER 31	4,303	43,862	39,559	1,024	74,010	72,986

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S FEES FUND</u>						
RECEIPTS						
Charges for services	17,000	21,310	4,310	25,000	17,145	(7,855)
Interest	1,200	2,139	939	500	1,393	893
Total Receipts	18,200	23,449	5,249	25,500	18,538	(6,962)
DISBURSEMENTS						
Office expenditures	14,000	10,796	3,204	16,000	462	15,538
Equipment	5,600	140	5,460	6,000	1,998	4,002
Mileage and training	4,500	0	4,500	4,500	0	4,500
Other	28,950	10,465	18,485	16,000	0	16,000
Total Disbursements	53,050	21,401	31,649	42,500	2,460	40,040
RECEIPTS OVER (UNDER) DISBURSEMENTS	(34,850)	2,048	36,898	(17,000)	16,078	33,078
CASH, JANUARY 1	35,798	35,798	0	19,720	19,720	0
CASH, DECEMBER 31	948	37,846	36,898	2,720	35,798	33,078
<u>INDUSTRIAL DEVELOPMENT AUTHORITY FUND</u>						
RECEIPTS						
Intergovernmental	64,640	58,250	(6,390)	82,660	55,660	(27,000)
Interest	1,000	4,499	3,499	513	694	181
Other	0	6,084	6,084	0	0	0
Transfers in	27,000	27,000	0	0	27,000	27,000
Total Receipts	92,640	95,833	3,193	83,173	83,354	181
DISBURSEMENTS						
Economic development director	61,570	60,206	1,364	0	0	0
Office supplies	16,180	6,331	9,849	55	55	0
Mileage	3,700	0	3,700	0	0	0
Equipment	0	6,095	(6,095)	0	0	0
Other	0	1,200	(1,200)	0	0	0
Total Disbursements	81,450	73,832	7,618	55	55	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	11,190	22,001	10,811	83,118	83,299	181
CASH, JANUARY 1	83,299	83,299	0	0	0	0
CASH, DECEMBER 31	94,489	105,300	10,811	83,118	83,299	181

Exhibit B

STE GENEVIEVE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL LAW ENFORCEMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Interest	0	463	463	0	855	855
Transfers in	25,311	1,992	(23,319)	29,920	17,930	(11,990)
Total Receipts	25,311	2,455	(22,856)	29,920	18,785	(11,135)
DISBURSEMENTS						
Sheriff	44,096	21,240	22,856	29,920	0	29,920
Total Disbursements	44,096	21,240	22,856	29,920	0	29,920
RECEIPTS OVER (UNDER) DISBURSEMENTS	(18,785)	(18,785)	0	0	18,785	18,785
CASH, JANUARY 1	18,785	18,785	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	18,785	18,785
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	500	657	157			
Total Receipts	500	657	157			
DISBURSEMENTS						
Office supplies	500	239	261			
Total Disbursements	500	239	261			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	418	418			
CASH, JANUARY 1	2,586	2,586	0			
CASH, DECEMBER 31	2,586	3,004	418			
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	2,376	339	(2,037)			
Total Receipts	2,376	339	(2,037)			
DISBURSEMENTS						
Office expenditure	750	446	304			
Mileage and training	150	0	150			
Other	50	0	50			
Total Disbursements	950	446	504			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,426	(107)	(1,533)			
CASH, JANUARY 1	2,376	2,376	0			
CASH, DECEMBER 31	3,802	2,269	(1,533)			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

STE. GENEVIEVE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Ste. Genevieve County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Community Mental Health Board, Senate Bill 40 Board, Senior Citizens Service Board, Industrial Development Authority Board, or the Community Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	1999
Associate Circuit Division Interest Fund	1999
Local Law Enforcement Block Grant #2 Fund	2000
Local Law Enforcement Block Grant 2000 Fund	2000
Election Services Fund	2000
Nursing Home Maintenance Fund	2000

Warrants issued were in excess of budgeted amounts for the Law Library Fund in 1999 . Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the year ended December 31, 1999, did not include the Law Library Fund.

In addition, for the Health Center and Senate Bill 40 Funds, the county's published financial statements for the years ended December 31, 2000 and 1999, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Health Center Board's, and Senate Bill 40 Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Schedule

STE. GENEVIEVE COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2000 AND 1999

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

STE. GENEVIEVE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report
State Auditor's Findings

STE. GENEVIEVE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Ste. Genevieve County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 30, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was made in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Ste. Genevieve County Hospital Board and Riverview Manor Nursing Home Board are audited and separately reported on by other independent auditors, the related funds are not presented in the special-purpose financial statements. However, we reviewed those audit reports and other applicable information.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Ste. Genevieve County but do not meet the criteria for inclusion in the written report on compliance and on internal control over

financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Budgetary Practices

The approved budgets did not adequately project the anticipated financial condition of several county funds for either of the two years ended December 31, 2000. The following are estimated cash balances compared to actual cash balances at December 31, 2000 and 1999:

Fund	Year Ended December 31,			
	2000		1999	
	Budget	Actual	Budget	Actual
General Revenue	\$ 338,124	824,449	515,991	832,229
Special Road and Bridge	912,116	1,528,998	663,820	1,343,172

In addition, the county budgeted a zero or insignificant balance for several of their smaller funds when in fact their actual balance was \$1,000 or greater.

Prudent fiscal management of county funds should include setting aside reasonable, but not excessive, amounts of operating reserves to be used in future years or to be available for emergencies. While it appears the County Commission's intent is to keep sufficient reserves, the current budgets do not effectively inform county residents of this intent. In addition, the county's current budgeting procedures do not provide an adequate tool for monitoring and comparing actual amounts with estimated amounts.

For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operation and current financial condition, the budgets should reflect reasonable estimates of receipts and disbursements and the anticipated ending cash balance.

In addition, the cash balance of the Special Road and Bridge Fund, and Capital Improvement Sales Tax Fund at December 31, 2000, appeared excessive compared to the prior years' annual disbursements. The County Commission does not have a long-term plan for road and bridge improvements or for use of the monies remaining in the Capital Improvement Sales Tax Fund. The County Commission should document their plans for the use of the accumulated cash balance or take steps to reduce the balance.

WE RECOMMEND the County Commission estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that reasonable estimates of the county's financial position are presented in the budgets. In addition, the County Commission should document its plans for the use of the accumulated cash balance or take steps to reduce its balance.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will try to prepare more accurate budget documents in January 2002.

We currently have a bridge and drainage improvement program and are developing a written road paving policy. This policy will require donated right-of-way, 100% approval of property owners, and cost sharing. We are also obtaining traffic counts to determine the most heavily traveled roads in the county.

We have requested architectural proposals for a jail renovation/addition, which will utilize the capital improvement monies.

We will document these types of plans in the minutes in the future.

2. Schedule of Expenditures of Federal Awards
--

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's office as a part of the annual budget.

The county's schedule of expenditures of federal awards (SEFA) contained various errors and omissions for the years ended December 31, 2000 and 1999. For example, expenditures relating to the following federal grants were not included on the schedule: Schools and Roads-Grants to States, National Criminal History Improvement, and the Child Care and Development Block Grant.

The SEFA should be accurately prepared to ensure all federal awards are properly recorded. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE

The County Clerk provided the following response:

I will discuss this with the Health Center and the Prosecuting Attorney, and will attempt to prepare an accurate schedule in the future.

3.**Community Mental Health Fund**

The accumulated cash balance in the Community Mental Health Fund appears excessive. The Community Mental Health Fund had the following cash balances:

<u>December 31,</u>	<u>Cash Balance</u>
2000	\$520,416
1999	394,643
1998	268,387
1997	260,840

The balance appears excessive considering that Mental Health expenditures for the years ended December 31, 2000 and 1999 were approximately \$130,000 and \$103,000, respectively. While no documentation existed concerning the Board's plans for these funds, they verbally indicated that they were planning to use a portion of the surplus funds to make a psychiatrist available to the community next year and to expand the building that houses the Community Counseling Center sometime in the next several years. However, they could not provide us with any documentation of estimates for these projects.

While prudent management of Community Mental Health Fund monies should include setting aside reasonable amounts of operating reserves to be used in future years or to be available for emergencies, the current fund balance appears excessive. Specific short term plans for its large accumulated balances should be incorporated into its budget document, or the tax levy should be examined for possible reduction. Long-term plans such as expansion of the building should be formalized and put in writing.

WE RECOMMEND the Community Mental Health Board review their cash balance and consider reducing the tax levy accordingly. At a minimum, the Board should document the intended use of the funds.

AUDITEE'S RESPONSE

The Board President and Secretary provided the following response:

The Mental Health Board voted on October 30, 2001, to hire a psychiatrist, which they feel will reduce the balance. In addition, the Board is continuing to discuss expanding their current building. This will be reflected in the 2002 budget.

4.**Senate Bill 40 Board Control and Procedures**

The Senate Bill 40 Board is not adequately monitoring the use of monies provided to the Ste. Genevieve Group Home and the Ste. Genevieve County Sheltered Workshop. The contracts

with these organizations do not require the organization to submit to the Senate Bill 40 Board information regarding the number of individuals served or other documentation that would enable the Board to monitor the use of monies provided to these organizations. In addition, while the Senate Bill 40 Board receives copies of the audit report for both of these organizations, the Board indicated they do not review these reports.

Without adequate documentation to indicate how the funds were spent or how many developmentally disabled individuals received services, the Board has less assurance that monies distributed to other organizations are expended in compliance with statutory provisions and as intended by the Senate Bill 40 Board. In addition, reviewing the audit reports of these organizations may alert the Senate Bill 40 Board to problems or potential problems within the organizations they help to fund.

A similar condition was noted in a prior report.

WE AGAIN RECOMMEND the Senate Bill 40 Board adequately monitor the use of monies provided to the group home and sheltered workshop.

AUDITEE'S RESPONSE

The Board President and Treasurer provided the following response:

We receive census reports and financial reports from these organizations. We will document our review of these documents in the future.

5.

Senior Citizens Service Board

The Senior Citizens Board is not adequately monitoring the use of monies provided to the Ste. Genevieve County Recycling Center and the Ste. Genevieve Public Access TV station. The Board provided a total of \$6,000 and \$8,000 for the two years ended December 31, 2000 and 1999, respectively, to the Ste. Genevieve County Recycling Center, and \$2,500 to the Ste. Genevieve Public Access TV station in 1999. The contracts with these organizations do not require the organization to submit to the Senior Citizens Board information regarding the number of individuals served or other documentation that would enable the Board to monitor the use of monies provided to these organizations. The Board does require these organizations to submit financial reports to the board; however, these financial reports would not allow the Board to determine whether an adequate number of senior citizens are receiving services from these organizations. In 1998, the Ste. Genevieve County Recycling Center performed a two-week survey that indicated that 228 senior citizens utilized the recycling center out of 323 customers; however, this was the only time this type of survey was completed. There was no documentation of usage for the TV station. There does not appear to be any direct correlation between amounts paid to these entities and services provided to senior citizens.

Without adequate documentation to indicate the number of county residents over the age of sixty utilizing the services, the Board has no assurance that monies distributed to other organizations are expended for the benefit of senior citizens.

WE RECOMMEND the Senior Citizens Board adequately monitor the use of monies provided to other organizations by requiring them to submit reports of the number of county residents over the age of sixty utilizing their services.

AUDITEE'S RESPONSE

The Board Chairperson provided the following response:

We will review this situation when grants are reconsidered in January 2002.

6. Sheriff's Accounting Controls and Procedures
--

- A. During our review it was brought to our attention that there were at least five instances where monies received by the Sheriff's office totaling \$345 were not deposited or were found to be missing. The Sheriff's department informed us that an investigation was conducted and one employee was terminated in connection with the investigation, but the missing monies were not recovered. Although the investigation has been completed, no charges have been filed. The monies stolen appear to have been inmate monies. Monies were withheld from Sheriff's commissary commissions, normally turned over to the County Treasurer, to ensure the inmates received their monies.

Sheriff's department personnel believed the theft occurred due to an unsecured drop box that was to hold monies received after business hours. The drop box has been secured and no further missing money has been detected. In addition, we did not note any additional problems during our review of Sheriff's records.

- B. Vehicle mileage logs are not adequately maintained by the Sheriff's office for county-owned patrol cars. In addition, a comparison between fuel usage and actual vendor billings to the county is not performed.

Vehicle logs should be prepared for each vehicle which include the date, odometer readings, and purpose of each trip. Additionally, fuel, maintenance, and repair costs for each vehicle should be maintained. Comparisons of such logs to vendor billings would provide more control over vehicle usage and individual vehicle analysis could prove useful in determining a vehicle's efficiency and condition.

WE RECOMMEND the Sheriff:

- A. Consider requesting reimbursement from the Sheriff's bonding company for the monies stolen, if recovery of the stolen money is not possible.
- B. Establish procedures for maintaining accurate and complete usage logs for all county owned patrol cars and compare expenses billed to the county to the vehicle logs.

AUDITEE'S RESPONSE

The Sheriff provided the following response:

- A. *We do not have adequate evidence to pursue prosecution. We will review the county's current insurance coverage to determine if this loss can be recovered.*
- B. *We will implement this recommendation in January 2002.*

7. Timeliness of Deposits

Deposits were not made on a timely basis in the Associate and Probate Divisions, and the Prosecuting Attorney's Office. Deposits are generally made once a week by the Associate Division and Prosecuting Attorney's Office, once a month by the Probate Division and, for the time periods reviewed, averaged more than \$2,400, \$800, and \$1,000, respectively. To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100.

This was noted in a prior report.

WE AGAIN RECOMMEND the Associate and Probate Divisions, and Prosecuting Attorney ensure receipts are deposited on a daily basis or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

The Associate and Probate Division Clerk provided the following response:

We will implement this recommendation immediately.

The Prosecuting Attorney provided the following response:

In view of the limited staff of this office, making deposits whenever funds exceed \$100 would require the office to shut down periodically. Such a procedure would adversely affect services provided to citizens of this County. This office has a safe to reduce the risk of theft.

During the two years ended December 31, 2000, the Juvenile Division collected restitution monies totaling approximately \$9,400. Our review of the Juvenile Division's accounting controls and procedures revealed the following concerns:

- A. The duties of receiving, recording, and depositing juvenile division monies are not adequately segregated. The secretary performs all these duties.

To safeguard against possible loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving and depositing monies from that of recording receipts, and by designating someone independent of the receipt and disbursement process to perform the bank reconciliations. If proper segregation of duties cannot be achieved, at a minimum the Deputy Juvenile Officer should periodically review the reconciliations between receipts and deposits and bank reconciliations and document the results of her review.

- B. Listings of open items (liabilities) are not prepared on a timely basis. At November 26, 2001, a listing of open items had not been prepared since April 2001. At April 30, 2001, the reconciled bank balance exceeded the listing of open items by approximately \$270. The Deputy Juvenile Officer indicated these monies cannot be identified due to the age of the cases, the victims can no longer be located, or the case files have been destroyed.

Monthly listings of open items should be prepared and reconciled to cash balances on a timely basis to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Any amounts that cannot be identified should be turned over to the state Unclaimed Property Section in accordance with Sections 447.500 through 447.595, RSMo 2000.

Conditions A and B were noted in a prior report.

WE AGAIN RECOMMEND the Juvenile Division:

- A. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits and the bank reconciliations.

- B. Prepare monthly listings of open items and reconcile this to cash balances on a timely basis. Monies that cannot be identified should be turned over to the state Unclaimed Property Section.

AUDITEE'S RESPONSE

The Deputy Juvenile Officer provided the following responses:

- A. *This recommendation will be implemented immediately.*
- B. *I will discuss the disposition of the excess funds with the Chief Juvenile Officer. We will begin preparing the open items listing on a timely basis.*

This report is intended for the information of the management of Ste. Genevieve County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

STE. GENEVIEVE COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ste. Genevieve County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Procedures

- A. Formal budgets were not prepared for several county funds for the two years ended December 31, 1996.
- B. The county did not monitor their budgeted to actual disbursements on a timely basis. Actual disbursements exceeded budgeted amounts in several funds.
- C. Some of the approved budget documents did not adequately project the anticipated financial condition of several funds. Several funds did not include all available resources.
- D. Actual receipts in the budgets were misclassified by type and some of the receipt and disbursement totals were not accurate.
- E. The financial statements published by the County Clerk did not contain all the necessary information required by Section 50.800, RSMo 1994. The beginning balance, receipts, disbursements, and the ending balance for the year were not presented for several funds.

Recommendation:

The County Commission:

- A. Ensure budgets are prepared for all county funds in accordance with state law.
- B. And the Senate Bill 40 Board and Senior Citizens Board monitor budgeted to actual disbursements on a timely basis and not authorize disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.
- C. Ensure all beginning available resources are accurately presented on the budget document.

- D. Ensure receipts are properly classified and the receipt and disbursement totals are accurate.
- E. Ensure the county's published financial statements are accurate and complete.

Status:

- A. Partially implemented. The County Clerk failed to budget funds which were created after the original budget was completed; however, he does budget for these funds in the following year. Although not repeated in our current MAR, our recommendation remains as stated above.
- B, C,
& E. Implemented.
- D. Partially implemented. Receipt and disbursement totals were accurate on the budget; however, several receipt amounts were misclassified. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Employee Bonds

Several county employees from various offices with access to money were not covered by an employee bond.

Recommendation:

The County Commission consider obtaining adequate bond coverage for all employees with access to monies.

Status:

Implemented.

3. Written Agreements

- A. The County Commission did not enter into a formal written contract with the city of Ste. Genevieve and the ambulance district for their portion of the dispatcher's salaries.
- B. There was no written contract for one lease agreement.
- C. There was no written contract between the county and its engineering firm.

Recommendation:

The County Commission enter into formal written agreements in accordance with state law which specify the goods or services to be provided and the amount of compensation. These agreements should adequately detail the rights and duties of all parties to the respective agreements and should be properly updated and/or extended, when necessary.

Status:

Partially implemented. The county did not have a written agreement with an attorney, and the health center did not have a written agreement with a certified public accounting firm. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Property Tax System and Computer Controls

- A. Passwords used by the Assessor's office, the County Clerk's office, and the County Collectors' office had not been changed for over one and a half years.
- B. The County Collector was allowed to make changes to the property tax records for additions and abatements occurring during the year. A change report generated by the County Collector was not reviewed by the County Clerk. In addition, the County Clerk did not agree the Collector's lists of additions and abatements to the Assessor's records to ensure the propriety of the additions and abatements.
- C. The County's system did not have the capability of producing a usage log.

Recommendation:

- A. The County Commission ensure passwords are changed periodically.
- B. The County Clerk should ensure that change reports are reviewed and all changes are promptly reviewed with the Assessor's record of changes and any unusual items are investigated. The County Clerk should also agree the Collector's lists of additions and abatements to the Assessor's records to ensure the propriety of the additions and abatements.
- C. The County Commission review with their programmer the possibility of generating usage logs. In addition, the County Clerk should ensure computer usage logs are received and reviewed to ensure usage is restricted to appropriate job assignments.

Status:

A&B. Implemented.

- C. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Prosecuting Attorney Controls and Procedures

- A. The Prosecuting Attorney's office did not record checks received from the courts in the one-write receipt ledger.
- B. Checks were not restrictively endorsed immediately upon receipt by the Prosecuting Attorney's Office.
- C. The Prosecuting Attorney's deposits were made on an average of once per week with an average deposit of \$1,288.
- D. Money Orders or checks received as restitution payments or payments for delinquent taxes that were payable to the victim or the DOR were not indicated as such in the receipt ledger. As a result, daily receipts were not reconciled to daily deposits.

Recommendation:

The Prosecuting Attorney:

- A. Record all monies received in the one-write receipt ledger and reconcile total receipts to amounts deposited. In addition, ensure that the composition of receipt slips issued is reconciled to bank deposits.
- B. Ensure that all checks and money orders are restrictively endorsed immediately upon receipt.
- C. Ensure receipts are deposited daily or when the accumulation of receipts exceeds \$100.
- D. Indicate in the receipt ledger which receipts are money orders or checks that are payable to the victim or DOR and reconcile daily receipts to deposits.

Status:

A&D. Implemented.

- B. Not implemented. Although not repeated in our current MAR, our recommendation remains as stated above.
- C. Not implemented. See MAR finding number 7.

6. Recorder of Deeds Controls and Procedures

- A. Receipts were not deposited intact. In addition, refunds for overpayment were made from other cash collections instead of by check.

- B. The Recorder did not maintain an adequate accounts receivable record that allowed the abstract of fees to be reconciled to the amount deposited.
- C. The Recorder did not indicate the method of payment in the abstract of fees for all receipts. In addition, the composition of receipts was not reconciled to the composition of bank deposits.

Recommendation:

The Recorder of Deeds:

- A. Deposit all receipts intact daily and discontinue the practice of making cash refunds.
- B. Maintain accurate accounts receivable records showing amounts owed and the date paid.
- C. Ensure the method of payment is indicated in the abstract of fees for all receipts and reconcile the composition of receipts to the composition of deposits.

Status:

Implemented.

7. Public Administrator Controls and Procedures

- A. The Public Administrator and his wife both worked at a local real estate company which handled the sale of real estate for an estate administered by the Public Administrator. There was no documentation that proposals were obtained from other real estate agencies in the area. In addition, the Public Administrator's wife was paid a commission on the sale of the land.
- B. Collateral securities were not pledged for ward (estate) monies in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

Recommendation:

The Associate Circuit Judge:

- A. Require the Public Administrator obtain services based on proposals submitted by real estate agencies. In addition, the Public Administrator should also ensure the selection does not appear to be a conflict of interest.
- B. Require the Public Administrator ensure the depository banks pledge adequate securities at all times in accordance with state law.

Status:

- A. Implemented.
- B. Not implemented. The Public Administrator handled only one estate in excess of \$100,000 during the audit period. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Juvenile Division Controls and Procedures

- A. The duties of receiving, recording, and depositing juvenile division monies were not adequately segregated.
- B. Monthly bank reconciliations were not performed.
- C. The method of payment received was not indicated on the receipt slips.
- D. Listings of open items were not prepared on a monthly basis.

Recommendation:

The juvenile division:

- A. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits and the bank reconciliations.
- B. Ensure that monthly bank reconciliations are performed.
- C. Indicate the method of payment on the receipt slips and reconcile the composition of the receipt slips issued to the composition of bank deposits.
- D. Prepare monthly listings of open items and reconcile this to cash balances.

Status:

- A. Not implemented. See MAR finding number 8.
- B&C. Implemented.
- D. Partially implemented. Monthly listings of open items are prepared; however, they are not prepared on a timely basis. See MAR finding number 8.

9. Circuit Division Controls and Procedures

Receipts of court costs and fines were deposited approximately once a week.

Recommendation:

The Circuit Clerk ensure receipts are deposited on a daily basis or when accumulated receipts exceed \$100.

Status:

Partially implemented. While the frequency of deposits improved from the prior audit, deposits are not made daily or when accumulated receipts exceed \$100. Although not repeated in the current MAR, our recommendation remains as stated above.

10. Probate and Associate Divisions Controls and Procedures

- A. The duties of receiving, recording, depositing and disbursing monies of the Probate and Associate Divisions were not adequately segregated.
- B. Checks were not restrictively endorsed immediately upon receipt by the Probate and Associate Divisions.
- C. The Probate Division deposits were made on an average of once per month with an average deposit of \$750.
- D. Receipts were not recorded in the control ledgers on a timely basis by the Associate Division.

Recommendation:

The Associate Circuit Judge:

- A. Adequately segregate accounting duties to the extent possible to provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If duties cannot be adequately segregated, at a minimum, there should be a documented supervisory review of the reconciliations between receipts and deposits and the bank reconciliations.
- B. Ensure all checks and money orders are restrictively endorsed immediately upon receipt.
- C. Ensure Probate Division receipts are deposited daily or when the accumulation of receipts exceeds \$100.

- D. Ensure all Associate Division monies are recorded in the cash receipt records immediately upon receipt and all receipts are deposited daily or when the accumulation of receipts exceed \$100.

Status:

A&B. Implemented.

C. Not implemented. See MAR finding number 7.

D. Partially implemented. While receipts are recorded immediately upon receipt, deposits are not made daily or when accumulated receipts exceed \$100. See MAR finding number 7.

11. Health Center Controls and Procedures

A. Prenumbered receipt slips were not issued for all monies received.

B. The Health Center Administrator did not adequately monitor the bank balances to ensure they did not exceed FDIC coverage. Collateral securities were not pledged for monies in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

Recommendation:

The Health Center Board:

A. Issue prenumbered receipt slips for all monies received, and periodically account for the numerical sequence of the receipt slips issued.

B. Ensure the Health Center Administrator monitors the balances in the bank accounts and ensure their depository bank pledges adequate securities at all times in accordance with state law.

Status:

Implemented.

12. Senate Bill 40 Board Controls and Procedures

The Senate Bill 40 Board did not adequately monitor the services provided by the sheltered workshop.

Recommendation:

The Senate Bill 40 Board adequately monitor the services provided by the sheltered workshop.

Status:

Not implemented. See MAR finding number 4.

STATISTICAL SECTION

History, Organization, and
Statistical Information

STE. GENEVIEVE COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1812, the county of Ste. Genevieve was named after Ste. Genevieve, a saint of France. Ste. Genevieve County is a county-organized, 3rd-class county and is part of the 24th Judicial Circuit. The county seat is Ste. Genevieve.

Ste. Genevieve County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Ste. Genevieve County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 765,638	17	681,323	16
Sales taxes	647,133	14	632,654	15
Federal and state aid	2,450,704	53	2,318,454	56
Fees, interest, and other	711,905	16	533,070	13
Total	\$ 4,575,380	100	4,165,501	100

The following chart shows how Ste. Genevieve County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 955,888	22	870,533	22
Public safety	2,478,703	56	2,224,910	55
Highways and roads	962,743	22	938,293	23
Total	\$ 4,397,334	100	4,033,736	100

The county maintains approximately 21 county bridges and 300 miles of county roads.

The county's population was 12,867 in 1970 and 16,037 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	156.9	153.7	74.8	34.4	20.6
Personal property		57.5	49.9	17.2	9.6	5.9
Railroad and utilities		26.9	26.4	17.7	16.9	9.9
Total	\$	241.3	230.0	109.7	60.9	36.4

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Ste. Genevieve County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
General Revenue Fund	\$	.18	.18
Special Road and Bridge Fund*		.26	.26
Health Center Fund		.10	.10
Senate Bill 40 Board Fund		.07	.07
Hospital Fund		.16	.16
Mental Health		.10	.10
Senior Citizens Service		.04	.05

* The county retains all tax proceeds from areas not within road districts. The county has one road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2001	2000
State of Missouri	\$	71,392	68,114
General Revenue Fund		427,844	407,644
Special Road and Bridge Fund		614,486	585,401
Assessment Fund		109,891	104,981
Health Center Fund		236,333	225,141
Senate Bill 40 Board Fund		165,453	157,623
School districts		7,701,392	7,329,672
Library district		236,333	225,141
Ambulance district		307,220	292,651
Mental Health		236,333	225,141
Hospital Maintenance		378,139	360,237
Tax Increment Financing		108,729	76,609
Cities		16,716	17,260
Junior College		100,127	105,867
Senior Citizens		83,720	112,339
Circuit Levee District #2		65,524	0
Circuit Court Levee #3		128,875	98,402
County Employees' Retirement		10,264	10,000
Commissions and fees:			
General Revenue Fund		158,779	150,416
Total	\$	<u>11,157,552</u>	<u>10,552,639</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),	
	2001	2000
Real estate	96 %	96 %
Personal property	91	93
Railroad and utilities	100	100

Ste. Genevieve County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50 %
Capital improvements	.0050	*	None

* This tax will decrease to 1/8 of 1% on January 1, 2018.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Dennis (Toupie) Huck, Presiding Commissioner	\$	29,390	29,390
Linda Hermann, Associate Commissioner *		27,390	21,000
Jeff Roth, Associate Commissioner *		27,390	21,000
David Gegg, Recorder of Deeds		41,500	41,500
Darryle Shuh, County Clerk		41,500	41,500
Carl Kinsky, Prosecuting Attorney		51,000	51,000
Robert (Rabbit) McKlin, Sheriff		39,000	39,000
Judy Thomas, County Treasurer		30,710	30,710
Leo (Chipper) Basler Jr., County Coroner		6,500	6,500
F.F. (Staobie) Staab, Public Administrator **		13,995	18,736
Jim Gettinger, County Collector, year ended February 28 (29),	41,500	41,500	
Clement Donze, County Assessor ***, year ended August 31,		41,500	41,500
Gerald (Duck) Bader, County Surveyor ****			

* Section 50.333.13 RSMO, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. Based on this statute, in 2000 Ste. Genevieve County's Associate County Commissioners' salaries were each increased approximately \$6,390 (to cover 1999 and 2000). On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in

Laclede County v. Douglass et al. ,

holds that all raises given pursuant to this statute section are unconstitutional. Based on this decision, Ms. Herman repaid her raise in June 2001, and Mr. Roth is repaying his raise based on a repayment schedule.

** Includes fees received from probate cases.

*** Includes \$900 annual compensation received from the state.

**** Compensation on a fee basis.

State-Paid Officials:

Carol Steiger, Circuit Clerk	46,127	44,292
Raymond M. Weber, Associate Circuit Judge	97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission (1)	1	
Circuit Clerk and Ex Officio Recorder of Deeds		
Circuit Clerk		3
Recorder of Deeds	2	
County Clerk (1)	2	
Prosecuting Attorney	2	
Sheriff (2)	73	
County Treasurer (3)	1	
County Coroner	0	
Public Administrator	0	
County Collector	1	
County Assessor (4)	5	
County Surveyor	0	
Associate Division (4)		3
Probate Division		1
Road and Bridge	12	
Health Center (5)	11	
Community Center (6)	82	
E-911 (7)	14	
Recycling Center (8)	6	
Total	<u>212</u>	<u>7</u>

(1) One employee works one-half for the County Commission and one-half for the County Clerk.

(2) Includes 6 part-time employees.

(3) Part-time employee.

(4) Includes 1 part-time employee.

(5) Includes 2 part-time employees.

(6) Includes 76 part-time or seasonal employees.

(7) Includes 12 part-time employees.

(8) All part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Ste. Genevieve County's share of the Twenty Fourth Judicial Circuit's expenses is 16.43 percent.

In 1998, the county began building a community center building. The county entered into a nineteen year lease purchase agreement to pay for the building. At December 31, 2000 the county owed \$7,290,000 in principal installments on the lease payments which carry interest rates from 4.2 percent to 5.25 percent and are imputed based on the lessor's implicit rate of return.



**CITY OF HOWARDVILLE, MISSOURI
YEAR ENDED JUNE 30, 2001**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-116
December 12, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2001

The following problems were discovered as a result of an audit conducted by our office of the City of Howardville, Missouri.

The city does not prepare annual budgets. State law requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.

The city receives a grant of approximately \$117,000 each year from the state's Division of Family Services (DFS). The purpose of the grant is to provide office space for several DFS workers and for services related to job training and transportation for citizens in the Welfare to Work Program. The city passes through all the monies received for this grant to the Bootheel Community Development Corporation (BCDC), which provides these services for the citizens. There are potential conflict of interest concerns with the Mayor being president of BCDC. Minutes of the Board of Aldermen indicate the Mayor was involved in some discussions for matters involving the BCDC. City officials should avoid any type of involvement in city decisions that relate to themselves or businesses in which they have an interest. In addition, the city does not have a contract with the BCDC and does not monitor the BCDC's expenditures of grant monies.

The city did not obtain appraisals prior to selling two separate parcels of land for a total of \$12,500 to the Bootheel Community Development Corporation. Considering the close relationship between some city officials and BCDC, there is a greater need to ensure both sides receive fair and equitable treatment in all transactions between the city and BCDC. An independent appraisal would have provided better documentation that both the city and BCDC received fair and equitable treatment in these land transactions.

The city received Community Oriented Policing Services (COPS) grants totaling \$53,938. The city did not maintain adequate records to ensure grant reimbursements complied with the terms of the grant agreement and to ensure the city reported only eligible expenditures to the Department of Justice.

The city has not made arrangements to have an audit performed of federal financial assistance for the year ended June 30, 2001. Since the city spent over \$300,000 of federal awards during the year, it is required to obtain a Single Audit of these expenditures in accordance with federal law.

(over)

YELLOW SHEET

The city levies property taxes for parks and recreation, library, and public health services and collected \$1,138 during the year ended June 30, 2001, for each of these three tax levies. The city does not provide library and public health services and does not keep records to ensure parks and recreation taxes are spent to maintain the city park. The city needs to review these tax levies and ensure it meets the statutory requirements related to these taxes or discontinue collecting these taxes.

The city does not maintain records to document that its state motor vehicle-related revenues, totaling \$18,311 for the year ended June 30, 2001, are spent for street-related purposes as required by the Missouri Constitution.

The city does not prepare or publish semi-annual financial statements nor has the city obtained annual audits of its sewage system as required by state law. In addition, although the City Clerk indicated she prepares monthly financial reports for the Board of Aldermen, some reports could not be located and some reports did not include all financial activity of the city.

The city does not have formal written bidding procedures and does not solicit bids for significant purchases. Vendor invoices or their supporting documentation were not retained for some expenditures. The board does not approve the payment of expenditures or review supporting documentation prior to disbursing city funds. The city does not have a contract with the City Attorney and does not prepare IRS Forms 1099 as required. Items purchased from the State Agency for Surplus Property (SASP) by a consultant who is not a city employee were missing and the city had to reimburse SASP the fair market value for the missing items.

The audit also includes some matters related to salaries and payroll, board meetings and ordinances, segregation of duties, fixed assets, and the municipal court, upon which the city should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

CITY OF HOWARDVILLE, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Howardville
Howardville, Missouri 63869

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Howardville, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 2001. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was conducted in accordance with applicable standards contained in Government Auditing Standards, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed applicable city personnel. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the City of Howardville, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 30, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	David Martin, CPA

HISTORY AND ORGANIZATION

CITY OF HOWARDVILLE, MISSOURI HISTORY AND ORGANIZATION

The City of Howardville was incorporated in 1962 and is currently a fourth-class city. The city is located in central New Madrid County. The population in 2000 was 342. The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms, one from each of the two wards each year. The mayor is elected for two years, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officers at June 30, 2001, were:

Elected Officials	Term Expires	Compensation Paid For the Year Ended June 30, 2001	Amount of Bond
Clennon Farr, Mayor	April 2002	\$ 3,600	\$ 0
A.G. Sanders, Alderman	April 2003	360	0
Mary L. Johnson, Alderwoman	April 2002	360	0
Tommie Fountain, Alderman	April 2003	360	0
Robert Young, Alderman	April 2002	360	0
Other Principal Officials			
Ann Conner, City Clerk		15,882	10,000
Mary Brockman, Court Clerk		9,835	10,000
Tim Collins, Police Chief		21,547	5,000
Shawn Young, City Attorney/Prosecutor		3,600	0
Clois Taylor, Municipal Judge		2,100	10,000

The city also employs approximately 5 part-time and temporary employees.

Assessed valuation and tax rate information for tax year 2000 are as follows:

ASSESSED VALUATION

Real estate	\$ 594,910
Personal property	245,011
Total	<u>\$ 839,921</u>

TAX RATES PER \$100 ASSESSED VALUATION

General	\$ 0.55
Parks and Recreation	0.15
Health	0.15
Library	0.15
Total	<u>\$ 1.00</u>

The city has a general sales tax of one percent of retail sales within the city.

A summary of the financial activity of the City of Howardville for the year ended June 30, 2001, is presented on the next page.

CITY OF HOWARDVILLE
STATEMENT OF BANK RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
YEAR ENDED JUNE 30, 2001

Account	Cash, July 1	Receipts	Disbursements	Cash, June 30
General	\$ 11,287	214,160	225,772	(325)
City Hall Maintenance	590	700	1,105	185
Savings, Union Planters Bank	35,977	8,634	11,425	33,186
Savings, Bank of New Madrid	580	13	0	593
Community Development Block Grant	26,459	349,924	363,351	13,032
Patrol Car Note	241	0	10	231
City Utility Costs	32	12,471	12,336	167
Payroll Tax	105	16,433	16,472	66
Sewer	1,634	16,151	17,040	745
Block Grant Escrow	148	1	149	0
Police	(366)	33,352	32,412	574
COPS/UHP	20,602	19,000	29,934	9,668
Municipal Court	262	26,761	24,316	2,707
Total	\$ 97,551	697,600	734,322	60,829

MANAGEMENT ADVISORY REPORT

CITY OF HOWARDVILLE, MISSOURI
SUMMARY OF FINDINGS

1. Federal Grants (pages 9-12)

The city receives annual grant money of approximately \$117,000 which is entirely passed on to the Bootheel Community Development Corporation (BCDC). The city does not have a contract with the BCDC to define the rights and responsibilities of each party regarding this grant, and the city does not monitor the BCDC's use of the grant money. There are potential conflict of interest concerns with the Mayor being president of BCDC. The City Clerk received \$300 monthly payments from BCDC for city-related duties; therefore, these payments appear inappropriate. The city does not have adequate supporting documentation for reimbursements and expenses for the Community Oriented Policing Services (COPS) program. The city has not made arrangements to obtain a required Single Audit of federal awards.

2. Land Sales (page 12)

The city did not obtain appraisals on two parcels of land sold to BCDC for \$12,500.

3. Salaries and Payroll Matters (pages 12-14)

The city has not adopted ordinances to establish the compensation and duties of city officials. Two board members received payments from the city in addition to their standard compensation, and it appears this additional compensation is not allowed by state law. The city does not follow its ordinance for employee vacation and sick leave and does not maintain records of vacation and sick leave earned and used. The city loaned \$125 to an employee and was not reimbursed for \$25 of this loan until we brought this to the city's attention approximately 22 months after the loan was made.

4. Restricted Revenues and Taxes (pages 14-16)

Property taxes collected for specific purposes have not been spent by the city in accordance with state law, and the city may need to discontinue collecting a portion of these taxes. The City Clerk, who also serves as the City Collector, did not file monthly or annual reports of collections or periodic listings of delinquent taxes as required. The city does not account separately for state motor vehicle fees and law enforcement training fees to ensure these revenues are only spent for allowable purposes.

5. Expenditures (pages 16-19)

The city does not have formal written bidding procedures and does not solicit bids for significant purchases. Vendor invoices or other supporting documentation were not retained for some expenditures. The board does not approve the payment of expenditures or review supporting documentation prior to disbursing city funds. The city does not have a contract with the City Attorney and does not prepare IRS Forms 1099 as required. The city allowed a consultant who is not a city employee to purchase items from the

State Agency for Surplus Property (SASP). The city had to reimburse the fair market value for some of these items that could not be located.

6. Board Minutes and Policies (pages 19-20)

The City Clerk has not typed some minutes on a timely basis, and some minutes were missing. Individual votes of board members are not recorded in the minutes. Agendas prepared for board meetings should be retained instead of being discarded. Minutes are not prepared for closed meetings. The city does not have a policy regarding public access to city records.

7. Budgets and Financial Reporting (pages 20-21)

The city does not prepare annual budgets. The city does not prepare or publish semi-annual financial statements. Some monthly financial reports were missing or were inaccurate. The city has not obtained an annual audit of its sewer system as required.

8. Financial Controls and City Ordinances (pages 22-23)

The City Clerk is responsible for essentially all record-keeping duties, and the board should consider appointing separate individuals to serve as City Treasurer and City Collector. The city maintains an excessive number of bank accounts. Many of the city's ordinances are old and outdated, and the city's official copy of the ordinances could not be located.

9. Fixed Asset Records (pages 23-24)

The city has not prepared and maintained permanent, detailed property records for general fixed assets.

10. Municipal Court (pages 24-25)

The duties of receiving, recording, and depositing court receipts are not adequately segregated. There is no reconciliation between the composition of receipt slips to the composition of deposits. The court does not prepare summary listings nor prepare a control ledger of amounts due the court. The court does not transmit some fines and court costs collected to the city. Police Officer Standards and Training Commission fees are not disbursed to the state as required.

CITY OF HOWARDVILLE, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Federal Grants
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A. The city receives a grant of approximately \$117,000 each year from the state's Division of Family Services (DFS). The purpose of the grant is to provide office space for several DFS workers and for services related to job training and transportation for citizens in the Welfare to Work Program. The city passes through all the monies received for this grant to the Bootheel Community Development Corporation (BCDC), which provides these services for the citizens. Our review of this arrangement disclosed the following concerns:

1. The Mayor is also the president of BCDC. Although BCDC is a separate not-for-profit corporation and the Mayor apparently only receives reimbursement of expenses for his services, this arrangement creates potential conflict of interest concerns. Minutes of the Board of Aldermen indicate the Mayor was involved in some discussions for matters involving the BCDC.

City officials should avoid any type of involvement in city decisions that relate to themselves or businesses in which they have an interest. Discussions and decisions concerning transactions where a potential conflict of interest exists should be completely documented to provide assurance that no city official or relative has profited improperly. In addition, the Board of Aldermen should consider establishing an ordinance which addresses this type of situation and provides a code of conduct for city officials.

2. Prior to March 2001, the City Clerk received monthly payments of \$300 from the BCDC. It appears the only duties performed by the City Clerk related to these payments were recording grant money received from the state and writing a monthly check to the BCDC for the total amount received by the city. However, these appear to be city-related duties and part of her normal duties as City Clerk. Therefore, it appears inappropriate for her to receive additional compensation for performing these duties.

The grant agreement with the DFS allows certain administrative costs to be charged to the grant. Although the payments to the City Clerk have been stopped, it appears the city would incur costs for administering the grant. The city should calculate and document its administrative costs for this grant and withhold this amount from the monies paid to BCDC each month.

3. The city does not have a written contract with BCDC. A written contract should include payment terms, define the services to be provided by the BCDC, and clarify the responsibilities and expectations of both parties. Section 432.070, RSMo 2000, also requires all contracts to be in writing.
 4. The city does not monitor the activities of BCDC that are funded by the grant to ensure these activities comply with the city's grant agreement with DFS. At a minimum, the city should require BCDC to provide the city with periodic reports of activities funded with these grant monies. Without any documentation of how these funds are used, the city cannot document that it has complied with the terms of their grant with DFS.
- B. The city received Community Oriented Policing Services (COPS) grant awards from the U.S. Department of Justice (DOJ) for the period October 1998 through September 2001 to fund one full-time and one part-time police officer. The total grant award was \$54,782, and through June 30, 2001, the city received reimbursements of \$53,938. Our review noted the following concerns:
1. Grant reimbursements are periodically requested by the police chief, normally in lump sum amounts. No documentation is prepared to show that the reimbursement amounts agree to the federal share of eligible expenditures. Therefore, the city may have received grant reimbursements prior to incurring the related expenditures, which is prohibited by the grant regulations. For example, although the city received \$25,000 in June 2000 and \$6,000 in December 1999, the city only reported eligible grant expenditures of \$10,324 for the first six months of 2000. While the police chief indicated the \$25,000 was to cover expenditures from prior years which were not previously reimbursed, he could not provide any supporting documentation.
 2. Grant regulations require the preparation of quarterly reports showing total grant expenditures, as well as the federal share and the city's matching share of eligible grant expenditures. The city has not prepared the required quarterly reports on a timely basis, and as of August 30, 2001, no quarterly reports had been prepared for calendar year 2001. In addition, the city does not retain documentation to support the amount of grant expenditures reported on the quarterly reports. Although our review of quarterly reports for the year ended December 31, 2000, noted reported expenditures were approximately the same as the salaries paid to the city's police officers, there were no supporting worksheets or calculations to support the reported expenditures.

The police chief is responsible for filing the quarterly expenditure reports with the DOJ, requesting grant reimbursements, and serves as the custodian for all grant records. Although he indicated on several occasions he had supporting

documentation for the grant expenditures, he did not produce any documentation for our review. The city should consider requiring the City Clerk serve as the custodian of the grant records, and require the City Clerk to prepare or review the required reports for this grant. In addition, the city should ensure it locates or prepares documentation to support all grant expenditures and documents that it met the grant matching requirements.

- C. The city has not made arrangements to have an audit performed of federal financial assistance for the year ended June 30, 2001. Since the city spent over \$300,000 of federal awards during the year, it is required to obtain a Single Audit of these expenditures in accordance with OMB Circular A-133 and the Single Audit Act passed by the United States Congress in 1984, and amended in 1996 (Public Law 104-156).

WE RECOMMEND the Board of Aldermen:

- A.1. Avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest. City officials who have a conflict that is unavoidable should fully disclose their interest and should not discuss or vote on matters which involve them personally. Such matters and transactions should be completely documented so that the public has assurance that no city official or agent has profited improperly. City officials should ensure strict compliance with the law when conducting city business and should consider adopting a code of conduct for city officials.
- 2. Calculate the city's administrative costs for handling the DFS grant and withhold that amount from payments to the BCDC. Documentation of these costs should be retained.
- 3. Enter into a written agreement with the BCDC which documents the rights and responsibilities of both parties related to the DFS grant.
- 4. Monitor the BCDC's use of the grant monies to ensure the monies are spent in accordance with the grant agreement.
- B. Ensure adequate documentation is prepared or maintained to support all COPS grant reimbursement requests and expenditures claimed on quarterly expenditure reports, and ensure the city has met the grant matching requirements. In addition, the board should consider requiring the City Clerk to serve as the custodian of the COPS grant records and prepare or review all required grant reports.
- C. Ensure a Single Audit of its federal grant expenditures is obtained in accordance with OMB Circular A-133.

AUDITEE'S RESPONSE

A.1. *We will do a better job in the future documenting these transactions to help avoid any conflict of interest concerns.*

A.2-4,

B & C. We agree and will implement these recommendations.

2. Land Sales

The city did not obtain appraisals prior to selling two separate parcels of land to the Bootheel Community Development Corporation (BCDC). One parcel sold in January 2000 for \$10,000 and was developed into a new subdivision in the city. The other parcel sold in September 2000 for \$2,500 which the BCDC used to construct an office building. By not obtaining professional appraisals to value the land prior to sale, there is less assurance the price the city received for the land was reasonable or represented the fair value of the property. The New Madrid County Assessor indicated this land has been tax exempt for years and has not been appraised by his office.

Considering the close relationship between some city officials and BCDC, there is a greater need to ensure both sides receive fair and equitable treatment in all transactions between the city and BCDC. An independent appraisal would have provided better documentation that both the city and BCDC received fair and equitable treatment in these land transactions.

WE RECOMMEND the Board of Aldermen obtain an independent appraisal of any property sold in the future.

AUDITEE'S RESPONSE

We will obtain independent appraisals for any land sold in the future.

3. Salaries and Payroll Matters
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A. The city has not adopted ordinances to establish the compensation and duties of its elected and appointed officials. Section 79.270, RSMo 2000, requires the compensation of officials and employees to be set by ordinance, and the salary of an official shall not be changed during the term of election or appointment.

Compensation rates set by ordinance, in addition to meeting statutory requirements, document the approved amounts to be paid and eliminate potential misunderstandings on the amount each city official and employee is to receive. Such ordinances should be passed prior to the election or appointment of applicable officials to help ensure the compensation of an official is not changed

during the term of office. Ordinance hearings provide for public input and information concerning the compensation paid. In addition, documentation of duties and job descriptions would clarify the duties and responsibilities of each official and employee and prevent misunderstandings.

- B. In addition to receiving the standard compensation for serving on the Board of Aldermen, two board members were compensated for performing mowing services for the city during the year ending June 30, 2001. One board member received \$700 and the other board member received \$200.

Section 105.458, RSMo 2000, states "no member of any legislative or governing body of any political subdivision of the state shall: (1) Perform any service for such political subdivision or any agency of the political subdivision for any consideration other than the compensation provided for the performance of his official duties. . . ."

The board should review this matter with legal counsel and determine whether the city should consider seeking repayment of these amounts.

- C. Records of vacation and sick leave earned and used are not maintained. The city does have an ordinance regarding vacation and sick leave, but the Mayor and City Clerk indicated that ordinance is outdated and the city uses a different policy.

The Board of Aldermen should follow its ordinance regarding vacation and sick leave or pass a new ordinance if it believes the current ordinance is outdated. Adequate documentation of leave time earned and used is necessary to ensure compliance with the ordinance.

- D. In September 1999, the board approved a \$125 loan to an employee that was to be repaid in five days. The loan was not repaid, and during the summer of 2000, the city withheld \$100 from his paychecks. Apparently city officials did not realize only \$100 had been repaid, and after we informed the City Clerk about this error, the remaining \$25 was withheld from the employee's salary 22 months after the original loan was made. There was no interest charged on this loan, nor was any kind of promissory note signed by the employee. The Board of Aldermen has no statutory authority to make loans to employees. Article VI, Section 23, of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

WE RECOMMEND the Board of Aldermen:

- A. Establish by ordinance the duties and compensation of all city officials and employees.

- B. Discontinue paying additional compensation to board members. The board should review this matter with legal counsel and determine if it should seek reimbursement for the amounts paid to board members for mowing services.
- C. Ensure compliance with the city's ordinance regarding vacation and sick leave or amend this ordinance if the board determines it is outdated. In addition, the board should require the City Clerk to maintain records of vacation and sick leave earned and used.
- D. Discontinue the practice of loaning money to employees.

AUDITEE'S RESPONSE

- A, C,
& D. *We agree and will implement these recommendations.*
- B. *We will discuss this with the City Attorney and take appropriate action.*

4.	Restricted Revenues and Taxes
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- A. Property taxes collected for specific purposes have not been spent by the city in accordance with state law. In addition to the city's general property tax levy, the city levies property taxes for three specific purposes as allowed by Section 94.260, RSMo 2000, which include parks and recreation, library, and public health. During the year ended June 30, 2001, the city collected \$1,138 in taxes for each of these specific purposes. However, these taxes are all deposited in the city's General Fund and used for general city operations.

Our review of the city's use of these taxes noted the following:

- The city maintains a city park; however, there is no separate accounting of park revenues and expenditures to document that taxes collected for parks and recreation were used for expenditures related to the city park. These taxes should be deposited into a separate fund and used only for expenditures related to the city park, as required by Section 90.550, RSMo 2000. Furthermore, Section 90.520, RSMo 2000, requires the city to appoint a nine member board to control the expenditure of property taxes collected for parks and recreation.
- The city does not have a city library nor has the city appointed a library board. Section 182.200, RSMo 2000, requires all city library tax monies be deposited in the city treasury and paid over to the treasurer of the library board monthly. Section 182.170, RSMo 2000, requires the city to appoint a nine member board to control the expenditure of library tax monies. Since there is no city library, and apparently the city does not

have plans to start one, it would appear improper to continue to collect library property taxes.

- The city does not provide any public health services to city residents; therefore, it appears questionable for the city to collect public health property taxes.

While it appears these special purpose taxes have been levied by the city for a number of years, the city does not have copies of original ballots, ordinances, or policies defining the allowable uses of these monies. It appears the city has been inappropriately collecting some of these taxes, especially the library and health services taxes, and the city should consult with legal counsel to determine if any amounts should be refunded to taxpayers. If the city continues to collect these taxes, the city, along with any applicable boards appointed to control the expenditure of these taxes, should develop policies regarding the allowable uses of these taxes and ensure the policies comply with applicable state laws.

- B. The City Clerk, who also serves as City Collector, does not file monthly or annual reports of taxes collected with the board. In addition, the City Clerk does not prepare lists of all delinquent taxes. The City Clerk only prepares a list of real estate taxes that are three years delinquent so the city can sell the property at a tax sale.

Sections 79.310, 94.320, and 94.330, RSMo 2000, require the city collector to make monthly and annual reports to the board of aldermen of the amount of taxes collected and to prepare lists of delinquent taxes. The board is to examine and approve the lists and charge the city collector to collect the taxes due. Section 94.330, RSMo 2000, also provides that the board of aldermen may declare worthless any and all personal delinquent taxes deemed uncollectible.

Monthly and annual reports which comply with state law would help provide assurance taxes have been properly collected, written off, or determined to be delinquent.

- C. During the year ended June 30, 2001, the city deposited \$18,311 of state motor vehicle-related receipts into the General Fund. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The city has not established a separate accounting for these receipts and related disbursements and could not provide total expenditures made for these purposes.

In addition, law enforcement training fees are not accounted for separately or maintained in a separate fund. During the year ended June 30, 2001, the city received approximately \$872 in training fees and identified no training-related

expenses. Section 590.140, RSMo 2000, requires law enforcement training fees to be used only for the training of law enforcement officers.

The city should maintain a separate fund or accounting of motor vehicle related receipts and law enforcement training receipts to ensure these revenues are used in accordance with the Missouri Constitution and state law.

WE RECOMMEND the Board of Aldermen:

- A. Consult with legal counsel and determine the propriety of collecting special-purpose property taxes in the absence of providing the related services. The board should determine if any of these taxes should be refunded to taxpayers. If these taxes continue to be levied, the board should ensure these taxes are used only for their intended purposes and comply with all applicable state laws.
- B. Require the City Clerk to prepare monthly and annual reports of taxes collected and delinquent lists that comply with state law.
- C. Establish separate funds or accounting for motor vehicle related revenues and law enforcement training fees and ensure these revenues are used in compliance with the Missouri Constitution and state law.

AUDITEE'S RESPONSE

A. *We will consult with the City Attorney and take appropriate action.*

B & C. *We agree and will implement these recommendations.*

5. Expenditures

- A. The city does not have formal written bidding policies and procedures and does not solicit bids for significant purchases. We noted the following purchases which were not bid:

Tractor and brush hog	\$12,250
Patrol car repairs	5,544
Patrol car	5,000
Insurance (2 years' premiums)	8,057
Roof repairs	1,200

Formal bidding procedures provide a framework for the economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by

advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons noted why the bid was selected. The bidding policy should also address procedures for opening sealed bids.

- B. Vendor invoices or other supporting documentation were not retained for numerous expenditures. During our review of specific expenditures, city officials could not initially locate vendor invoices for the majority of the selected items. Subsequently, city officials obtained or located vendor invoices for most of these items. The city also does not retain supporting documentation for amounts paid from the city's Community Development Block Grant (CDBG). This documentation is kept by the Bootheel Regional Planning Commission which administers the grant and is not reviewed by the city prior to payment.

All expenditures should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and the expenditures represent appropriate uses of public funds.

- C. The Board of Aldermen does not approve the payment of expenditures nor review supporting documentation prior to the disbursement of city funds. Although the board minutes make a general reference that invoices are approved for payment, a listing of all disbursements is not prepared to accompany the minutes.

To adequately document the board's review and approval of all disbursements, a complete listing of bills should be prepared, signed or initialed by the board to denote its approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board before payment is made to ensure all disbursements represent valid operating costs of the city.

- D. The city has appointed an attorney in the area to serve as City Attorney. The City Attorney receives \$300 a month from the city as a retainer and bills the city for additional services. The city has not entered into a written contract with this individual defining the services to be rendered and compensation to be paid for legal services. It appears questionable for the city to pay the \$300 monthly retainer unless there is a written agreement which clearly documents the services the city will receive for these payments.

Section 432.070, RSMo 2000, requires contracts of political subdivisions be in writing. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- E. The city does not file Forms 1099 with the Internal Revenue Service. The Internal Revenue Code requires payments of \$600 or more annually for services

by nonemployees (other than corporations) be reported to the federal government on Forms 1099. During the year ended December 31, 2000, the city paid over \$600 to the city attorney and to an individual who works on the city's sewer system.

- F. The city allowed a consultant who works for the BCDC to purchase items on the city's account at the State Agency for Surplus Property (SASP). This consultant is not an official or employee of the city. Furthermore, of the eight items purchased by this individual and paid for by the city, four items with a total market value of \$160 could not be located during a review performed by SASP personnel. Because the property is donated by the federal government and the city only pays a nominal service charge to SASP for these items, federal regulations require the property be used for city purposes and the city had to reimburse the federal government the total market value of the missing items. According to city officials, these items were stolen from a storage facility in another city and were not intended to be used in the City of Howardville. As a result of the problems with this transaction, the city is no longer allowed to purchase items from the SASP.

To help ensure the propriety of city purchases, only city officials and employees should be allowed to enter into contracts on behalf of the city. In addition, any property purchased with city funds should only be used for the benefit of the city.

WE RECOMMEND the Board of Aldermen:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected and procedures for opening sealed bids.
- B. Ensure adequate supporting documentation is retained for all city expenditures, including expenditures for the city's CDBG.
- C. Review and approve all expenditures of city funds prior to the disbursements being made. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.
- D. Enter into a written contract with the City Attorney for legal services which clearly documents the services to be provided and the compensation to be paid.
- E. Ensure IRS Forms 1099 are filed as required for prior years as well as in the future.
- F. Allow only city officials and employees to enter in contracts on behalf of the city and ensure any property purchases with city funds is used for the benefit of the city.

AUDITEE'S RESPONSE

We agree and will implement these recommendations.

6. Board Minutes and Policies

- A. The City Clerk takes notes of discussions held and actions taken by the board during board meetings. These notes are later typed to become the official board minutes. The City Clerk is often several months behind typing the official minutes. As of April 11, 2001, the most recent typed minutes were for the board meeting held September 14, 2000. In addition, several of the official typed versions of the minutes could not be located.

In addition to being required by state law, minutes serve as the only official permanent public record of decisions made by the board. Therefore, it is imperative that the minutes be prepared in a timely manner. Section 610.010, RSMo 2000, requires a journal or minutes of meetings shall be taken and maintained by public governmental bodies. In addition, the official minutes should be signed by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

- B. Section 79.130, RSMo 2000, requires ordinances to be approved by a majority of all the members of the board of aldermen, and the individual votes recorded. However, board minutes do not include details of the votes taken by specific board members for proposed ordinances to ensure ordinances are properly approved. Board minutes should include the details of votes taken for ordinance approval to document compliance with state law.
- C. City officials indicated a tentative agenda is prepared and posted for each board meeting; however, the agenda is discarded after the meeting. A copy of the agenda should be retained and kept with the board minutes to document that the city has adequately informed the residents of the business to be discussed during the board meeting and to ensure compliance with the Sunshine Law. The tentative agenda should summarize the topics to be discussed during the meeting and, when applicable, clearly indicate the reasons for holding a closed meeting.
- D. Minutes are not prepared for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the board. Formal written minutes for closed meetings result in better record of city transactions, proceedings, and decisions. In addition, minutes help the city demonstrate that closed discussions relate to the specific reasons announced for closing the meeting pursuant to Chapter 610, RSMo 2000.

- E. The city does not have a formal policy regarding public access to city records. A formal policy regarding access and obtaining copies of city records would establish guidelines for the city to make the records available to the public. This policy should establish a contact person, an address for mailing such requests, and a cost for providing copies of public records.

Section 610.023, RSMo 2000, lists requirements for making city records available to the public. Section 610.026, RSMo 2000, allows the city to charge fees for copying public records, not to exceed the city's actual cost of document search and duplication.

WE RECOMMEND the Board of Aldermen:

- A. Ensure official typed minutes are prepared in a timely manner, signed by the Mayor, and retained in a permanent record as required by state law.
- B. Ensure votes taken by specific board members on proposed ordinances are documented in the board minutes.
- C. Ensure a copy of the agenda is retained as part of the official minutes of the board.
- D. Ensure minutes are prepared for all closed meetings.
- E. Develop written policies regarding procedures to obtain public access to, or copies of, public city records.

AUDITEE'S RESPONSE

We agree and will implement these recommendations.

7. Budgets and Financial Reporting

- A. The city does not prepare annual budgets. Section 67.010, RSMo 2000, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should

also include a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years.

- B. The city does not prepare or publish semi-annual financial statements. Section 79.160, RSMo 2000, requires the board to prepare and publish semi-annual financial statements within one month of the end of each six-month period. In addition, Section 79.165, RSMo 2000, states the city cannot legally disburse funds until the financial statement is published.
- C. The City Clerk indicated she prepares monthly financial reports for the Board of Aldermen; however, these reports could not be located for every month and in some cases did not include all financial activity of the city. In addition, some of the cash balances presented on the reports did not agree with the cash balances in the city's bank accounts. Accurate and timely information about the city's finances is essential for the Board of Aldermen to make informed decisions while managing the resources of the city.
- D. The city has not obtained annual audits of its sewage system as required by state law. Section 250.150, RSMo 2000, requires the city to obtain annual audits, and the cost of the audits is to be paid from the revenues received from the system. Besides being required by state law, regular audits of the sewer system (and other city funds) would better enable the city to:
 - 1. Ascertain the stewardship of the public officials who handle and are responsible for the financial resources of the city.
 - 2. Determine the propriety and accuracy of its financial transactions.
 - 3. Ensure the revenues of the sewer system are adequate to meet the expense of providing this service.

WE RECOMMEND the Board of Aldermen:

- A. Prepare detailed annual budgets for all city funds, which include all relevant information required by state law.
- B. Publish complete and accurate financial statements semiannually as required by state law.
- C. Ensure the City Clerk prepares complete and accurate monthly financial reports.
- D. Obtain annual audits of the sewage system as required by state law.

AUDITEE'S RESPONSE

We agree and will implement these recommendations.

- A. The City Clerk is responsible for essentially all record keeping duties of the city, including duties which would normally be performed by a city treasurer and a city collector. These duties include receiving and depositing monies, preparing invoices for payment, signing checks, performing bank reconciliations, and preparing financial reports.

Neither the board nor other personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the City Clerk. The Mayor indicated he reviews the bank statements, but his review is not documented.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. Holding two, or three, of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties to the extent possible. In addition, the board should require someone independent of the cash custody and record keeping functions to perform periodic reconciliations of receipts to deposits and checks issued to disbursement records, and review bank statements and bank reconciliations. Furthermore, this review of records should be documented.

- B. The city maintains twelve bank accounts. Several of these accounts were established for very specific purposes, such as to pay city utility costs or loan payments on the city's patrol cars. The city incurred bank service charges and insufficient funds charges on several of these accounts, totaling \$725 during the year ended June 30, 2001, mainly because sufficient monies were not transferred into the accounts before payments were made. In addition, many of the bank accounts were not reconciled in a timely manner.

In addition, the city has a savings account at the city's former depository bank. The balance in the account was \$593 at June 30, 2001, and there has been no activity in the account since September 1995.

Except for a separate account required for the Community Development Block Grant, it appears that the remaining bank accounts could be consolidated to help

simplify the city's records and reduce the number of accounts that must be monitored and controlled. The city should use proper accounting and budgeting procedures to monitor and control revenues and expenditures required for specific purposes rather than setting up bank accounts.

- C. Many of the city's ordinances are old and outdated. City officials could not locate an official ordinance book for our review and we had to review the Municipal Court Clerk's copy of the ordinance book. The original ordinances appear to have been codified in the mid-1970's and have not been kept up-to-date to reflect all additions, deletions, and amendments to the ordinances.

Since the ordinances represent legislation passed by the Board of Aldermen to govern the city and its residents, it is important that the city's ordinances be maintained in a complete, well-organized, and up-to-date manner to give the taxpayers information on how the city is to be governed.

WE RECOMMEND the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk, City Treasurer, and City Collector and provide for adequate segregation of duties. If this is not possible, an independent review of the related records and activity should be performed periodically.
- B. Consider consolidating the city's bank accounts and manage any bank accounts to ensure the city does not incur service charges and insufficient funds charges. In addition, all bank accounts should be reconciled on a monthly basis.
- C. Ensure a complete and up-to-date set of ordinances is maintained.

AUDITEE'S RESPONSE

We agree and will implement these recommendations.

9. Fixed Asset Records

The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the sewer system. Also, annual physical inventories are not performed.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage. To develop appropriate records and procedures for general fixed assets and the fixed assets of the sewer system, the city needs to undertake a comprehensive review of

all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

WE RECOMMEND the Board of Aldermen maintain property records for general fixed assets and the fixed assets of the sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

AUDITEE'S RESPONSE

We agree and will implement this recommendation.

10. Municipal Court

- A. The duties of receiving, recording, and depositing court receipts are not adequately segregated. Currently, the Court Clerk performs all these duties. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.
- B. The municipal court accepts cash, checks, and money orders for fines and court costs. Although the receipt slips indicate the method of payment received, no one reconciles the composition of receipt slips to the composition of deposits. To ensure receipts are deposited intact, the composition of receipt slips issued should be reconciled with the composition of monies deposited.
- C. The Municipal Judge allows defendants to pay fines and court costs over a period of time. However, the court does not prepare summary listings of amounts due nor prepare a control ledger which can be reconciled to the individual account receivable records. Monthly or periodic listings of accounts receivable are necessary to facilitate the monitoring of amounts due to the court, to provide information to the Municipal Judge, and to help maximize collections. These listings should be reconciled on a periodic basis to the individual accounts receivable records.
- D. Although it appears the court rarely collects bonds, the Court Clerk indicated she maintains a balance in the court bank account to cover any bonds that need to be

refunded. At June 30, 2001, the balance in the court account was \$2,707. If no bond monies are collected or on hand, the balance in the court account should be zero after fines and court costs are transmitted to the city. Therefore, it appears the court is not transmitting some fines and court costs to the city.

Section 479.080, RSMo 2000, requires the municipal court to transmit all fines and court costs collected to the municipal treasury at least monthly. If a bond is held by the court which should be retained in the court bank account, the court should retain only the bond amount in the bank account and establish record keeping procedures to account for bond monies.

- E. The Police Officer Standards and Training Commission (POSTC) fees are not disbursed to the state. During the year ended June 30, 2001, the municipal court collected \$436 of POSTC fees which were turned over to the city and used for general city operations. Section 590.140.1, RSMo 2000, requires this fee be disbursed monthly to the state.

WE RECOMMEND the municipal court:

- A. Adequately segregate the duties of receiving, recording, and depositing court receipts. At a minimum, there should be a documented supervisory review of the reconciliation between receipts and deposits.
- B. Reconcile the composition of receipt slips to the composition of deposits.
- C. Prepare a periodic listing of accounts receivable and reconcile this information to the individual accounts receivable records. This listing should be provided to the Municipal Judge regularly for review.
- D. Remit all fines and court costs to the city each month as required by state law, and maintain records to account for any bond monies held.
- E. Determine the amount of POSTC fees collected and turned over to the city treasury and disburse that amount to the state, and ensure all future POSTC fees are disbursed monthly to the state.

AUDITEE'S RESPONSE

- A. *The Municipal Judge already reviews the records, and in the future will document those reviews.*
- B-D. *These recommendations will be implemented.*
- E. *We will disburse the \$436 immediately and will make monthly disbursements in the future.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



**CHILDREN'S TRUST FUND BOARD
TWO YEARS ENDED JUNE 30, 2001**

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-115
November 30, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

November 2001

The State Auditor conducted a financial and compliance audit of the Children's Trust Fund Board for the two years ended June 30, 2001. The State Auditor issued an unqualified opinion on the board's financial statements. In addition, the audit did not note any material instances of noncompliance nor any material weaknesses in internal controls. The State Auditor conducts this regular audit as a voluntary service as requested by the Children's Trust Fund Board.

The Children's Trust Fund Board was established by state statute to provide child abuse and neglect public awareness programs throughout the state. Under statutory provisions, any individual or corporation may designate a part or all of his/her income tax refund to be contributed to the Children's Trust Fund. Additional funding is derived from contributions made directly to the Children's Trust Fund, fees on marriage licenses, certified copies of marriage licenses, vital records, and federal grants.

The board is empowered to enter into contracts with public or private agencies, schools, or qualified individuals to establish community-based educational and service programs focused on the prevention of child abuse and neglect. The programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect and how Missouri citizens can contribute to prevention efforts.

Program disbursements of \$2.9 and \$1.7 million were distributed to recipient programs in fiscal years 2001 and 2000 respectively.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

CHILDREN’S TRUST FUND BOARD

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Members of the Children's Trust Fund Board
and
Bill Heberle, Executive Director
Jefferson City, MO 65102

We have audited the accompanying special-purpose financial statements of the Children's Trust Fund of the Children's Trust Fund Board as of and for the years ended June 30, 2001 and 2000, as identified in the table of contents. These special-purpose financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and the appropriations and expenditures of the Children's Trust Fund and are not intended to be a complete presentation of the financial position and results of operations of the Children's Trust Fund.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and the appropriations and expenditures of Children's Trust Fund as of and for the years ended June 30, 2001 and 2000, in conformity with the comprehensive bases of accounting discussed in Note 1,

which are bases of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 28, 2001, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the board's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

An integral part of the board's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 28, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Tom Kremer, CPA
Audit Manager:	Randy Doerhoff, CPA
In-Charge Auditor:	Rosemarie Edwards
Audit Staff:	Liang Xu



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Members of the Children's Trust Fund Board
and
Bill Heberle, Executive Director
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the Children's Trust Fund Board as of and for the years ended June 30, 2001, and 2000 and have issued our report thereon dated August 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Children's Trust Fund Board are free of material misstatement, we performed tests of the board's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Children's Trust Fund Board, we considered the board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one

or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Children's Trust Fund Board and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 28, 2001(fieldwork completion date)

Financial Statements

Exhibit A

CHILDREN'S TRUST FUND
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH

	Year Ended June 30,	
	2001	2000
RECEIPTS		
Contributions	\$ 442,825	162,976
Marriage license fees	857,658	892,627
Vital records sales	610,845	618,051
Intergovernmental receipts	420,910	436,667
Registration fees	4,250	2,750
Interest	269,806	226,789
Interagency receipts	430,785	64,270
Miscellaneous refunds	12,559	0
Total Receipts	<u>3,049,638</u>	<u>2,404,130</u>
DISBURSEMENTS		
Personal service	155,691	173,500
Expense and equipment	76,058	97,700
Program disbursements	2,939,689	1,754,766
Other	13,860	12,960
Total Disbursements (Note 3)	<u>3,185,298</u>	<u>2,038,926</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(135,660)	365,204
OTHER FINANCING SOURCES (USES)		
Transfers in (Note 4)	157,531	162,460
Transfers out (Note 4)	<u>(71,601)</u>	<u>(99,521)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES (USES)	93,472	627,185
CASH BALANCE, JULY 1	<u>4,302,139</u>	<u>3,873,996</u>
CASH BALANCE, JUNE 30	\$ <u><u>4,252,409</u></u>	<u><u>4,302,139</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

CHILDREN'S TRUST FUND

COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

Year Ended June 30,						
	2001			2000		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
CHILDREN'S TRUST FUND						
Program disbursements	\$ 3,360,000	2,802,630	557,370	2,500,000	1,819,296	680,704
Personal service	182,871	155,691	27,180	175,313	173,500	1,813
Expense and equipment	146,239	76,058	70,181	146,239	97,700	48,539
Office lease, related services and utilities	17,700	13,860	3,840	12,960	12,960	0
Total Children's Trust Fund	<u>\$ 3,706,810</u>	<u>3,048,239</u>	<u>658,571</u>	<u>2,834,512</u>	<u>2,103,456</u>	<u>731,056</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

CHILDREN'S TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the Children's Trust Fund of the Children's Trust Fund Board.

Receipts, disbursements and changes in cash are presented in Exhibit A for the Children's Trust Fund. Appropriations from this fund are expended by or for the board for restricted purposes.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the board's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the board and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit B, is presented on the state's legal budgetary basis of accounting. For the year ended June 30, 2000, expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ended August 31. The authority to expend appropriations ended with the close of the lapse period. For years ended on or after June 30, 2001, expenditures generally consist of amounts paid by June 30 with no provision for lapse period expenditures unless the Office of Administration approves an exception. Amounts encumbered at June 30 must be either canceled or paid from the next year's appropriation.

However, both before and after June 30, 2000, the General Assembly may authorize continuous (biennial) appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year. Therefore, such appropriations have no lapsed balances at the end of the first year.

The cash basis of accounting and the budgetary basis of accounting differ from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and

measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The board administers transactions in the Children's Trust Fund. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

The Children's Trust Fund was established by Section 210.173, RSMo 2000, to receive gifts, grants, and federal monies for establishing and developing programs to prevent or alleviate child abuse or neglect and for paying the administrative costs of the Children's Trust Fund Board. Appropriations from the fund authorize disbursements as directed by the Children's Trust Fund Board in accordance with the provisions under Sections 210.170 through 210.174, RSMo 2000. Any monies remaining in the fund are perpetually maintained for the purposes of the fund.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, cafeteria, and deferred compensation and deferred compensation incentive plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. The deferred compensation plan involves employee payroll deferrals and the deferred compensation incentive plan a monthly state contribution for each employee who participates in the deferred compensation plan and has been employed by the state for at least one year.

The state's required contributions for employee fringe benefits are paid from the same fund as the related payrolls. These contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums, and the deferred compensation incentive amount.

Employee fringe benefits are included in the financial statement at Exhibit A as transfers from the Children's Trust Fund for costs related to salaries paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

2. Cash

The balance of the Children's Trust Fund is pooled with other state funds and invested by the state treasurer. In accordance with Section 210.173, RSMo 2000, the Children's Trust Fund maintains a perpetual reserve of \$1 million which is not available for expenditure.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit B as follows:

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
DISBURSEMENTS PER EXHIBIT A	\$ 3,185,298	2,038,926
Lapse period expenditures:		
2001	0	
2000	(137,059)	137,059
1999		<u>(72,529)</u>
EXPENDITURES PER EXHIBIT B	<u>\$ 3,048,239</u>	<u>2,103,456</u>

4. Transfers

The transfer in amounts are income tax contributions designated by individual and corporate taxpayers on their income tax returns under the provisions of Section 210.174, RSMo 2000.

The transfer out amounts include the Children's Trust Fund's proportional share of the refunds paid back to Missouri taxpayers under Article X, Sections 16 through 24 of the Constitution of Missouri (Hancock Amendment), employee fringe benefits, and other transfers related to office space as follows:

	<u>Year Ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
Hancock Amendment refunds	\$ 23,121	41,072
Employee fringe benefits	41,306	46,902
Other	<u>7,174</u>	<u>11,547</u>
Total transfers out	<u>\$ 71,601</u>	<u>99,521</u>

STATISTICAL SECTION

History, Organization, and Statistical Information

CHILDREN'S TRUST FUND BOARD
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Children's Trust Fund Board was established by Section 210.170, RSMo 2000, to provide child abuse and neglect public awareness programs throughout the state. Under the provisions of Section 210.174, RSMo 2000, any individual or corporation may designate a part or all of his/her income tax refund to be contributed to the Children's Trust Fund. Additional funding is derived from contributions made directly to the Children's Trust Fund, fees on marriage licenses, certified copies of marriage licenses, vital records, and federal grants.

The Children's Trust Fund Board has sixteen members. Twelve public members are appointed by the governor with the advice and consent of the Senate. Members serve until their successor is appointed. Two members of the Missouri House of Representatives are appointed by the speaker of the House and two members of the Missouri Senate are appointed by the president pro tem of the Senate. Members of the Senate and House of Representatives serve on the Children's Trust Fund Board until their term in the House or Senate expires. Members serving on the board as of August 2001 were:

<u>Members</u>	<u>City</u>	<u>Term Expires</u>
Richard Dunn	Springfield	September 2002
Dudley McCarter	St. Louis	September 2001
Dr. Nancy Bobrow	St. Louis	September 2003
Reverend Eugene Whelan	Independence	September 2000
Terry Bloomberg	St. Louis	September 2003
Dr. James Monteleone	Town & Country	September 2002
Duke McVey	Jefferson City	October 2000
Sam Burton	Rolla	September 2001
Kay Lynne Myers	Kansas City	September 2003
Cristy Broce	Raytown	September 2002
Kaye Steinmetz	Rolla	September 2002
Mildred Jamison	Florissant	September 2002
Representative Emmy McClelland	Webster Groves	
Representative Patrick Dougherty	St. Louis	
Senator Harold Caskey	Butler	
Senator Betty Sims	St. Louis	

The board is empowered to enter into contracts with public or private agencies, schools, or qualified individuals to establish community-based educational and service programs focused on the prevention

of child abuse and neglect. The programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect. These programs include crisis care, home visiting, counseling, and support groups. The board also provides public education about the problem of child abuse and neglect and how Missouri citizens can contribute to prevention efforts.

The board may appoint an executive director to perform administrative duties. Bill Heberle was appointed Executive Director in November 1998. Three other employees perform various administrative and clerical tasks.



**PROSECUTING ATTORNEYS' AND CIRCUIT ATTORNEYS'
RETIREMENT SYSTEM
THREE YEARS ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-114
November 29, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

November 2001

The following report is our review of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System.

The State Auditor is required by state law to review the audits of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System (PACARS). The system's Board of Trustees has contracted with a private certified public accounting firm to perform annual financial audits of the system. The scope of this review included, but was not necessarily limited to, the period of July 1, 1997 to June 30, 2000. A financial audit for the year ended June 30, 2001, had not yet been performed at the time of our review.

The Prosecuting Attorneys' and Circuit Attorneys' Retirement System was created under an act of the 85th General Assembly, commenced actual operations on August 28, 1989, and is governed by state law. The Prosecuting Attorneys' and Circuit Attorneys' Retirement System is a mandatory cost-sharing multiple-employer, statewide public employee retirement plan for prosecuting attorneys in all counties and each circuit attorney in a city not within a county. The system is a defined benefit plan providing retirement and death benefits to its members. A summary of retirement, death, and disability benefits provided to members is included in our report.

The responsibility for the operation and administration of the retirement system is vested in the PACARS Board of Trustees, consisting of five PACARS members elected by a vote of the prosecuting attorneys and circuit attorneys of the state.

As of June 30, 2000, there were 113 active members, 36 inactive members with twelve or more years of creditable service but who had not reached 62 years of age, and eight retirees and beneficiaries that were receiving benefits.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

PROSECUTING ATTORNEYS' AND CIRCUIT ATTORNEYS'
RETIREMENT SYSTEM

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Board of Trustees
Prosecuting Attorneys' and Circuit Attorneys' Retirement System
Jefferson City, MO 65102

The State Auditor is required by Section 56.809.6, RSMo 2000 to review the audits of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System. The Board had engaged Evers & Company, LLC, Certified Public Accountants (CPA) to perform the annual financial audits of the system for the years ended June 30, 2000, 1999, and 1998. A financial audit for the year ended June 30, 2001 had not yet been performed at the time of our review. We reviewed the reports and the substantiating workpapers of the CPA firm. The scope of this review included, but was not necessarily limited to, the period of July 1, 1997 to June 30, 2000. The objectives of this review were to:

1. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions.
2. Examine certain management practices.

Our review was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the system's board minutes, various contracts, and other pertinent policies, and discussed various system procedures with applicable personnel.

As a part of our review, we assessed the system's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed

additional procedures, other information might have come to our attention, which would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This background information was obtained from the system's management and was not subjected to the procedures applied in our review of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System.

The accompanying Management Advisory Report presents our findings arising from our review of the Prosecuting Attorneys' and Circuit Attorneys' Retirement System.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

October 24, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Rosemarie Edwards

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PROSECUTING ATTORNEYS' AND CIRCUIT ATTORNEYS'
RETIREMENT SYSTEM
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

In addition to our review of the reports and substantiating working papers of Evers and Company, CPAs, LLC, we included those procedures which we considered necessary in the circumstances.

We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions, as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. Nevertheless, our review disclosed no conditions that represent violations.

The period of review for the purpose stated above included, but was not necessarily limited to, the three years ended June 30, 2000.

This report is intended for the information of the system's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PROSECUTING ATTORNEYS' AND CIRCUIT ATTORNEYS'
RETIREMENT SYSTEM
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Prosecuting Attorneys' and Circuit Attorneys' Retirement System (PACARS) was created under an act of the 85th General Assembly, commenced actual operations on August 28, 1989, and is governed by Sections 56.800 to 56.840 of the Revised Statutes of Missouri. The PACARS is a mandatory cost-sharing multiple-employer, statewide public employee retirement plan for prosecuting attorneys in all counties and each circuit attorney in a city not within a county. The PACARS is a defined benefit plan providing retirement and death benefits to its members.

The responsibility for the operation and administration of the retirement system is vested in the PACARS Board of Trustees, consisting of five PACARS members elected by a vote of the prosecuting attorneys and circuit attorneys of the state. All members serve four year terms. As of June 30, 2000, the members of the Board of Trustees were:

<u>Name</u>	<u>County or City</u>	<u>Term Expires</u>
W. James Icenogle, Chairman	Camden County	December 31, 2002
Richard G. Callahan, Vice Chairman	Cole County	December 31, 2002
H. Riley Bock	New Madrid County	December 31, 2002
Thomas I. Osborne *	Audrain County	December 31, 2000
Gordon R. Upchurch *	Franklin County	December 31, 2000

* Replaced by Robert George and John Richards, whose terms expire December 31, 2004.

In January 1998, the board appointed Gretchen L. Vislay as the Executive Director for the PACARS. As the Executive Director, she coordinated the daily operations of the retirement system and with the approval of the board, contracted for professional services needed to operate the system. Upon Gretchen Vislay's resignation, the board hired Katrina Farrow on April 1, 1999, into the retitled position of Executive Secretary. The duties of the Executive Secretary are substantially the same as the former position of Executive Director.

The Board of Trustees has appointed Milliman & Robertson, Inc., of St. Louis, Missouri as actuarial consultant and United Missouri Bank Investment Advisors of Kansas City, Missouri as the system's investment custodian manager. Armstrong, Teasdale, Schlafly and Davis, LLP of Jefferson City, Missouri serves as the system's legal counsel, and David Patterson, CPA of Jefferson City, Missouri serves as the system's accountant.

As of June 30, 2000, there were 113 active members, 36 inactive members with twelve or more years of creditable service but who had not reached 62 years of age, and eight retirees and beneficiaries that were receiving benefits.

Membership, required contributions, and benefits provided under the PACARS are generally as follows:

Eligibility

Membership is automatic for any elected or appointed prosecuting attorney or circuit attorney who is employed by a county or a city not within a county.

Contributions

Prior to September 1995, the retirement system received employer contributions from counties and certain cities not within a county based on child support incentive payments. Beginning September 1995, established monthly payment amounts, as determined by the county's or city's class, are to be paid for each participant. For third class and fourth class counties, the established monthly amount per participant is \$375. For second class and first class counties, the established amount is approximately \$542 and \$1,292, respectively. Employees do not contribute to the system. An actuarial review is performed annually to ensure that contributions are adequate to fund retirement benefit payments.

Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements.

NORMAL RETIREMENT

Any member who has attained the age of sixty-two and who has twelve or more years of creditable service may retire with full benefits.

A member who served as prosecuting attorney of a county of the third or fourth class for twelve or more years shall receive monthly benefits equal to \$105 multiplied by the number of two-year periods and partial two-year periods served as prosecuting attorney. A member who served twenty or more years as a prosecuting attorney of such class of county shall receive a monthly benefit of \$130 multiplied by the number of two-year periods and partial two-year periods served as a prosecuting attorney.

A member who served as prosecuting attorney of a first or second class county or as a circuit attorney of a city not within a county, shall receive a benefit, payable in monthly installments, equal to 50 percent of the final average compensation, which is the average of the two highest consecutive years of annual compensation received by a member prior to retirement. Compensation is all salary and other compensation payable for personal services rendered as an employee, but does not include travel and mileage reimbursements.

Members who are also eligible to receive benefits under the Missouri Local Government Employees Retirement System (LAGERS) and who retire after August 28, 1989, shall receive benefits which are reduced by the amount received from LAGERS.

EARLY RETIREMENT

A member may elect to retire at age fifty-five upon termination of employment with reduced benefits if the member has twelve or more years of creditable service. The normal retirement benefit is reduced .005 percent for each month the retirement date precedes age 62.

PAYMENT OPTIONS

A retiring member may elect to receive the normal annuity benefits payable to a member during his lifetime which are discontinued upon his death; or upon applying for retirement benefits, the retiring member may select one of the following options to provide a survivorship:

Option 1: Under this option the member receives a reduced monthly payment for the lifetime of the member, and upon the member's death, 50 percent of the reduced normal annuity shall be paid throughout the life of the member's spouse. If the spouse predeceases the retired member, the reduced normal annuity continues to the retired member during the member's lifetime.

Option 2: Some other option approved by the board which shall be the actuarial equivalent of the annuity to which the member is entitled under the system.

Under this option, the Board has adopted two additional payment methods. The first payment method provides a reduced monthly payment for the lifetime of the member, and upon the member's death, 100 percent of the reduced normal annuity shall be paid throughout the life of the member's spouse. The second payment method provides a reduced monthly benefit for the lifetime of the retired member, but additionally guarantees at least 120 monthly payments will be made either to the retired member or his beneficiary.

Cost-of Living Adjustments

The benefits of members are increased annually equal to the increase in the consumer price index not to exceed two percent in any year. The total increase in the amount of benefits received pursuant to such adjustments shall not exceed fifty percent of the initial benefit which the member received upon retirement.

Deferred Benefits

Members with twelve or more years of creditable service are entitled to a deferred normal annuity payable at age fifty-five upon termination of employment.

Disability Benefits

None.

Death Benefits

A death benefit of \$10,000 is paid to the designated beneficiary or the member's estate if death occurs while an active member. In addition, if a member dies before retirement with twelve or more years of creditable service, the surviving spouse, if married to the member for at least two years prior to the member's death, shall receive a monthly benefit calculated as if the member retired on the date of death and elected the 50 percent survivor option.

Prior Service

Any member is given full credit for prior service as a prosecuting attorney or circuit attorney and 75 percent credit for prior service as an assistant prosecuting attorney or assistant circuit attorney which meets certain criteria defined by statute. All prior service shall be established to the satisfaction of the Board of Trustees.

Forfeited Service

Members with less than twelve years of service shall forfeit all rights in the system upon termination of employment. Members with forfeited creditable service may have the creditable service restored by again becoming a covered employee and completing four years of continuous membership service.

Subsequent Events

Effective July 1, 2000, the plan was amended to allow any person who was a member of the system on August 28, 1989, and who served more than eight years as a prosecuting attorney or circuit attorney to retire at age 62 at a reduced benefit. The benefit equals the proportion of each person's service period compared to twelve years multiplied by the benefit provided in Section 56.816, RSMo.

Effective August 28, 2001, the plan was amended to require that contributions for third or fourth class counties be increased to the level paid by first class counties in any such county which voted, pursuant to Section 56.363, RSMo, to make the position of prosecuting attorney a fulltime position subsequent to August 28, 2001. In addition, prosecuting attorneys serving in counties which have passed such a vote will be eligible for a normal annuity comparable to the annuity paid to prosecuting attorneys or circuit attorneys in first or second class counties.

* * * * *



**MANAGEMENT OF DEPARTMENT OF MENTAL HEALTH CLIENTS
PLACED IN NON-INSTITUTIONAL FACILITIES**

**From The Office Of State Auditor
Claire McCaskill**

The department could more effectively manage the costs for clients to reside in non-institutional facilities; and contractors who operate these facilities need to provide registered nursing coverage.

**Report No. 2001-113
November 28, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

November 2001

www.auditor.state.mo.us

Better management of placing developmentally disabled clients in non-institutional facilities could reduce state costs

Auditors examined how efficiently state officials manage the costs of developmentally disabled clients living in non-institutional facilities. Most of the state's 5,000 clients live in either group homes or individualized supported living facilities operated by private contractors. The state also operates similar living situations for 178 clients. State and federal Medicaid guidelines require state officials to consider costs and client preference when making placement decisions, but auditors found cost is not a top factor.

Costs not always considered in client placement

Client preference is the top criteria in placing an individual in either a group home or the more expensive option of an individualized supported living facility. The cost of caring for a client in an individualized supported living facility is, on average, 39 percent more than caring for a client in a group home. Individualized living costs are also rising faster than group home costs. In addition, state officials have no standard criteria to help employees decide which setting to place a client in and no required documentation on what criteria went into a placement decision. (See page 3)

\$4.8 million saved if contractor ran all facilities

Division officials could save \$4.8 million if contractors took over the remaining 178 clients living in state-operated group homes or individualized facilities. Division officials said the conditions of clients living in the state-operated facilities are the same as those in state-operated facilities and indicated no difference in the needed care. Higher salaries for the employees in the state-operated homes makes up the main part of the cost difference. (See page 5)

No registered nurse on staff at many facilities

More than 66 percent of the contractors operating non-institutional facilities did not have a registered nurse on staff, which is required by state law. Auditors' analysis showed that more than 1,400 clients had high-risk medical conditions conducive to developing complications, but over two-thirds of these clients lived in contractor-operated homes without oversight from a registered nurse. (See page 10)

YELLOW SHEET

**MANAGEMENT OF DEPARTMENT OF MENTAL HEALTH CLIENTS PLACED IN
NON-INSTITUTIONAL FACILITIES**

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Patricia S. Garber, Interim Director, Department of Mental Health
and
Anne S. Deaton, Director, Division of Mental Retardation and Developmental Disabilities

The State Auditor's Office audited the Division of Mental Retardation and Developmental Disabilities and its regional centers. The audit focused on the division's oversight and care for over 5,000 division clients with developmental disabilities who reside in non-institutional contractor-operated facilities.

The objectives of the audit were to determine (1) the costs for clients to reside in non-institutional facilities, (2) if the division's clients residing in non-institutional facilities were receiving quality medical care, and (3) if day habilitation programs were being conducted in accordance with the division's regulations.

Audit tests showed that the division could more effectively manage the costs for clients to reside in non-institutional facilities. In addition, the division could save at least \$4.8 million annually in the costs for clients to reside in non-institutional facilities by contracting out state-operated group and individualized supported living facilities. We also concluded that the division needs to require contractors to employ professional medical personnel as required by state law to ensure clients living in non-institutional contractor-operated facilities are receiving quality medical care.

Audit tests disclosed that health care professionals were not supervising the care of clients in non-institutional contractor-operated facilities, which is required by state law. The day habilitation programs we visited were being conducted in accordance with the division's regulations.

The audit was made in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests of the procedures and records as were considered appropriate under the circumstances.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

June 15, 2001 (fieldwork completion)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
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RESULTS AND RECOMMENDATIONS

1. Opportunities Exist to Reduce Costs for Clients Living in Non-Institutional Facilities

Division of Mental Retardation and Developmental Disabilities (the division) officials could better manage costs for clients living in non-institutional facilities by considering costs in client placement decisions as required. Regional center officials have relied on federal guidance that allows clients, or client guardians, free choice in selecting group homes or individualized supported living facilities while division policies place an emphasis on cost considerations. The cost of caring for a client in an individualized supported living facility is, on average, 39 percent more than caring for a client in a group home. In addition, officials have missed opportunities to reduce the overall cost of operating non-institutional facilities because they have not considered contracting out the day-to-day operations of these facilities. As a result, division officials have incurred approximately \$4.8 million in additional costs that could have been avoided.

Background

Under the Medicaid home and community-based services waiver program,¹ Missouri state officials can opt to place clients with developmental disabilities in homes in their own communities, as opposed to one of the state's six habilitation centers. In the community homes, clients can possibly live alone or share a residence with up to eight other clients, rather than reside with 100 to 300 clients in an habilitation center.

Most of the division's approximately 5,000 clients that reside in group homes or individualized supported living facilities live in residential facilities that are operated and managed by private contractors. The division operates group homes and individualized supported living facilities for 178 clients. The state's current Medicaid home and community-based services waiver program requires the division to consider cost effectiveness together with the client's freedom of choice when making the decision to place a client in a group home versus an individualized supported living facility.

The division does not ensure the placement and care of clients is cost-effective

Officials at regional centers we visited stated cost is not considered a prominent factor in decision-making. They said the primary criterion is the client's and his/her family's preference for a group home or an individualized supported living facility. The officials also stated that they do not document the criterion and process used to place a client. As a result, these officials do not know if they placed a client in the most appropriate facility when costs are considered. Division officials stated that costs were considered because if the money were not available to support the placement, the placement plan would not be approved. However, if the

Costs must be considered

¹ The Medicaid Waiver Program affords states the flexibility to develop and implement creative alternatives to placing Medicaid-eligible individuals in hospitals, nursing facilities or intermediate care facilities for persons with developmental disabilities. The Medicaid waiver program recognizes that many individuals who are at risk of being placed in these facilities can be cared for in their homes and communities, preserving their independence and ties to family and friends at a cost no higher than that of institutional care.

regional center personnel place more emphasis on family desires than costs, the lack of funding scenario posed by division officials will not take place until the funds are close to running out.

The division does not have any standard criteria or procedures to assist regional centers in making the decisions that ensure all services are necessary and cost-effective. Federal and Missouri Medicaid waiver program regulations provide that clients and/or their guardians be given free choice in selecting whether the clients are placed in group homes or individualized supported living facilities. However, the division's guidelines specifically require that the division be a prudent purchaser in stating, "all waiver services must be cost-effective, meaning they represent the best package of services at the lowest cost to the taxpayer."

The division's 11 regional centers decide whether to place Medicaid waiver clients in either a group home or an individualized supported living facility. According to officials at three regional centers, they consider several criteria before placing a client. Criteria includes the preferences of the client and guardian and the client's:

- Likes and dislikes.
- Goals in life.
- Susceptibility to get along with various types of personalities.

The officials also stated that many clients are placed in an individualized supported living facility, because they have difficulties living with more than one roommate.²

Rising costs of individualized supported living facilities suggest the need to develop standard criteria for placement which considers costs

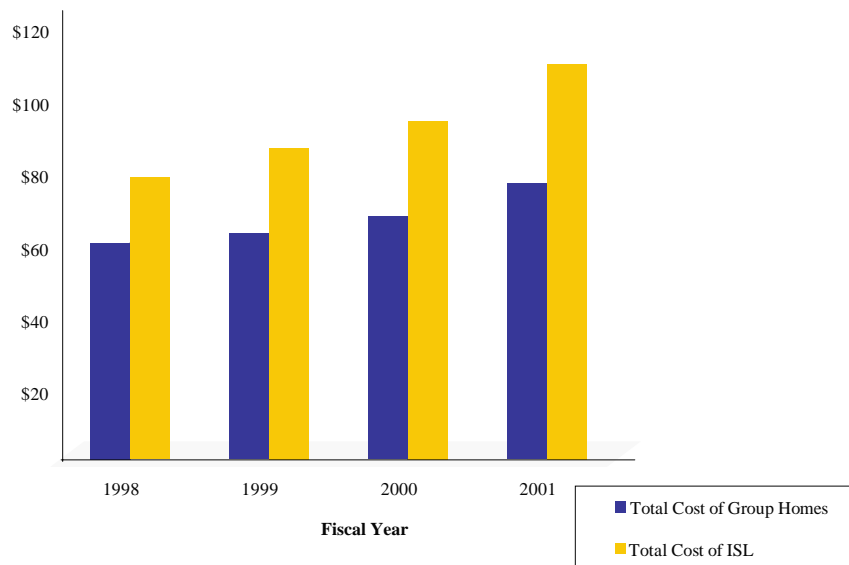
The division spent over \$160 million in fiscal year 2000 for staff to care for its clients with developmental disabilities to live in non-institutional facilities. Of that amount, officials spent about \$67 million for 2,500 clients to live in group homes, while the costs for another 2,500 clients to live in individualized supported living facilities were over \$93 million, or \$26 million (39 percent) more.

Between fiscal years 1998 and 2001, the average cost for a client residing in an individualized supported living facility increased 43 percent (from \$33,200 to \$44,500) while the average cost of a group home increased 34 percent (from \$24,700 to \$31,200).³ Further analysis shows that the projected fiscal year 2001 costs for 273 of the clients residing in individualized supported living facilities exceeded the average of \$44,500 and will exceed \$75,000 each. Forty-two of these clients' costs will exceed \$100,000. It should be noted, that the preceding costs do not include room and board, but only the costs for staff to care for the clients daily living needs. Chart 1.1 shows the total of these costs for group homes and individualized supported living (ISL) facilities for state fiscal years 1998 through 2001 (projected).

² Although we only visited 3 of the division's 11 regional centers, division officials stated the same criteria and process is basically used by all 11 regional centers, and therefore we limited the scope of our audit work to these 3 regional centers.

³ Costs for fiscal year 2001 are estimates based on actual expenditures (available at the time of our audit) for the first eight months of fiscal year 2001-July 2000 through February 2001.

**Chart 1.1: Group Home Costs Compared To Individualized Supported Living
(Dollars in Millions)**



Source: Auditor analysis of division cost data

The division's costs to operate group homes and individualized facilities are substantially higher than contractors' costs to operate similar facilities

The division would save about \$4.8 million if contractors operated group homes and individualized supported living facilities currently operated by the division. This savings is based on \$3 million in excess costs to operate group homes, and \$1.8 million in excess costs to operate individualized facilities. Division officials told us that the 178 clients residing in division-operated individualized supported living facilities are similar to the clients living in contractor-operated group homes and individualized facilities.

Three habilitation centers, Marshall, Nevada, and the St. Louis Development Disability Training Center, operate 16 group homes for 82 clients. Table 1.1 shows that the daily costs for the clients to reside in the 16 state-operated group homes results in about \$3 million in additional costs to taxpayers.

**Table 1.1: Cost Comparison of Contractor and
Division Fiscal Year 2001 Costs to Operate Group Homes**

Habilitation Center's Group Homes (1)	Number Of Clients (2)	Contractor Average Daily Rates (3)	Division Daily Rates (4)	Contractor Annual Cost* (5)	Division Annual Cost* (6)	Potential Annual Savings (Col. 6-Col. 5)	Percent Difference
<u>Marshall</u>							
East Slater	5	\$76	\$196	\$138,700	\$357,700	\$219,000	158
Elm Home	5	76	184	138,700	335,800	197,100	142
Euclid Home	5	76	182	138,700	332,150	193,450	139
South Benton	4	76	196	110,960	286,160	175,200	158
Star Home	4	76	195	110,960	284,700	173,740	156
Viking Home	4	76	196	110,960	286,160	175,200	158
<u>North</u>							
Brunswick	4	76	196	110,960	286,160	175,200	158
<u>Ellsworth</u>							
Home	4	76	194	110,960	283,240	172,280	155
Colby Home	4	76	196	110,960	286,160	175,200	158
<u>Nevada</u>							
North Ash	8	78	189	227,760	551,880	324,120	142
<u>St. Louis</u>							
Bancroft	4	116	194	169,360	283,240	113,880	67
Green Bough	5	116	194	211,700	354,050	142,350	67
Longfellow	5	116	194	211,700	354,050	142,350	67
Manchester	8	116	194	338,720	566,480	227,760	67
Hazelwood	5	116	194	211,700	354,050	142,350	67
Ballwin	8	116	194	338,720	566,480	227,760	67
Totals	82			\$2,791,520	\$5,768,460	\$2,976,940	

Source: Auditor's analysis of division cost data

*The costs were projected over a 12-month period based on data available for the first 8 months. The annual cost was computed as follows: Number of clients X daily rate X 365 days.

Detailed breakdowns of the costs that comprise the daily rates for group homes shown in table 1.1 were not available. However, the primary reason for the substantial difference in the cost for state-operated group homes and individualized facilities is the state employee hourly rate and benefits package, which is about \$5 per hour higher than the hourly rate for contractor employees. Staff costs account for about 85 percent of the daily cost to operate group homes and individualized facilities.

The costs for 96 clients to reside in the division-operated individualized facilities are also over \$1.8 million more annually than it would cost to reside in contractor-operated individualized facilities as shown in table 1.2.

Table 1.2: Estimated Savings for Clients Residing in Division-Operated Individualized Facilities Versus Contractor Facilities

Habilitation Center	Number of Clients	3-Month Cost		Difference (Col. (3)-Col. (4))	Projected Annual Savings*
		Actual Division Cost	Estimated Contractor Cost		
(1)	(2)	(3)	(4)	(5)	(6)
Higginsville	56	\$837,298	\$634,804	\$202,494	\$809,977
Marshall	3	38,104	27,037	11,068	44,270
Nevada	13	180,184	97,477	82,707	330,828
Southeast	10	175,768	105,315	70,453	281,812
St. Louis	14	227,264	141,285	85,980	343,918
Totals	96	\$1,458,618	\$1,005,917	\$452,701	\$1,810,805

Source: Auditor's analysis of division cost data

*These savings were computed by multiplying the 3-month cost difference times 4 to result in an annualized amount.

The division has not evaluated if the Habilitation Centers' operation of group homes and individualized facilities is still warranted. A division official said the primary factor in the decision to establish the Habilitation Center group homes and individualized facilities was many clients and/or their guardians had longstanding ties to the Habilitation Centers and wanted to remain under the care and auspices of the Habilitation Centers' staff. The division, however, has not performed any surveys to determine if the clients and/or their guardians would object to living in contractor-operated residences. In this instance, the clients would not be removed from their residences; only staff would change from state staff to contractor staff.

Conclusions

Federal and state laws and regulations allow clients to have the freedom of choice in selecting the type of facility they want to live in under the Medicaid waiver program. Nevertheless, this freedom of choice needs to be balanced with ensuring all Medicaid waiver services are cost-effective. The division, however, has not established standard criteria and procedures to ensure this goal is met. State-operated group homes and individualized facilities may not be cost-effective. Saving costs should be a decision factor in placing clients since the division acknowledged there is no material difference in the type of care needed for the 178 clients in state-operated facilities and the nearly 5,000 clients already in contractor-operated facilities.

Recommendations

We recommend the Director, Division of Mental Retardation and Developmental Disabilities:

- 1.1 Establish standard criteria and procedures to guide the decision-making process in determining whether clients should be placed in group homes or individualized supported living facilities.
- 1.2 Require the regional centers to document all factors that were considered in placing clients in either group homes or individualized supported living facilities, including periodic reviews by the division's Director of Audit Services to ensure the prudent expenditure of taxpayer dollars.
- 1.3 Develop a plan to transition the state-operated group homes and individualized supported living facilities to contract operations.

Division of Mental Retardation and Developmental Disabilities' Response:

The division agreed with the recommendations and provided implementation plans. The detailed response is located in Appendix III, page 19.

- 1.1 *The Division agrees to develop standardized guidelines for service coordinators to use as they work with consumers, social and health related professionals, and advocates to identify the affordable living arrangement which is most appropriate to an individual's needs and represents the individual's choice. These guidelines will be distributed to service coordinators by December 2001.*
- 1.2 *The Division does document the basis for the decision about an individual's placement. What is absent is a form or checklist in a person's file that documents that all these bases have been covered and the decision regarding placement they lead to. The Division will develop such a form or modify existing forms to include this information, as well as documentation that the individual is aware of all their placement options.*
- 1.3 *The Division will conduct a review of state operated homes to evaluate residential costs and to ensure that the cost is commensurate with the support needs of the consumers. This review will be completed by April 2002 and the results will be shared with the Auditor's Office.*

State Auditor Comments

The division's response is followed by additional comments from state auditors specific to recommendations 1.3.

We are encouraged that the division is reviewing clients in state-operated homes, but the survey results could be skewed. Throughout this audit, division officials have maintained a position that client and guardian choice are first and foremost in their decision-making on placement. But questioning clients about changing providers may suggest to the clients that they have to move. We recommended turning over state-operated facilities to contract employees to make them less

costly. This change would not force clients to move. In addition, contractors would have to comply with their agreement, including maintaining staffing levels to meet clients' needs.

2. The Division Is Not Ensuring Its Clients Receive Adequate Healthcare in Accordance with State Laws and Regulations

Over two-thirds of the contractors operating non-institutional facilities for the state did not have a registered nurse on staff to supervise nursing tasks in accordance with state law. The division's standard contract with providers that operate group homes and individualized facilities does not require that contractors employ a registered nurse. In December 2000, division staff conducted a health inventory for clients residing in contractor-operated facilities that showed many had medical conditions, such as frequent uncontrolled seizures, which identified them as a potential risk for health problems. Nursing tasks required for the treatment of several of these medical conditions, including the administration of medications, are to be performed under the periodic oversight of a registered professional nurse. Section 335.016, Missouri Revised Statutes (RSMo) 2000 requires registered nurse coverage.

Missouri statute and regulations require supervision and direction by registered nurses

Section 335.016, RSMo 2000, (the Nursing Practice Act), states:

“Nursing tasks such as assessment, nursing diagnosis, nursing care, and counsel of persons who are ill, injured or experiencing alteration in normal health processes; including the administration of medications and treatments prescribed by a person licensed by a state regulatory board, require the proper supervision and direction of a registered professional nurse.”⁴

Missouri regulations, 4 CSR 200-5.010, which implements the Nursing Practice Act, define proper supervision as:

“The general overseeing and the authorizing to direct in any given situation. This includes orientation, initial and ongoing direction, procedural guidance and periodic inspection and evaluations.”

The majority of the division's clients residing in contractor-operated facilities are taking at least one prescribed medication, which under state regulations can be administered by certified level I medication aides. The Nursing Practice Act prescribes that a registered nurse must periodically inspect and evaluate the aides' administration of medications.

Division officials stated that Section 335.016, RSMo 2000 does not apply to the clients referred to in this report. However, our discussions with the Assistant Director for Discipline and Practice, Missouri State Board of Nursing indicated that these patients are required to have registered nurse oversight.

⁴ The Nursing Practice Act became effective January 21, 1976.

Division's health inventories showed numerous clients with significant health care problems lack adequate professional nursing care

The health inventories the division conducted in December 2000 identified clients who had 1 or more of 25 health care conditions, including: (1) frequent falls and injuries, (2) frequent uncontrolled seizures, (3) use of 2 or more psychotropic and/or anti-convulsing medications, (4) tube feeding, and (5) severe and chronic pain. The purpose of the health inventories was to identify clients who were at risk of developing medical complications so appropriate actions could be taken. Based on the type of health care condition clients had, they were placed in four different categories reflecting the degree of health problems. Our analysis of the division's December 2000 health inventories showed over 1,400 clients were categorized at the highest levels of risk. This did not mean that the clients were actually at risk, only that they had conditions conducive to developing complications. There were 986 of the 1,400 clients who lived in contractor-operated facilities that were not provided oversight by a professional registered nurse (RN).

Most clients do not have proper nursing coverage

Division's health inventories showed most contractors do not use registered nurses to periodically supervise and evaluate clients' health care needs

The divisions' December 2000 health inventories also identified if the clients living in contractor-operated facilities had professional nursing care available to them. Our analysis of the assessments, which were completed by regional center staff, showed a substantial difference among the 11 regional centers in the percent of contractors with or without registered nurses on their staff. For example, the Poplar Bluff Regional Center reported all 22 providers, or 100 percent of all contractors had a registered nurse on their staff; whereas the Springfield Regional Center reported only 1 of 12 contractors (8 percent) had a registered nurse on their staff. Overall, table 2.1 shows that 215 of 312 contractors (69 percent) were most likely not in compliance with the Nursing Practice Act, because they did not have a registered nurse on staff.

Most contractors violated the law

Table 2.1: Contractors without Registered Nurses On Staff

Regional Center	Number of Contractors	Contractors with No RN	Percent of Contractors with No RN
Albany	17	15	88
Central Missouri	46	37	80
Hannibal	29	18	62
Joplin	21	17	81
Kansas City	68	54	79
Kirksville	21	13	62
Poplar Bluff	22	0	0
Rolla	32	23	72
Sikeston	17	15	88
Springfield	12	11	92
St. Louis	27	12	44
Totals	312	215	69

Source: Auditor analysis of division's risk assessments

Audit tests showed many providers were not in compliance with state statutes and regulations

Audit tests at 21 contractor-operated facilities showed only 3 contractors had a registered nurse on staff to periodically supervise level I medication aides. Contractors, which had a registered nurse on staff, said the nurse's responsibilities typically included delegation and supervision of the direct care staffs' nursing tasks and reviewing medication records. One of the three contractors that we visited employed a registered nurse for 2 hours monthly, and the nurse's contractual duties included: (1) review physician's orders and make sure orders are properly documented, (2) review medication administration records and compare to doctors orders, (3) take blood pressure, pulse and respiration and weigh consumers monthly, and (4) conduct inspection of medication cabinets on a monthly basis and document and destroy medications as necessary and if required by rule and/or law.

Registered nurse coverage at the contractor-operated facilities did not exist because:

- Regional center staff had not informed contractors to have a registered nurse on staff to periodically supervise nursing tasks.
- Division staff did not include the requirement for registered nurses in contracts.

A level I medication aide only needs 16 hours of training and evidence of passing a written examination to be certified. This certification has to be updated every 2 years. The level I medication aide training only includes the administration of medications and does not cover other nursing acts, such as the administration of tube feeding. Seven contractors we visited had one or more clients that required tube feeding. However, only two of the seven providers with

clients that required tube feedings had a registered nurse supervise the direct care staff's administration of the tube feedings. The Missouri State Board of Nursing issued a Position Statement in November 1992 that states, "Unlicensed health care personnel who perform specific nursing tasks without benefit of instructions, delegation, and supervision by licensed nurses may be engaged in the practice of nursing without a license. Such actions by unlicensed health care personnel are a violation of the Missouri Nursing Practice Act Section 335.066(10), RSMo 2000."

Fourteen of the 21 contractors we visited had 1 or more direct care staff that did not have state required level I medication aide certificates to administer medications. The contractors stated that these staffs were not allowed to administer medications. However, without periodic reviews of the medication records to determine whether uncertified staffs are not passing medications, the division lacks adequate controls to prevent these unqualified staff from administering medications.

Staff was not certified to give medications

Conclusions

About 1,400 of the division's clients living in contractor-operated facilities have health conditions that the division has categorized as a high level of health risk. The division, however, has not assured that these clients and all other clients have professional nursing care, which is required by law. Without professional nursing supervision, the division has little assurance that contractor unlicensed health care personnel are performing at an adequate level while completing nursing care tasks for their clients.

Recommendations

We recommend the Director, Division of Mental Retardation and Developmental Disabilities:

- 2.1 Revise contracts with providers who operate group homes and individualized supported living facilities to require the providers to employ a professional registered nurse as needed.
- 2.2 Provide written notification to all providers that the Nursing Practice Act requires all nursing acts, including the administrations of medications to be periodically supervised and evaluated by a professional registered nurse.
- 2.3 Require periodic reviews to ensure (1) that contractors are employing registered nurses as required by state law and regulations, and (2) that only contractors' staff, which are certified Level I medication aides, are administering medications to clients.

Division of Mental Retardation and Developmental Disabilities' Response:

The division agreed with the recommendations and provided implementation plans. The detailed response is located in Appendix III, page 19.

- 2.1 *The Division agrees providers who's personnel carry out nursing acts including medication administration should employ registered nurses as needed to delegate and*

supervise medication administration. The Division has requested in its FY '03 budget funding to revise provider contracts as recommended. In the absence of funding, the Division will continue to:

- monitor and evaluate medication administration through the Certification Survey process.*
- require staff who administer medications to complete a standardized, initial and two-year update medication administration training program.*
- periodically conduct Health Inventory Screenings and Health Care Reviews to monitor the health care supports and services provided to individuals in group homes and individualized supported living facilities.*

2.2 The Division agrees that it should inform providers about the Nursing Practice Act and the importance of periodic supervision and evaluation of nursing tasks including medication administration staff by registered nurses.

2.3 Included in the Division's FY '03 budget request is an objective that addresses quality assurance monitoring of, and providing technical assistance to, nurse consultants employed by contract providers. The Division has identified these monitoring and technical assistance activities as performance expectations of the regional center quality assurance nurses that were funded in the FY '02 budget. In addition, periodic reviews through the Certification Survey Process have been and will continue to be, conducted to ensure that trained, certified staff administer medications to consumers. This includes not only medication aides certified by the Division of Aging (Level 1 Medication Aides) but also Medication Aides certified by the Division of Mental Retardation and Developmental Disabilities.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The objectives of this audit were to determine (1) the statewide costs for clients to reside in group homes and individual supported living facilities, (2) if Department of Mental Health clients residing in contractor operated facilities are receiving quality medical care, and (3) if contractors' day habilitation programs were being conducted in accordance with Division regulations.

Scope and Methodology

We included the following steps in our audit:

- Reviewed state laws and regulations that governs nursing practices and the use of unlicensed health care personnel to perform nursing tasks, such as the administration of medication.
- Reviewed the division's written policies and procedures for placing clients in group homes and individualized supported living facilities.
- Interviewed officials from the division's central office and three regional centers, Albany, Central Missouri (Columbia), and Kansas City, to determine their policies and criteria for placing clients in group homes and individualized supported living facilities. Division officials stated the criteria and procedures followed by these three regional centers are representative of the criteria and procedures used by the other eight regional centers, and agreed we could limit the scope of our audit work to these three regional centers.
- Interviewed contractor staff who operate group homes, individualized supported living facilities and day habilitation programs.
- Obtained and reviewed over 3,800 client health risk assessment reports prepared by the division's 11 regional centers in late 2000. We analyzed these reports to (1) identify the number of clients who were at risk of developing serious medical complications, and (2) the number of providers who did not have a registered nurse on staff.
- Obtained and reviewed the division's cost data to operate group homes and individualized supported living facilities for state fiscal years 1998 through 2001 (as of February 28, 2001). We analyzed the data to determine (1) the average cost per client to live in group homes versus individualized supported living facilities, (2) the costs for the division's six habilitation centers to operate group homes and individualized supported living facilities versus contractors' costs to operate the same type of facilities.
- Visited 21 contractors who operated either group homes or individualized supported living facilities within the Albany, Central Missouri, and Kansas City regional centers' jurisdiction. We interviewed contractor staff and reviewed documentation to determine (1) the extent the

APPENDIX I

contractors employed registered nurses to periodically supervise and evaluate nursing tasks performed by unlicensed personnel, and (2) if their staff who were administering medications were currently certified level I medication aides.

- Visited six contractor-operated day habilitation programs that were within the Albany, Central Missouri, and Kansas City regional centers' jurisdiction. We observed if clients were provided the opportunities to participate in structured habilitation activities, such as arts and crafts, and if the instructor/client ratio was within the division's standards for day habilitation programs. We interviewed contractor staff and reviewed documentation to determine (1) if attendance for each client was tracked and (2) if each client's progress towards meeting his/her personal goals was being recorded.

APPENDIX II

BACKGROUND

The Division of Mental Retardation and Developmental Disabilities of the Department of Mental Health was created by the omnibus reorganization act of 1974. It is responsible for insuring that mental retardation and developmental disabilities prevention, evaluation, care, habilitation and rehabilitation services are accessible, wherever possible. The division is also responsible for supervising residential facilities, day programs, and other specialized services operated by the division, and oversight of contractor-operated facilities, programs, and services funded or licensed by the division. Its goals are to improve the lives of persons with developmental disabilities through programs and services to enable those persons to live independently and productively. In 1988, the division began participation in the Medicaid home and community-based waiver program, designed to help expand needed services throughout the state.

An estimated 27,500 Missourians with developmental disabilities such as mental retardation, cerebral palsy, and autism receive services from the division each year. About 5,000 of these Medicaid waiver clients live in contractor-operated residential facilities. The division operates 17 facilities that provide or purchase specialized services. Eleven of these facilities are regional centers, which are the primary points for clients to obtain services from the division and they provide assessment and case management services, which include coordination of each client's individualized habilitation plan. The other six facilities are division-operated habilitation centers, which provide residential care and habilitation services for people with more severe disabilities.

Medicaid Home and Community-based Waiver Program

The Federal government, under section 1915 (c) of the Social Security Act (the Act), gave the states the opportunity to request waivers of certain Federal requirements in order to develop Medicaid-financed community-based treatment alternatives. The three requirements that may be waived deal with statewide services, comparability of services and community income and resource rules for the medically needy. Medicaid home and community-based service waivers afford states the flexibility to develop and implement creative alternatives to placing Medicaid-eligible individuals in hospitals, nursing facilities or intermediate care facilities for persons with developmental disabilities. The Medicaid waiver program recognizes that many individuals who are at risk of being placed in these facilities can be cared for in their homes and communities, preserving their independence and ties to family and friends at a cost no higher than that of institutional care.

To permit individuals with developmental disabilities to live in their own homes, apartments, family homes, or rental units, the Social Security Act authorizes states to provide such services as: (1) personal assistance, (2) training and habilitation, (3) 24-hour emergency assistance, and, (4) adaptive equipment. The law further permits day treatment or other partial hospitalization services, psychosocial rehabilitation services, and clinic services (whether or not furnished in a facility) for individuals with chronic mental illness. Room and board is excluded from coverage except for certain limited circumstances. States have the flexibility to design each waiver program and select the mix of waiver services that best meets the needs of the population they wish to serve. Medicaid waivers service may be provided statewide or may be limited to specific geographic subdivisions.

APPENDIX II

In 1988, Missouri began participating in Medicaid's Home and Community-base Waiver program. The division provides day-to-day administration of the waiver program. The waiver program is open to Missouri residents with developmental disabilities, who are Medicaid eligible and would require placement in one of the state's six habilitation centers, which houses up to 300 individuals. The waiver program, however, allows many individuals to live in either group homes with up to eight other individuals, or in individualized supported living facilities with up to two other individuals. Table II.1 shows the number individuals living in group homes, individualized facilities or one of the state's six habilitation centers and their respective costs for fiscal years 1998 to 2000:

Table II.1: Total Cost for Individuals Living in Various Facilities

Fiscal Year	Number in Group Homes	Group Home Cost	Number in Individualized Facilities	Individualized Facility Cost	Number in Habilitation Centers	Habilitation Center Cost
1998	2416	\$59,625,048	2,342	\$77,696,773	1,426	\$100,211,283
1999	2420	62,281,387	2,446	85,938,024	1,389	101,099,367
2000	2474	67,041,453	2,500	93,402,450	1,334	99,798,131

Source: Division data from federal annual report

BOB HOLDEN
GOVERNOR

PATRICIA S. GRABER
INTERIM DIRECTOR



APPENDIX III

STATE OF MISSOURI DEPARTMENT OF MENTAL HEALTH

1706 EAST ELM STREET
P.O. BOX 687
JEFFERSON CITY, MISSOURI 65102
(573) 751-4122
(573) 526-1201 TTY
modmh.state.mo.us

September 17, 2001

DORN SCHUFFMAN, DIRECTOR
DIVISION OF COMPREHENSIVE
PSYCHIATRIC SERVICES

(573) 751-5212
(573) 751-8017 TTY
(573) 751-7815 FAX

ANNE S. DEATON, DIRECTOR
DIVISION OF MENTAL RETARDATION AND
DEVELOPMENTAL DISABILITIES

(573) 751-4054
(573) 751-8217 TTY
(573) 751-9207 FAX

MICHAEL COUTY, DIRECTOR
DIVISION OF ALCOHOL AND
DRUG ABUSE

(573) 751-4942
(573) 751-7093 TTY
(573) 751-7814 FAX

Claire C. McCaskill
State Auditor
224 State Capitol
Jefferson City, MO 65101

Dear Ms. McCaskill

This letter and the enclosed documents represent the revised response from the Division of Mental Retardation and Developmental Disabilities to the recent state audit performed at three of the Division's eleven regional centers and 21 contractor-operated facilities by your staff. This response addresses each of the audit recommendations, the division's response and a rationale for each response. My understanding is that this response will be included as an appendix to the final report, which will be made public by your office.

The Division will exercise due diligence in implementing the corrective plans identified in each response. The Division will keep your office informed on progress until the corrective plans are completed.

We very much appreciate the cooperation received from William Miller, Kirk Boyer and John Mollett as we have moved through this process. Please contact me at 573-751-8676 if any additional information would be helpful.

Sincerely,

A handwritten signature in cursive script that reads "Anne S. Deaton".

Anne S. Deaton, Ed.D., Division Director
Mental Retardation and Developmental Disabilities

ASD:de

c: Pat Graber

Revised Division's Response to the Performance Audit Conducted by the State Auditor's Office

Audit Recommendations:

- 1.1 *Establish standard criteria and procedures to guide the decision making process in determining whether clients should be placed in group homes or individualized supported living facilities.*

Division's Response: The Division agrees to develop standardized guidelines for service coordinators to use as they work with consumers, social and health related professionals, and advocates to identify the affordable living arrangement which is most appropriate to an individual's needs and represents the individual's choice. These guidelines will be distributed to service coordinators by December 2001.

Rationale: Guidelines, understandably, will operate within a dynamic environment. The decision to live in an ISL or group home is subject to the availability of financial resources at the Regional Center and the housing options in a particular community. Other factors that influence placement include individual choice, the goodness of "fit" between a person's level of health care or behavioral needs and those of persons currently residing at the group home or ISL that actually has an opening.

Cost Explanation: Most group home rates were established by the Division's rate review process years ago. The Division has requested new budget decision items in previous years for group home operators to receive COLAs (cost of living adjustments) to keep pace with the rising costs of doing business. The COLAs have not always been funded by the General Assembly. The ISLs have been developed in recent years and are based on current costs of doing business. In part then, the disparity of these rates is a result of the group home rates not able to keep pace with current costs. The Division is in the process of developing new group homes and the rate is not significantly different than the ISL rates.

- 1.2 *Require the regional centers to document all factors that were considered in placing clients in either group homes or individualized supported living.*

Division's Response: The Division does document the basis for the decision about an individual's placement. What is absent is a form or checklist in a person's file that documents that all these bases have been covered and the decision regarding placement they lead to. The Division will develop such a form or modify existing forms to include this information, as well as documentation that the individual is aware of all their placement options.

Rationale: Key factors in the decision making process that are documented for each individual are listed below. Additionally, service coordinators and planning teams' efforts are grounded in the philosophy of empowering individuals and families and serving people in the most integrated setting of their choice.

- The Missouri Critical Adaptive Behavior Inventory (MOCABI) is completed for each person being considered to participate in the Medicaid Waiver. This instrument determines areas of support (activities of daily living) in which the individual requires assistance.
- There is also an Intermediate Care Facility/Mental Retardation (ICF/MR) level of care form that must be completed before anyone enters the Medicaid Waiver System. This document is reviewed annually thereafter to determine ongoing eligibility for Waiver services. This form documents that the person has been determined to have mental retardation or another developmental disability. It further establishes that a person requires the level of care that is provided by an ICF/MR and without Waiver services the person is at risk for entering an ICF/MR. Information is collected from various means (observation, interviews and medical records).
- The person's support needs are also documented in the Person Centered Plan. The regional center service coordinator facilitates the Person Centered Plan meeting that includes the person, family members, friends, other professionals and service providers. This plan specifies all the services and supports that are needed by the person and who is designated to provide those supports. It is this planning process that determines if a person needs residential services and the type of residential services (group home or ISL) that would meet the person's needs. The Person Centered Plan is rewritten annually and drives the expenditures of all state and federal funds.

1.3 *Develop a plan to transition the state operated group homes and individualized supporting living facilities to contract operations.*

Division's Response: The Division will conduct a review of state operated homes to evaluate residential costs and to ensure that the cost is commensurate with the support needs of the consumers. This review will be completed by April 2002 and the results will be shared with the Auditor's Office.

Rationale: Much of the variance between the cost of state operated homes and that of contracted group homes and ISLs is linked to the complex care needs of individuals in state operated facilities and to the generally lower salaries and lack of benefits paid to contracted direct service workers. Low wages and lack of benefits are the very factors which contribute to significant recruitment and retention problems in this service sector creating a high turnover rate that can negatively affect quality of care. It is fear of this turnover rate among contracted providers that kept many parents of individuals whose children at one time resided in state institutions from placing their children in contracted group homes and ISLs.

The Division has already begun a statewide survey of parents and guardians to determine their current interest in privatized ISLs or group homes. Preliminary data from parents of individuals served by Northwest Community Services suggests that state operated homes are the explicit choice of parents and guardians.

PARENT/GUARDIAN SURVEY – NORTHWEST COMMUNITY SERVICES

In response to question #1 – How do you feel about the services you (or your son/daughter/ward) receive?

39% were very satisfied with the services received
54% were satisfied

8% were neither satisfied nor dissatisfied
0% were dissatisfied

In response to question #2 – **How do you feel about the Northwest Community Services as the provider of residential supports you receive?**

54% were very satisfied with the services received
41% were satisfied
4% were neither satisfied nor dissatisfied
2% were dissatisfied

In response to question #3 – **Have you ever had any interest in receiving these supports from a provider other than Northwest Community Services?**

100 % of the respondents indicated they had never been interested in receiving residential supports from a provider other than Northwest Community Services.

The response to question #4 was moot because of the response to question #3. Question #4 was: **If yes, who would you consider to provide these supports?**

The remainder of families, guardians, and consumers throughout the state will be surveyed and the results shared with the Auditor's Office by December 2001.

At the present time, there are 181 people who live in state operated homes in the community. One hundred sixty-five of these individuals transferred from habilitation centers to the community and 16 people were referred from another source. Thus, 91% of these individuals went from a more costly residential placement to a less expensive alternative in the community.

Audit Recommendations:

- 2.1 *Revise contracts with providers who operate group homes and individualized supported living facilities to require the providers to employ a professional registered nurse as needed.*

Division's Response: The Division agrees providers who's personnel carry out nursing acts including medication administration should employ registered nurses as needed to delegate and supervise medication administration. The Division has requested in its FY '03 budget funding to revise provider contracts as recommended. In the absence of funding, the Division will continue to:

- monitor and evaluate medication administration through the Certification Survey process.
- require staff who administer medications to complete a standardized, initial and two-year update medication administration training program.
- periodically conduct Health Inventory Screenings and Health Care Reviews to monitor the health care supports and services provided to individuals in group homes and individualized supported living facilities.

- 2.2 *Provide written notification to all providers that the Nursing Practice Act requires all nursing acts, including the administrations of medications to be periodically supervised and evaluated by a professional registered nurse.*

Division's Response: The Division agrees that it should inform providers about the Nursing Practice Act and the importance of periodic supervision and evaluation of nursing tasks including medication administration staff by registered nurses.

- 2.3 *Require periodic reviews to ensure (1) that contractors are employing registered nurse as required by state law and regulations, and (2) that only contractors' staff, which are certified Level 1 medication aides, are administering medications to clients.*

Division's Response: Included in the Division's FY 03 budget request is an objective that addresses quality assurance monitoring of, and providing technical assistance to, nurse consultants employed by contract providers. The Division has identified these monitoring and technical assistance activities as performance expectations of the regional center quality assurance nurses that were funded in the FY 02 budget. In addition, periodic reviews through the Certification Survey Process have been and will continue to be, conducted to ensure that trained, certified staff administer medications to consumers. This includes not only medication aides certified by the Division of Aging (Level I Medication Aides) but also Medication Aides certified by the Division of Mental Retardation and Developmental Disabilities.

Division's Rationale for Responses to Audit Recommendations 2.1, 2.2, & 2.3:

Based on Department and Division regulations and independent department survey of providers, consumers receive needed medical supports in the same manner that other citizens do. Survey results also indicate that consumers are supported in safely managing medications and by staff trained in medication administration.

All individuals receiving residential services and supports through the Division are required to receive medical services in the communities in which they live. All individuals in community placement have primary care physicians and specialists, as needed, who write orders for all medications and treatments that are to be administered. The Division assures that this occurs through regular service coordinator visits and the Department Certification Survey Process. Certification surveys for 111 agencies conducted by the Department's Office of Quality Management to date indicate providers are compliant with the following Certification Principles:

- Principle 4.1.01. Individuals have a primary health care provider to meet health care needs (93%)
- Principle 4.1.02. Individuals obtain medical care at intervals recommended for other persons of similar health status. (98%)
- Principle 4.1.11. Individuals take medications as prescribed; (93%)
- Principle 4.1.12. Individuals are supported in safely managing their medications (98%)
- Principle 4.1.13. Individuals' medications are regularly evaluated to determine their continued effectiveness; (98%)
- Principle 4.1.14. Individuals who take medications are supported by people who are knowledgeable about accepted standards of practice in medication management. (95%)

The Division agrees with the result finding that persons who administer medications (unlicensed assistive personnel) to consumers should have the benefit of instruction, supervision and dele-

gation of tasks by a registered nurse. However, the Division has interpreted the Nursing Practice Act, Section [335.081(2)] Exempted Practices and Practitioners* to exempt trained medication aides who provide Medicaid long-term-care services and supports to individuals who are eligible for ICF/MR services by way of operating a Medicaid home and community-based services waiver program. Therefore, the Division has not required in contract that all providers employ registered nurse consultants as needed.

The Division recognizes and supports the State Board of Nursing position paper on utilization of unlicensed assistive personnel and understands the importance of nursing direction and oversight. In this regard, since 1998 the Division has initiated the following:

Established a Medication Administration Task Force in 1998, composed of providers and department staff, to develop a quality assurance medication administration proposal. The proposal included a recommendation that contract providers hire registered nurse consultants to instruct, delegate and supervise staff who perform nursing tasks. It also included recommendations for the division to hire regional center quality assurance nurses and to standardize medication administration training and certification of medication aides. All the recommendations were proactive initiatives to ensure that the individuals we support receive adequate healthcare. These QA initiatives were in addition to the Division requirement that people living in group homes and individualized supported living settings receive medical services in the community in which they live.

Submitted a budget decision item for FY' 02 and received funding for 13 regional center quality assurance nurses.

Implemented August 31, 2001, 9CSR 45-3.070 Certification of Medication Aides Serving Persons with Developmental Disabilities. The rule standardizes training and certification of medication aides

Submitted a budget decision item for FY 03 to fund registered nurse consultants in contract provider group homes and individualized supported living facilities.

- Discussed with the Assistant Director for Discipline and Practice, Missouri State Board of Nursing and the President of the Board of Nursing delegation of nursing tasks to unlicensed assistive personnel and the Division's interpretation of the Nursing Practice Act, Section 335.081 (2) Exempted Practice and Practitioners.

* "So long as the person involved does not represent or hold himself or herself out as a nurse licensed to practice in this state, no provision of sections 335.011 to 335.096 (the nurse practice act) shall be construed as prohibiting." The services rendered by technicians, nurses' aides or their equivalent trained and employed in public or private hospitals and licensed long-term care facilities except the services rendered in licensed long-term care facilities shall be limited to administering medication, excluding injectables other than insulin.



**ST. CLAIR COUNTY, MISSOURI
COUNTY COLLECTOR**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-112
November 20, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

November 2001

www.auditor.state.mo.us

The following findings were noted as a result of an audit conducted by our office of the County Collector, St. Clair County, Missouri.

State statute requires the state auditor to audit the office of the County Collector after being notified of a vacancy in that office. On June 30, 2001, a vacancy occurred in the office of the County Collector of St. Clair County, Missouri; Sharon Foster was appointed effective July 1, 2001.

The County Collector received compensation of \$11,536 for the period of March 1 to June 30, 2001. During the years ended February 28 (29), 2001, 2000, and 1999 the County Collector received compensation of \$34,446, \$34,283, and \$27,519, respectively. Compensation was in accordance with statutory provisions and includes commissions earned for collecting city property taxes.

This report contains no findings arising from our audit of the St. Clair County Collector.

YELLOW MOTIFS SHEET

ST. CLAIR COUNTY, MISSOURI
COUNTY COLLECTOR

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
County Collector
St. Clair County, Missouri

Section 52.150, RSMo 2000, requires the state auditor to audit the office of the County Collector after being notified of a vacancy in that office. On June 30, 2001, a vacancy occurred in the office of the County Collector of St. Clair County, Missouri; a successor was appointed effective July 1, 2001.

To satisfy our statutory obligation, we have audited the operations of the County Collector of St. Clair County, Missouri. The scope of this audit included, but was not necessarily limited to, the period March 1 to June 30, 2001. In accordance with Section 52.150, RSMo 2000, our responsibilities during this audit were to:

1. Determine the financial condition of the accounts of the office of the County Collector.
2. Determine the proper compensation that should have been paid to the replaced County Collector during the past three years and the compensation actually paid during such period.
3. File a report of our findings with the County Commission and the person appointed to fill the vacancy in the office of the County Collector.

Section 52.150, RSMo 2000, requires the County Commission to accept the state auditor's report and, if necessary, to take certain specific actions if the state auditor finds any monies owing to the county or the past County Collector.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the County Collector.

As part of our audit, we assessed the controls of the County Collector to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the County Collector and was not subjected to the procedures applied in the audit of that office.

The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 20, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	David Holtmann, CPA
Audit Staff:	Rachel Simons

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

ST. CLAIR COUNTY, MISSOURI
COUNTY COLLECTOR
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

This report includes no findings arising from our audit of the County Collector.

This report is intended for the information of the County Collector and the management of St. Clair County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION AND
STATISTICAL INFORMATION

ST. CLAIR COUNTY, MISSOURI
COUNTY COLLECTOR
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The County Collector bills and collects property taxes for the county and most local governments.

Irene Wilson served as County Collector until June 30, 2001. Sharon Foster was appointed the St. Clair County Collector effective July 1, 2001.

The County Collector received compensation of \$11,536 for the period of March 1 to June 30, 2001. During the years ended February 28 (29), 2001, 2000, and 1999, the County Collector received compensation of \$34,446, \$34,283, and \$27,519, respectively. Compensation was in accordance with statutory provisions and includes commissions earned for collecting city property taxes.

The following schedule reflects amounts from the records of the County Collector on the modified accrual basis. The schedule does not include any of the operating costs of the County Collector's office other than commissions retained. Operating costs are paid from the General Revenue Fund of the county.

Appendix

ST. CLAIR COUNTY, MISSOURI
COUNTY COLLECTOR
SCHEDULE OF REVENUES AND EXPENDITURES

	Period March 1 to June 30, 2001
REVENUES	
Property taxes	\$ 359,263
Interest	4,340
Other	31,059
Less Provision for Uncollectible Accounts	(184,665)
Total Revenues	<u>209,997</u>
EXPENDITURES	
State of Missouri	1,168
General Revenue Fund	12,630
Road Funds	21,789
Assessment Fund	1,684
Health Center Fund	8,098
Schools	128,198
Library Fund	6,167
Hospital Fund	4,671
Fire District Fund	1,177
Cities	4,242
County Employees' Retirement	8,434
Surtax (not distributed)	163
Interest (not distributed)	4,340
Commissions and fees:	
General Revenue Fund	7,146
County Collector	90
Total	<u>209,997</u>
REVENUES OVER (UNDER) EXPENDITURES	\$ <u><u>0</u></u>

* * * * *



**CITY OF FORISTELL, MISSOURI
TEN MONTHS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-111
November 20, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

November 2001

The following problems were discovered as a result of an audit conducted by our office of the City of Foristell, Missouri.

The former Mayor received \$5,520 in excess payments during the period April 1997 to June 2000. The city ordinances state the mayor is to be paid \$100 per month and \$20 for each meeting attended, and that these payments should be made in December of each year. The former Mayor received payments in advance of when they were due and received more than the amount earned. The following table illustrates the overpayments to the former Mayor.

	Year ended December 31,				Total
	2000	1999	1998	1997	
Salary Payments					
Amount Paid	\$ 1,400	3,900	2,000	1,000	8,300
Amount Earned	600	1,200	1,200	900	3,900
Salary Overpayments	800	2,700	800	100	4,400
Meeting Payments					
Amount Paid	1,000	1,300	980	500	3,780
Amount Earned	380	920	840	520	2,660
Meeting Overpayments	620	380	140	(20)	1,120
Total Overpayments	\$ 1,420	3,080	940	80	5,520

Weaknesses in the city's disbursement procedures allowed these overpayments to occur. This could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls had been established. Information regarding the overpayments was turned over to the Missouri State Highway Patrol and the St. Charles County Prosecuting Attorney's office.

In addition, adequate support for mileage reimbursements made to the former Mayor totaling \$2,983 during the period April 1997 to June 2000 was not available.

The city did not document the selection process for some professional services, such as public works services and engineering services. The city paid approximately \$88,216 and \$21,137 for the public works contract and engineering services contract, respectively, for the ten months ended December 31, 2000. The City Administrator indicated other firms were considered; however, documentation was not maintained.

(over)

YELLOW SHEET

State law requires that political subdivisions which utilize engineering services request annual statements of qualifications and performance data from firms, and that when negotiating for a contract, the political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work. In addition, a city ordinance provides that when obtaining professional services, proposals must be solicited from three or more sources to permit reasonable competition consistent with the nature and requirement of the procurement.

From April to June 1999, the city paid approximately \$32,000 for sewer treatment plant equipment and related costs that was never used. The city purchased equipment from a used sewer treatment plant and purchased a crane to install the equipment; however, the crane never functioned properly and the equipment was never installed. The city's failure to adequately plan for the use of this equipment caused monies and city workers' time to be wasted.

It is unclear whether building, electrical, and plumbing permit fees are a tax or a user fee. A tax is a charge approved by a public vote. A user fee is a charge which covers specific costs incurred by the city and does not require a public vote. In June 2001, the board voted to increase the building, electrical, and plumbing permit fees without a public vote. The city uses a contractor to provide inspections to residents applying for the permits; however, the city does not track the costs of the inspections. Revenues generated by the building, electrical, and plumbing fees are not accounted for separately from general operations.

Although the city had a rate study performed in July 2000 that concluded the fees were adequate; the city's independent audit report indicated disbursements for the water and sewer system exceeded revenues by approximately \$23,000 during the ten months ended December 31, 2000. The city needs to evaluate the two reports and determine the adequacy of the rates. Water and sewer fees are user charges which should cover the cost of providing the related services.

The city's budgets did not include some information as required by state law. Actual expenditures exceeded the amounts budgeted for some funds and budget amendments were prepared approximately five months after the year end. Budgeted expenditures are overestimated to equal the beginning resources available plus budgeted revenues.

The audit also includes some matters related to board meeting minutes, disbursement and fixed asset procedures, Community Oriented Policing Services (COPS) grant, and board meetings and ordinances, upon which the city should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

CITY OF FORISTELL, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Foristell
Foristell, Missouri 63348

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Foristell, Missouri. Our audit of the city included, but was not limited to, the ten months ended December 31, 2000. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Foristell, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

July 27, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Karen A. Lenk, CPA
Audit Staff:	A. Dailey

HISTORY AND ORGANIZATION

CITY OF FORISTELL, MISSOURI HISTORY AND ORGANIZATION

The city of Foristell is located in St. Charles County and Warren County. It was incorporated as a village in 1979, and became a fourth-class city in 1989. The population in 2000 was 331. The city government consists of a mayor and four-member Board of Aldermen. The four members are elected for two-year terms, one from each of the two wards each year. The mayor is elected for two-years, presides over the Board of Aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at December 31, 2000, were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for The Year Ended December 31, 2000</u>
Carol Rose, Mayor (1)	April, 2003	\$ 1,000
Bonnie Murray, Alderman	April, 2003	660
Quentin Seeger, Alderman (2)	April, 2001	680
Lester Kissel, Alderman	April, 2002	1,200
Charles Schneider, Alderman	April, 2002	750
 <u>Other Principal Officials</u>		
Keith Nelson, City Administrator/Police Chief (3)		50,400
Janet E. Conaway, Assistant City Administrator/Treasurer		30,615
Jane Burch, City Clerk (4)		12,299
Cindy Holland, Court Clerk		25,688
Joseph J. Porzenski, Municipal Judge		6,750
Jayson B. Lenox, City Attorney		(5)
Matthew Thornhill, Prosecuting Attorney		7,300
Steve Botch, Director of Public Works		(6)

- (1) Dawn Hiatte resigned June 2000 and Carol Rose was appointed September 2000. Carol Rose was reelected in the April 2001 election.
- (2) Replaced by Paul Brockmeyer in the April 2001 election.
- (3) Keith Nelson received \$25,200 as City Administrator and \$25,200 as Police Chief.
- (4) Sandy Gordinier was the City Clerk until April 2000. Deborah Eggering served as the City Clerk from June 2000 to August 2000. Jane Burch was appointed August 2000.
- (5) The City Attorney is an employee of a law firm which contracts with the city to provide legal services. Total payments to the contractor for legal services totaled \$11,588.
- (6) The Director of Public Works is an employee of a company which contracts with the city to provide these services. Total payments to the contractor for public works and water and sewer services totaled \$88,216.

The city employs approximately 11 full-time employees and 1 part-time employee.

Assessed valuation information for tax year 2000 is as follows:

ASSESSED VALUATION

Real estate	\$ 4,951,794
Personal property	<u>817,569</u>
Total	\$ 5,769,363

The city does not have a property tax rate.

The city has the following sales taxes; rates are per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>
General	\$.010	None
Capital Improvement	.005	None

MANAGEMENT ADVISORY REPORT

SUMMARY OF FINDINGS

CITY OF FORISTELL, MISSOURI
SUMMARY OF FINDINGS

1. Former Mayor's Compensation (pages 11-12)

The former Mayor received \$5,520 in excess payments during the period April 1997 to June 2000. In addition, sufficient documentation was not available to support mileage reimbursements totaling \$2,983 paid to the former Mayor.

2. Disbursement Procedures (pages 12-15)

No one independent of the disbursement process reviews invoices and compares the approved accounts payable list to actual checks written. There was no documentation to indicate bids were received or a written agreement was obtained for map preparation totaling \$3,000. The selection process for professional services was not documented. The city spent approximately \$32,000 on sewer treatment plant equipment and related costs and the equipment has not been used. The Mayor and Board President sign checks and are not bonded.

3. Accounting Controls and Procedures (pages 15-17)

Accounting duties are not adequately segregated and there is no independent review of the Treasurer's work. It is unclear whether building, electrical, and plumbing permit fees are a tax or a user fee. There was not adequate support documenting receipts and disbursements of the safe kids program held in August 1999.

4. Water and Sewer System (pages 17-18)

The city needs to evaluate and determine the adequacy of the water and sewer rates. The city does not perform reconciliations of total billings, payments received, and delinquent amounts for water and sewer services.

5. Community Oriented Policing Services (COPS) Grant (pages 18-19)

Grant reimbursements are based on estimated rather than actual disbursements. During one quarter the salary estimated and claimed for one officer exceeded the actual amount paid by approximately \$600.

6. Board Meetings and Ordinances (pages 19-22)

Written minutes for closed meetings were not maintained prior to April 2000. Open meetings did not document the related vote to close meetings and the specific reasons for closing the meeting. In addition, some items discussed in closed session did not appear to be allowed under the provisions of the Sunshine Law. Minutes from three public meetings were not available and the board

minutes did not always document matters discussed and actions taken. Salaries of appointed officials and employees have not been established by ordinance.

7. Budget Procedures (pages 22-23)

The city's budgets did not include some information as required by state law. Actual expenditures exceeded the amounts budgeted for some funds and budget amendments were prepared approximately five months after the year end. Budgeted expenditures are overestimated to equal the beginning resources available plus budgeted revenues.

8. Fixed Asset Procedures (pages 24-25)

Property records are not maintained on a perpetual basis and some items were not included on the property records. Physical inventories are not performed and property tags are not used to identify city property. The city does not have adequate procedures for the disposal of fixed assets. Daily mileage or usage logs are not maintained for all city vehicles.

CITY OF FORISTELL, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Former Mayor's Compensation
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- A. The former Mayor received \$5,520 in excess payments during the period April 1997 to June 2000. The city ordinances state the mayor is to be paid \$100 per month and \$20 for each meeting attended and that these payments should be made in December of each year. The former Mayor received payments in advance of when they were due and received more than the amount earned. The following table illustrates the overpayments to the former Mayor.

		Year ended December 31,				
		2000	1999	1998	1997	Total
Salary Payments						
Amount Paid	\$	1,400	3,900	2,000	1,000	8,300
Amount Earned		600	1,200	1,200	900	3,900
Salary Overpayments		800	2,700	800	100	4,400
Meeting Payments						
Amount Paid		1,000	1,300	980	500	3,780
Amount Earned		380	920	840	520	2,660
Meeting Overpayments		620	380	140	(20)	1,120
Total Overpayments	\$	1,420	3,080	940	80	5,520

Weaknesses in the city's disbursement procedures allowed these overpayments to occur. This could have been prevented or detected on a more timely basis if adequate oversight and reviews had been performed and if internal controls as noted in the Management Advisory Report (MAR) No. 2 had been established. Information regarding the overpayments was turned over to the Missouri State Highway Patrol and the St. Charles County Prosecuting Attorney's office.

- B. Adequate support for mileage reimbursements made to the former Mayor totaling \$2,983 during the period April 1997 to June 2000 was not available. Expense reports did not always contain sufficient information such as the date of trip, trip origin, destination and purpose and, on several occasions, expense reports were not submitted to the city. The only support for some mileage payments was an indication on the check stub of the number of miles. As a result, it was not possible to determine if

mileage charged was reasonable. In addition, the amounts were not reported on the mayor's W-2 forms.

Without a detailed expense report, the city cannot adequately review and ensure the propriety of payments made for travel expenses. Internal Revenue Service (IRS) Regulation No. 31.3401(a)-4 requires expenses not accounted for to the employer to be considered as gross income and also requires payroll taxes to be withheld from this gross income. The failure to properly submit the required forms could result in penalties to the city.

WE RECOMMEND the Board of Aldermen:

- A. Continue to work with law enforcement officials regarding any criminal prosecution and obtain restitution of the overpayments.
- B. Require detailed travel expense reports be submitted and retained. These reports should include information such as trip date, origin, destination, and purpose. In addition, the city should consider filing amended W-2 forms for the unreported employee compensation.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *The current Mayor, Carol Rose, discussed this issue with the St. Charles Prosecuting Attorney, who is in possession of the investigators report and is proceeding with their review. Changes in the internal controls that create a division of duties and independent reviews by persons other than those issuing the checks has been initiated.*
- B. *Detailed expense reports requiring mileage logs, trip date, origin, destination and purpose, as well as receipts for miscellaneous expenses, meals, telephone charges and hotel charges have been developed. These reports are submitted to the account payables department, and will be reviewed by the City Administrator before submittal to the Board for approval.*

2. Disbursement Procedures

- A. No one independent of the disbursement process reviews invoices and compares the approved accounts payable list to actual checks written. In addition, payroll disbursements are not included on the monthly accounts payable list that is approved by the Board of Trustees. Currently, the Treasurer processes the invoices, prepares the accounts payable list and writes the checks.

Good business practices require all disbursements to be closely scrutinized by the board or someone independent of the disbursement process and properly authorized before the disbursement occurs. In addition, an independent reconciliation should be performed of the invoices, approved listing of bills, and actual checks written. Failure to properly review all invoices and other supporting documentation and to document authorization increases the possibility of inappropriate disbursements occurring and not being detected on a timely basis.

- B. There was no documentation to indicate bids were received or a written agreement was obtained for map preparation totaling \$3,000 in 1999. In addition, original invoices or other adequate supporting documentation was not retained for this disbursement.

City Ordinance, Section 130.070 indicates three written bids shall be solicited for purchases greater than \$2,500 but less than \$10,000 and the lowest responsible bid shall be accepted. Section 432.070, RSMo 2000, requires political subdivisions' contracts be in writing. Formal written agreements are necessary to document each party's duties and responsibilities. All disbursements should be supported by contracts or vendor-provided invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds.

- C. The city did not document the selection process for some professional services, such as public works services and engineering services. The city paid approximately \$88,216 and \$21,137 for the public works contract and engineering services contract, respectively, for the ten months ended December 31, 2000. The City Administrator indicated other firms were considered; however, documentation was not maintained.

Section 8.289, RSMo 2000, requires that political subdivisions which utilize engineering services request annual statements of qualifications and performance data from firms. Section 8.291, RSMo 2000, further requires that when negotiating for a contract, the political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work. In addition, City Ordinance, Section 130.140, provides that when obtaining professional services, proposals must be solicited from three or more sources to permit reasonable competition consistent with the nature and requirement of the procurement.

- D. From April to June 1999, the city paid approximately \$32,000 for sewer treatment plant equipment and related costs that was never used. The city purchased equipment from a used sewer treatment plant and purchased a crane to install the equipment; however, the crane never functioned properly and the equipment was never installed. The city currently has the

treatment plant equipment in storage and has returned the crane to state surplus property. The total cost includes the cost of hauling the equipment and attempting to repair the crane. The City Administrator indicated the city plans to sell the treatment plant equipment because the city does not have a current need for it.

The city's failure to adequately plan for the use of this equipment caused monies and city workers' time to be wasted. It is unclear why no action was taken to return the crane sooner or use the equipment during the past two years. Residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner.

- E. The Treasurer, City Administrator, Mayor, and Board President are authorized to sign checks, with dual signatures required on each check; however, the Mayor and Board President are not bonded. Failure to properly bond individuals who have access to funds exposes the city to risk of loss.

WE RECOMMEND the Board of Aldermen:

- A. Ensure someone independent of the check preparation and signing process reviews the invoices. In addition, the approved accounts payable list should include all disbursements and be compared to checks written.
- B. Ensure bids are solicited for all applicable purchases in accordance with city ordinances. Documentation of the bidding process should be maintained in all cases. If the city believes that it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained. In addition, written agreements should be obtained for all services and disbursements should be supported by vendor-provided invoices which contain an adequate description of the goods or services received.
- C. Solicit and document proposals for professional services in compliance with state law and city ordinances.
- D. Ensure all expenditures of city monies are a prudent use of public funds.
- E. Consider obtaining bond coverage for all individuals handling city monies.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *Review procedures independent from the individual that issues the checks have been initiated. Payroll expenses are submitted to the account payables*

department and are reviewed by the City Administrator before being submitted to the Board for approval. Designated board members review vouchers detailing expenditures for account payables before issuing approval of vouchers.

- B. Formal bidding procedures were established early in 1993. These procedures continue to be revised to promote uniform specifications comparison. Current ordinances are being reviewed for state compliance.*
- C. Review of current contracts for services specifying dates of renewal has been completed. Requests for qualifications based selection bids will be submitted prior to contract renewals.*
- D. They agree with the audit recommendation and believe a documented plan should be established before purchases are made.*
- E. To comply with this recommendation, bonds have been obtained for all individuals who have access to city funds.*

3. Accounting Controls and Procedures
--

- A. Accounting duties are not adequately segregated. The Treasurer prepares water and sewer bills, receives, records, and deposits payments and other receipts, prepares monthly reports and prepares the bank reconciliations. The Court Clerk and City Clerk can also receive and record monies. No one independent of the receipt process reviews the work performed by the Treasurer.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from preparing bills and recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliation between amounts billed, receipts, and deposits and an independent review of bank statements and bank reconciliations.

- B. It is unclear whether building, electrical, and plumbing permit fees are a tax or a user fee. A tax is a charge approved by a public vote. A user fee is a charge which covers specific costs incurred by the city and does not require a public vote. In June 2001, the board voted to increase the building, electrical, and plumbing permit fees without a public vote. The city uses a contractor to provide inspections to residents applying for the permits; however, the city does not track the costs of the inspections. Revenues generated by the building, electrical, and plumbing fees are not accounted for separately from general operations.

The Missouri Supreme Court, in its decision in Beatty v. Metropolitan St. Louis Sewer District, 867 S.W. 2d 217 (Mo. banc 1993) applied a five-pronged analysis to determine whether a governmental charge was a tax, thus requiring a public vote, or user fee which could be revised without a vote. This court case also indicated that if the analysis did not clearly indicate the charge is a user fee, the issue should be put to a vote.

The city should clearly document whether these permit fees are considered user fees and how the fees are determined. In addition, the revenues and disbursements should be accounted for separately to ensure that charges do not exceed the costs of providing the services.

- C. City officials indicated the former Mayor coordinated a safe kids program held in August 1999. Cash and check donations were received for the program; however, there is no documentation retained by the city of the receipts and disbursements. We identified approximately \$156 in receipts deposited to the city general fund and disbursements totaling approximately \$660 which included approximately \$229 paid to the former Mayor.

To safeguard against possible loss or misuse of funds, complete documentation should be maintained to account for receipts and disbursements of various programs.

WE RECOMMEND the Board of Aldermen:

- A. Segregate the accounting duties of the Treasurer. At a minimum, there should be a documented, independent review of the reconciliations between amounts billed, receipts, and deposits and an independent review of bank statements and bank reconciliations.
- B. Request the City Attorney to review the present permit fees and determine whether they are or can be structured as a user fee, or if they should be put to public vote. Also, the board should ensure all permit fees comply with state law, do not generate excessive revenues, and should account for operations other than general activities separately.
- C. Ensure documentation is maintained to account for all receipts and disbursements.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *Development of standard operating procedures has been initiated for all positions. These procedures outline the segregation of receiving and depositing*

monies, preparing bills and recording receipts within the duties of individual positions. The City Clerk and City Administrator will review the Court Clerk and Treasurer records. Review procedures will be incorporated into individual position duties/descriptions.

- B. A review by the City Attorney determined the fees in question to be user fees. The Board of Alderman has instructed the current Public Works contractor to review the current charges for these fees to determine if they are appropriate for services provided.*
- C. A procedure has been implemented that requires the use of vouchers to ensure proper documentation for disbursements. In addition, signed receipts are provided for all monies received.*

4. Water and Sewer System

- A. Although the city had a rate study performed in July 2000 that concluded the fees were adequate; the city's independent audit report indicated disbursements of the water and sewer system exceeded revenues by approximately \$23,000 during the ten months ended December 31, 2000. The city needs to evaluate the two reports and determine the adequacy of the rates.

Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services and set rates appropriately. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as providing documentation to customers of the rationale behind the rates.

- B. The city does not perform periodic reconciliations of total billings, payments received, and delinquent amounts for water and sewer services. Periodic reconciliations are necessary to ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made.

WE RECOMMEND the Board of Aldermen:

- A. Review water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing service and document the costs of operation of providing the service and necessary increases in rates.

- B. Perform periodic reconciliations of the amounts charged to amounts collected and delinquent accounts.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *The independent city audit for FYE 2000 indicated water and sewer expenditures exceeded revenues. The City has purchased a rate study program to review current rates in relation to costs and to determine the rates necessary to support current and future operations. This program will also allow the City to provide their customers documentation of the rationale behind the rates.*
- B. *Instruction has been provided to the Treasurer on reconciliation of billings, payments and delinquent amounts on water and sewer accounts. Periodic reconciliations will be incorporated into the Treasurer's standard operating procedures. Hard copies of documentation of reconciliations will be maintained on file.*

5. Community Oriented Policing Services (COPS) Grant

The city requests grant reimbursements under the COPS program based on estimated rather than actual disbursements. In 1997, the city began receiving federal assistance from the U.S. Department of Justice under the COPS Universal Hiring program to hire additional law enforcement officers. The city is required to provide 25 percent matching funds for this grant and is required to prepare quarterly reports of eligible grant disbursements. The quarterly reports show the total disbursements, local disbursements, and federal disbursements for the previous quarter, the current quarter, and a cumulative total for the grant period. During the quarter reviewed, the estimated salary and benefits claimed for one officer exceeded the actual amount paid in salary and benefits by approximately \$600.

The city should prepare complete and accurate records of all allowable salary and fringe benefit expenses and prepare and retain accurate quarterly financial status reports. The city should request reimbursement for only actual and allowable expenses incurred, less the required amount of matching funds, in accordance with the grant agreement.

WE RECOMMEND the Board of Aldermen prepare accurate quarterly financial reports for the COPS grants based on actual costs. In addition, the board should recalculate and correct prior reimbursement claims and repay any excess reimbursements.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated quarterly financial reports for the COPS grants, revised to include actual costs, will be submitted to the U.S. Department of Justice. Future reports issued will be based on actual costs. A review of reports submitted prior to the third quarter of 2001 is being completed to correct reimbursements received, if required.

6. Board Meetings and Ordinances

A. A review of closed meetings noted the following concerns:

1. Written minutes were not maintained for closed meetings prior to April 2000. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the Board of Aldermen.

Formal written minutes for closed meetings result in a better record of city transactions, proceedings, and decisions. In addition, minutes help the city demonstrate that closed discussions or business relate to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo.

2. Open meeting minutes did not always document the related vote to close the meeting and the specific reasons for closing the meeting.

Section 610.022, RSMo 2000, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote. Section 610.021, RSMo 2000, requires certain matters discussed in closed meetings to be made public upon final disposition.

3. Some items discussed by the Board of Aldermen in closed session, such as scheduling budget hearings, building a new city hall, approving the public works contract and discussions with a city developer, do not appear to be allowed under the provisions of the Sunshine Law.

Section 610.021, RSMo 2000, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters,

and confidential or privileged communications with auditors. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

- B. Minutes from two Planning and Zoning meetings and one Board of Adjustments meeting were not available. To ensure compliance with open-meeting laws, minutes should be prepared for all meetings and be maintained and filed by the City Clerk.

Section 610.020 RSMo 2000, requires a journal or minutes be taken and retained of all open meetings of a public governmental body.

- C. The board minutes do not always adequately document matters discussed and actions taken. For example, the board minutes did not document the approval to hire the Court Clerk and Treasurer. Complete and accurate minutes provide an official record of board actions and decisions.
- D. City officials indicated that several former board members and officials took a day trip to Florida to view an example of a potential development. City officials indicated the city did not incur any costs related to the trip and no decisions were made; however, it appears the majority of board members were present which constitutes a board meeting subject to provisions of the open meetings law. No agenda was posted for this meeting and minutes were not maintained.

Section 610.010, RSMo 2000, indicates that any meeting of a public governmental body at which any public business is discussed, decided, or public policy formulated is subject to the provisions of the open meetings law. While informal gatherings of a governmental body for ministerial or social purposes do not constitute public meetings, it appears the activity conducted on the trip should have been handled in a public meeting, including the requirement to post the meeting and the preparation of minutes documenting any actions taken or decisions made at the meeting.

- E. Salaries for the appointed officials and employees have not been established by ordinance as required by City Ordinance, Section 115.017. While the city establishes a budget ordinance each year which reflects salaries for the appointed officials and city employees, some salaries are not individually shown on the budget.

Compensation rates set by ordinance document the approved amounts to be paid and reduce potential misunderstandings regarding the amount of pay each elected and appointed city official and employee is to receive. In addition, ordinance hearings provide for public input and information concerning the salaries paid.

WE RECOMMEND the Board of Aldermen:

- A.1. Ensure written minutes are prepared for all closed meetings.
 2. Ensure minutes document the vote to go into closed session and state the reasons for going into closed session.
 3. Ensure only allowable, specified subjects are discussed in closed session as required by state law.
- B. Ensure minutes are prepared for all meetings and properly retained.
- C. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.
- D. Ensure activity required to be conducted in open meetings is handled in accordance with the provisions of Chapter 610, RSMo.
- E. Establish by ordinance the salaries or pay rates and applicable terms of office for all officials and employees.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *With the appointment of a new City Clerk in August 2000 the following procedures were implemented.*
 1. *Current procedures provide that hard copies of closed meeting minutes be maintained in a confidential file by the City Clerk.*
 2. *Motions to close a meeting, roll call votes, and specific reasons for closing meetings are documented in the relative meeting minutes. Any action taken or decisions made during a closed session is documented within the general meeting minutes.*
 3. *The Mayor performs general policing of discussions relative to the closed session. The City Clerk will perform closer review of items requested for closed session.*
- B. *This irregularity has been corrected with the procedures developed by the current City Clerk.*
- C. *Ordinances have been adopted reflecting board approval to hire the Court Clerk and Treasurer. Complete and accurate minutes are kept in hard copy, backed up on computer diskette, and stored in the City Clerk's office.*

- D. *They accept this recommendation. All meetings are posted in compliance with Chapter 610.*
- E. *Line items establishing salaries for appointed officials and employees will be incorporated into the budget process. The City currently has ordinances establishing positions and pay. These ordinances will be adopted on an annual fiscal year end basis.*

7. Budget Procedures

- A. The budgets for the year ended December 31, 2001, and the ten months ended December 31, 2000, did not include a budget message, beginning and ending resources available, and the prior two years actual amounts. In addition, Peace Officer Standards and Training Commission Fund and Judicial Education Fund monies were budgeted with the General Fund and a budget was not prepared for the Local Use Tax Fund. Section 67.010, RSMo 2000, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

- B. For the ten months ended December 31, 2000, the city's actual expenditures exceeded the amounts budgeted for the General Fund and the Water and Sewer Fund. The board receives a budget to actual report of expenditures monthly but does not adequately monitor the balances throughout the year. The board approved a budget amendment in May 2001 to agree budgeted revenues and expenditures to actual amounts. It appears the amendments were made for statutory compliance only and circumvented the intended use of the budget as a management tool.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 2000, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 2000, provides that no expenditure of public monies shall

be made unless it is authorized in the budget. The Board of Aldermen should require that timely budget to actual comparisons are received and reviewed and budget amendments passed prior to approving expenditures.

- C. The amended budgets for the year ending December 31, 2001, and the ten months ended December 31, 2000, estimate expenditures to equal the beginning resources available plus budgeted revenues.

Such a practice results in an inaccurate statement of the city's financial position. For the budgets to be of maximum assistance to the Board of Aldermen and the general public, reasonable amounts should be shown for revenues, expenditures and fund balances.

WE RECOMMEND the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law.
- B. Ensure expenditures for individual funds do not exceed the amounts approved in the budget. Any necessary amendments should be made prior to the expenditures.
- C. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that a reasonable estimate of the city's financial position is presented.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *They accept this recommendation. The budget for the current fiscal year has been revised to contain all necessary information required by state law. Future budgets will include a budget message, beginning and ending resources available, and two years prior actual amounts. Separation of specific funds mentioned will help establish a more complete financial picture.*
- B. *The City Treasurer has developed a financial report that lists budget and actual revenues and expenditures to date to be submitted on a monthly basis to the Board of Alderman alerting the board of potential short falls.*
- C. *Future budgets will reflect closer estimation of expenditures to resources available as recommended.*

8.**Fixed Asset Procedures**

- A. The general fixed asset list is not kept up to date and some purchases and dispositions were not included on the list. In addition, the city does not perform physical inventories and does not tag or otherwise identify the fixed assets as property of the city.

Property records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and reconciled to purchases annually. Complete and accurate general fixed asset records are necessary to ensure better internal control over city property and provide a basis for determining proper insurance coverage required on city property. Physical inventories are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. In addition, all property items should be identified with a tag or similar device.

- B. The city does not have adequate procedures for the disposal of fixed assets. Currently, City Ordinance Section 115.150 indicates personal property may be sold only with board approval but it does not indicate procedures for the disposal of items that are not sold. We noted items that were donated to a church or thrown away without documentation of board approval.

The city should establish a formal policy regarding the disposal of fixed assets. Documentation should be maintained of the approval and disposition of each item.

- C. The city has three police cars, two motorcycles, and one truck. Daily usage logs are maintained for the two police vehicles used only for patrolling; however, mileage or usage logs which document vehicle usage are not maintained for the motorcycles, truck and one police vehicle used for commuting and patrolling purposes.

Logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure all mileage is recorded, the vehicles are being properly utilized, and help identify vehicles which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance charges.

WE RECOMMEND the Board of Aldermen:

- A. Ensure all general fixed asset purchases and dispositions are recorded as they occur and perform a physical inventory to ensure general fixed asset records are complete and accurate. In addition, items should be tagged or identified as city-owned property upon receipt.
- B. Establish adequate procedures for the disposal of fixed assets.
- C. Maintain complete and accurate mileage, usage, and maintenance logs for each vehicle. The logs should be reviewed by a supervisor periodically for completeness and reasonableness.

AUDITEE'S RESPONSE

The Board of Aldermen and Mayor indicated:

- A. *They accept this recommendation and have developed a fixed asset list. All materials of the City have been tagged and documented on this list. Procedures have been established that require individual departments to prepare inventory lists on an annual basis to be submitted during budget review.*
- B. *Property disposal forms have been developed for property of value in excess of \$50. Approval by the Board of Alderman for disposal and removal from the fixed asset list will be included in the procedures for the fixed asset listing. The City Treasurer will maintain this list.*
- C. *Usage logs currently being used in the police cars have been duplicated and placed in the remaining city vehicles.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



**MISSOURI DEPARTMENT OF
TRANSPORTATION ROADEOS**

**From The Office Of State Auditor
Claire McCaskill**

*Equipment-handling competitions (called
Roadeos) are not necessary and are not a
good use of resources.*

**Report No. 2001-110
October 26, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

October 2001

www.auditor.state.mo.us

Audit calls for cutting transportation employees' equipment competitions; department suspends program for now

The Missouri Department of Transportation spent at least \$870,000 over calendar years 1999 and 2000 for employee competitions, known as "Roadeos," which test equipment-handling skills. This audit reviewed various aspects of the competitions, which involve state personnel and state equipment, and determined the contests are not an effective use of state resources and do not significantly contribute to the department's mission. The following highlights the findings:

Competition costs steadily increase, total cost unknown

Each of the department's 10 districts holds a competition and then advances winners to district and statewide contests. Most competitions include gifts, prizes, food, travel and lodging expenses for judges and participants. In one year, the competition costs increased by 40 percent, with at least \$9,000 spent on retail store gift certificates for winners. In one district, the cost tripled over three years. In addition, the estimated total costs reported in this audit are conservative because the department did not track all costs and cannot quantify others. (See page 3 and 6)

Full state workday used for 30-minute exercise

In 2000, the 2,000 participating employees spent an average of 6 state hours at area competitions and 6 state hours at district competitions. Audit observations showed participants spent less than 30 minutes actually operating or inspecting equipment in the four contest events. Employees charged more state time to the statewide contest, including some employees who charged three working days to the competition. (See page 4)

Competitions called training

Department officials consider the competitions part of the safety training program, even though participation is not required. Audit observations showed the events, including using a backhoe to put a bowling ball in a box, often do not mimic real situations. The existing department training on the machinery is more intense than the half hour spent on equipment during these contests. (See page 6)

Other states canceled or did not hold competitions

The 2001 national Roadeo competition only had six states participate. Auditors contacted transportation officials in other states and found many canceled the contests due to funding issues or higher priorities. Some states called the competitions "morale boosters," but did not consider them safety training. (See page 6)

YELLOW SHEET

MISSOURI DEPARTMENT OF TRANSPORTATION ROADEOS

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Henry Hungerbeeler, Director
Missouri Department of Transportation
Jefferson City, Missouri

The State Auditor's Office audited the Missouri Department of Transportation equipment handling competitions referred to as "Rodeos." The objective of this audit was to review the benefits and associated costs of the annual rodeos and determine whether these activities are justified.

We concluded the rodeo program should be discontinued because it is not an effective use of resources and does not significantly contribute to the department's mission.

The audit was made in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests of the procedures and records as were considered appropriate under the circumstances.

Claire McCaskill
State Auditor

June 29, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Stacy Wright
Audit Staff:	Karen Wirtmiller

RESULTS AND RECOMMENDATION

The Rodeo Program Is Not an Effective Use of Resources and Does Not Significantly Contribute to the Mission of the Missouri Department of Transportation (MoDOT)

MoDOT spent at least \$870,000 during calendar years 1999 and 2000 for employee competitions (called Rodeos) to demonstrate equipment-handling skills. These costs are escalating as evidenced by one district's costs more than tripling between 1999 and 2001. MoDOT officials stated that the Rodeos were a safety training program for their employees in which participation is usually voluntary. Based on audit observations, participants spent approximately 30 minutes to complete the competition while incurring travel, personal service and, sometimes, lodging expenses. MoDOT officials stated these competitions led to a nationwide event. Only six states participated in fiscal year 2000 and many opted out because it was not a good use of resources.

Description of Rodeos

MoDOT Rodeos are a series of competitive events in which some maintenance division employees engage in various activities, primarily involving the driving or handling of state road equipment. The department's maintenance division is the operating unit of MoDOT that is responsible for maintaining the existing roads and bridges on the state highway system. MoDOT is organized in 10 districts across the state. Separate competitions begin in the department's 10 districts. In some districts, the competitions begin at the maintenance area (shed) level where winners proceed to district competitions. Winners of the district competitions represent their district at the state Rodeo competition held every October. In addition, in May 2001, MoDOT provided funding and transportation for the winners of the 2000 state Rodeo to compete in the national Rodeo competition held in Ohio.

Each district conducted its Rodeo competitions differently. Some districts required maintenance employees to participate in the Rodeo competitions, while other districts have made participation voluntary.

State road equipment is used in the Rodeo competitions at all levels. The competitions require the use of heavy equipment such as backhoes, loaders, dump trucks and snowplows. Participants are scored on their abilities to perform required tasks/maneuvers using this equipment in a timed environment.

We observed a portion of the District 3 (Hannibal) Rodeo competition held in Mexico, Missouri in May 2001. Our observations of the various events are described below.

Loader Competition

This timed event generally took each participant less than 3 minutes to complete. The operator used a loader shovel to lift a bucket and drove forward and backward through a series of cones. After reaching the end of the course, the operator lowered the loader shovel and set down the bucket.



Snowplow Competition

The snowplow competition took each participant approximately 4 minutes to complete. This was a timed event in which the operator drove a snowplow through a series of cones representing fixed objects. The operator then backed the snowplow into a specified area. The participants had to plow the ground close to cones without knocking them down and then back into a spot without hitting the cones or knocking over the board located behind the snowplow.



Pre-trip Inspection

This event took each participant approximately 15 minutes to complete. Participants inspected the engine compartment, cab, and exterior of a truck to ensure the vehicle was safe to operate. According to a department employee judging the event, a pre-trip vehicle inspection is supposed to be performed by operators every morning before the vehicle is used. For the competition, judges planted several defects on the vehicle. The judges scored participants on how well the operators inspected and identified safety issues pertaining to the vehicle. Many of the requirements for this came from the state commercial driver's license examination.

Backhoe Event

The backhoe event took each participant approximately 4 minutes to complete. This was an optional, non-competitive event in which the operator picked up a cylinder with the tip of the backhoe shovel and placed the cylinder over a stationary post. After completing this task, the participants attempted to use the backhoe shovel to lift a bowling ball off a large tee and put it in a wooden box.



Only one individual was participating in each of these activities at one time. According to Roadeo officials, the day's activities were scheduled to last 5½ hours. Based on our observations, each participant spent less than ½ hour actually participating in the four events. The rest of the time was spent waiting for their turn at the various events. One department official indicated the time spent by the participants at the Roadeo was beneficial because "they could learn by watching the other participants." Fifty-two of 219 District 3 maintenance employees attended this competition.

Participants spent very little time in competition

Costs of the program are substantial

We estimate the department spent at least \$870,000 during 1999 and 2000 for the Roadeos. This estimate is conservative because MoDOT did not separately account for or track the total costs and some costs were not readily quantifiable. To estimate costs, we obtained cost information/documentation from the districts and, to a limited extent, from MoDOT

headquarters. In some instances, actual cost information could not be located so we estimated some costs based on available information.

Table 1.1: Estimated Cost of the Roadeos

<u>Type of Cost</u>	<u>1999</u>	<u>2000</u>	<u>Totals</u>
<i>Personal Service *</i>	\$316,380	\$435,600	\$751,980
<i>Awards</i>	7,622	10,582	18,204
<i>Jackets/ T-shirts/Hats</i>	8,355	13,228	21,583
<i>Miscellaneous</i>	20,064	25,517	45,581
<i>Food</i>	9,851	16,840	26,691
<i>Expense Accounts</i>	<u>1,749</u>	<u>4,737</u>	<u>6,486</u>
Totals	\$364,021	\$506,504	\$870,525

Source: Estimates provided by MoDOT district and area personnel

**Personal service costs were calculated using an average hourly rate of \$24.80 in 2000 and \$24.00 in 1999, multiplied by the total number of estimated hours dedicated to the Roadeos. The hourly rates were calculated by dividing total labor costs of the maintenance division by the number of full time employees of that division.*

The costs of the Roadeos have increased substantially each year. In addition, department officials have indicated that this program is still in its early stages. Our review found that total estimated Roadeo costs increased by almost 40 percent from 1999 to 2000. District 2 (Macon) estimated that the total cost of its Roadeo more than tripled from \$4,900 in 1999 to \$18,000 in 2001.

Costs are
escalating

The following paragraphs detail the various costs and our estimates directly attributable to the Roadeo program.

Personal service costs

All competitions took place on state time. Therefore, most of the costs associated with the Roadeos were the personal service time of attending/participating employees and represented time away from their normal road maintenance duties. Personal service costs accounted for 86 percent of the 1999 and 2000 total Roadeo costs (\$316,380 plus \$435,600 divided by \$870,525). During 2000, each participating employee spent an average of 6 hours at the area Roadeos and 6 hours at the district Roadeos. The total number of estimated personal service hours devoted to the Roadeos was over 13,000 in 1999 and over 17,000 in 2000. Over 1,700 MoDOT employees attended and/or participated in the area and district Roadeos in 1999 and nearly 2,000 attended and/or participated during 2000. District MoDOT officials indicated that the personal service hours related to the competitions were charged to safety training programs.

According to department officials, approximately 30 supervisors served as judges in 2000 for the state Roadeo in Springfield. Many district engineers, safety officers and other supervisors also attended the state Roadeos to provide support for participants from their respective districts. Approximately 170 attending/participating employees spent an

average of 17 hours involved in state Rodeo-related activities in 2000. Employees from some districts charged as much as 3 working days to the state Rodeo.

Other identifiable costs

Most competitions also included gifts for participants, prizes for winners, food, travel and lodging expenses for judges and participants. These included:

- Gift certificates to winners for merchandise at retail stores.
- T-shirts and/or hats for participants and judges.
- Trophies, plaques, and/or jackets, awarded to winners of each event at the area, district and state competitions.
- Lunches for employees.
- Breakfasts at some Rodeos.
- Purchase of stopwatches and rental of tents, portable toilets, tables, chairs, fans, and golf carts.
- Security guard costs at one Rodeo.
- Rodeo logo design costs in one district.
- Bleacher rental at the state Rodeo finals.

Four winners from the 2000 state Rodeo competed in a national Rodeo competition held in Columbus, Ohio in May 2001. Including the estimated personal services costs, the cost to send four competitors and a district safety officer to the national event totaled approximately \$6,700. Attendance at this event involved 3 work days for the employees attending. These costs included transportation costs, meals and lodging. Two attendees drove a rental car to Ohio. Two other attendees took commercial air flights to Ohio and one drove his personal vehicle. MoDOT incurred lodging costs for each attendee at \$149 per night for two nights.

Costs which could not be identified

MoDOT headquarters had no information on the area or district competition costs and incomplete information on state competition costs. Some districts provided documentation of most of their costs, while other districts provided little information. Costs that could not be determined and that are not included in our cost estimate include:

Rodeo cost
information
was not well
documented

- State vehicles used to travel to the various levels of competition.
- State equipment used during the Roadeos and practices for the Roadeos.
- Hours spent practicing, planning and conducting the Roadeos on state time.

Prizes and gifts awarded to winners may not be legal

The prizes awarded at the Roadeos represent extra compensation or bonuses to public officials or employees, which may be a violation of Article III, Section 39(3), of the Missouri Constitution. At least \$9,000 in gift certificates went to winners of the various Roadeo competitions. The dollar amounts of the gift certificates were as high as \$150 each. In addition, other items were awarded to winners, such as \$45 jackets, trophies, plaques and T-shirts. *(See Appendix III, page 12, for the citation of Article III, Section 39(3), of the Missouri Constitution.)*

MoDOT views the Roadeo program as a training activity

Department officials have indicated they consider the Roadeo competitions primarily a safety training program, and enter many of the program expenses into MoDOT's accounting system as safety training costs. MoDOT officials advised that the program provides the following benefits:

- Improves skills of the participants.
- Emphasizes safe use of equipment.
- Allows non-participants to aspire to do better and participate in future contests.
- Allows participants to share their experience with non-participants.
- Improves morale of maintenance employees.
- Reduces exposure to liability due to accidents.

MoDOT already has training on the operation of loaders, backhoes, and snowplows. Training manuals with stated objectives, goals and training benefits are available for the various items of state equipment and hands-on operation training is given. These training programs are more intensive than the 30-minute exercise that occurs at the Roadeos. The concept of winners advancing to future competitions does not concentrate training on individuals who need the training.

MoDOT
already has
training

Other states' views on and participation in Roadeo competitions

MoDOT officials indicated other states were involved in Roadeo activities, including national Roadeo events. However, only six states participated in the 2001 national Roadeo event in Ohio. We contacted highway officials at 12 other states to determine their participation and views regarding Roadeos. Comments received follow:

- Kentucky officials indicated although there were some positive benefits to the Roadeos, (i.e., they raise morale), “you can’t put a value on them.”
- Tennessee officials indicated while safety was stressed, the Roadeo was held “mostly for motivation of field people,” and the Roadeos are not considered safety training.
- Iowa officials indicated the Roadeos are categorized as both safety and maintenance events, but are not considered training. Officials also indicated the state did not participate in the 2001 national Roadeo event due to unavailable funds.
- Illinois officials discontinued Roadeos around 1994 or 1995 due to lack of funding for travel to and from the competitions. In addition, top administrative and accounting personnel felt they could no longer justify funding the program.
- Kansas officials did not have any Roadeo competitions this year because “it wasn’t going to fly.” Officials stated they had looked into what it would take to put a Roadeo together and determined it would take “too much decision-making” to hold a competition this year.
- Oklahoma officials had other priorities they were “more intent on doing.” The Department has been undergoing cutbacks for the last 4 to 5 years and the number of maintenance employees has dropped from 3,400 to 2,500. Their main concern is “having enough people to work on the roads.”
- Alabama officials were familiar with Roadeo events, but they do not hold or participate in any of them. An official stated that they have “roads to build and bigger fish to fry...and they don’t have time for this (Roadeos).”

Other states indicate Roadeos are not a priority

Based on these interviews, these states do not view the Roadeos as training or anything more than an event for improving employee morale. The lack of state participation in the national Roadeo event and the concern raised by other states about funding these events indicates that Roadeos either have low or no priority in their road maintenance programs.

Conclusion

The Roadeo program is not necessary to accomplish training for staff.

Recommendation

We recommend the Missouri Department of Transportation discontinue the Roadeo program.

Department of Transportation Response

While we believe the Roadeo program is valuable, the decision was made in early August to suspend the Roadeo. This action was taken in part because of MoDOT’s recent cost-savings initiatives and in part to allow time to evaluate the program for effectiveness and to more formally set and document guidelines.

This action in no way diminishes our belief that the safe and efficient operation of equipment is critical to MoDOT's overall mission to preserve and improve Missouri's transportation system to enhance safety and encourage prosperity. Safety is uppermost in the thoughts and actions of the many MoDOT employees who work every day on state highways, sometimes mere feet from fast-moving vehicles.

MoDOT continually searches for better ways to fulfill its mission and the Roadeo has proven to be an effective method of training equipment operators. Similar programs are used by other state DOTs, other public works departments and businesses in general to reinforce safe and efficient operation of heavy equipment.

MoDOT employees use heavy equipment, such as loaders and backhoes, as they work on the roads throughout the year. In the winter, these employees must work long shifts with heavy equipment in extremely adverse conditions to clear roads for the traveling public. It is important to take advantage of every opportunity to improve operator knowledge and skills to make equipment operation as safe and efficient as possible.

Equipment safety training reduces the risk of accident, injury and death for the traveling public and MoDOT employees. This is an issue where costs are tallied in human terms, and for that reason, safety training and a safety emphasis will continue to be a MoDOT priority.

The Roadeo provides an annual operator skills training in controlled conditions with a safety emphasis. This is necessary so operators can familiarize themselves with equipment controls and sharpen skills prior to actually going on the roads. The program also reduces tort liability exposure because avoiding one accident can save the state of Missouri millions of dollars.

The cost discussion in the report is misleading. Training costs are not new with the Roadeo but have been incurred in prior years as operators familiarize themselves with heavy equipment operations. Discontinuing the Roadeo, as is recommended, would not reduce or eliminate personal service costs, which represent 86 percent of the questioned costs. Additionally, MoDOT's legal counsel disagrees with the draft audit report's finding that the prizes awarded at the Roadeo represent extra compensation or bonuses to public officials or employees, which may be a violation of Article III, Section 39 (3) of the Missouri Constitution. Any award or prize earned by a MoDOT employee during the Roadeo is part of that employee's actual compensation, which MHTC has legal authority to set.

State Auditor's Comments

It is encouraging to hear that MoDOT is suspending the Roadeos. However, we stand by our recommendation to cancel the program. The Roadeos are not a comprehensive training program. It is misleading to say that the Roadeo training is necessary prior to going on the roads since participation in the Roadeo is voluntary.

The MoDOT response states that the cost discussion is misleading. We demonstrated, and in many cases had to reconstruct, the expenditures to estimate a total cost for the Rodeo competitions. We did not state that these costs would be savings on personal services if the department cut the program, but showed such costs are an inefficient use of resources. All other Rodeo costs, an estimated \$119,000 and additional unidentifiable costs, would be saved by canceling the program.

The MoDOT response also states that the rewards received by some Rodeo participants are not bonuses or extra compensation, but are part of the employee's actual compensation. An employee's wage form (W-2) would show these awards as income if they are to be considered actual compensation. MoDOT officials said these awards are not reported on employee wage forms.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of this audit was to review the benefits and associated costs of the annual MoDOT Roadeos and determine whether these activities are justified.

Scope and Methodology

Audit fieldwork began in May 2001 and continued through June 2001. Our audit included gaining an understanding of the Roadeo program and reviewing available records related to the activities and costs of the area, district and state Roadeo competitions in calendar years 1999, 2000, and 2001. The audit involved interviews with maintenance division and other appropriate department officials at both the headquarters and district levels. In addition, highway officials in other states were contacted to determine the extent of similar activities in those states. We observed the District 3 (Hannibal) competition in May 2001 and reviewed the national Roadeo costs incurred by MoDOT in May 2001.

Table I.1: States Contacted

Alabama	Arkansas
Illinois	Indiana
Iowa	Kansas
Kentucky	Mississippi
Nebraska	Ohio
Oklahoma	Tennessee

Source: Prepared by auditors

Auditors estimated some costs based on input from districts and areas since the department did not accumulate or track cost information or keep complete cost information. Because some costs were not quantifiable, our cost estimates are conservative.

APPENDIX II

BACKGROUND

In recent years, the Missouri Department of Transportation (MoDOT) has held competitive events involving the participation of some maintenance division employees located in the department's 10 districts. These maintenance employees participate in competitive events on state time using department vehicles and equipment. Depending on the district, the competitions generally start at the maintenance shed or area level, proceed to district competitions, then to a statewide competition, and ultimately to a national competition. The department's maintenance division is the operating unit of MoDOT that is responsible for maintaining the existing roads and bridges on the state highway system.

In 1997, MoDOT's District 4 (Kansas City) was the first district to hold Rodeo competitions. In 1998, District 1 (St Joseph) also began holding Rodeos and in that year, winners of the District 4 Rodeo participated in the Kansas City American Public Works Association Rodeo. By 1999, Rodeo participation had expanded to all 10 of MoDOT's districts. In October 1999, MoDOT held its first state Rodeo. Both the 1999 and 2000 state Rodeos were held at District 8 facilities in Springfield. MoDOT is planning to hold the 2001 state Rodeo in Sedalia.

APPENDIX III

ARTICLE III, SECTION 39(3), OF THE MISSOURI CONSTITUTION

Article III, Section 39(3), of the Missouri Constitution states, “The general assembly shall not have power:

(3) To grant or to authorize any county or municipal authority to grant any extra compensation, fee or allowance to a public officer, agent, servant or contractor after service has been rendered or a contract has been entered into and performed in whole or in part....”



VILLAGE OF ARROW POINT, MISSOURI

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-109
October 25, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

October 2001

The following problems were discovered as a result of an audit conducted by our office of the Village of Arrow Point, Missouri.

The village has not clearly established any of its assessments as a tax or a user fee. The village has not established a statement of costs to adequately set rates for providing water and trash services to the village customers and revenues generated by the maintenance fee far exceed the village's annual expenses. The village also assesses a building permit fee for all new construction although the village does not have a building inspector or any other related costs. The village should request that its attorney review these fees to determine whether they are or can be structured as user fees, or whether they should be put to a public vote.

The village does not separately account for the activities related to its various assessments. All financial activity is accounted for in one fund. A General Fund should be used to account for the general activities and other operations should be accounted for separately to ensure that charges do not exceed the costs of providing the service. In addition, late fees charged by the village appear to be excessive and should be reviewed for reasonableness.

In 1995, the Village of Arrow Point brought suit against former board chairman Bill Crouch for conflicts of interest noted in a prior audit. A counter suit was filed by Mr. Crouch requesting \$4,245 along with interest and legal fees. In 1998, a different board than the one that brought the suit dismissed it and made a \$10,000 payment to Mr. Crouch. The board did not obtain any written legal opinion to support their actions nor did they document their reasons for dismissing the suit. The payment represents a significant village expenditure considering total receipts for the village in that year were approximately \$11,400.

The village did not prepare a budget until 2001. The 2001 budget was not properly prepared and formally approved as required by state law. Closed meetings were apparently not always conducted in accordance with state law and board minutes have not always been adequately maintained.

Accounting duties are not adequately segregated, as only one official handles the accounting records.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

VILLAGE OF ARROW POINT, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Chairman
and
Board of Trustees
Village of Arrow Point
Golden, Missouri 65658

The State Auditor was petitioned under Section 29.230, RSMo, to audit the village of Arrow Point, Missouri. Our audit of the village included, but was not limited to, the year ended December 31, 2000. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard we reviewed board minutes, village policies and ordinances, and various village financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the village and was not subjected to the auditing procedures applied in the audit of the village.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the village of Arrow Point, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 26, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	David Holtmann, CPA
Audit Staff:	Ted Fugitt, CPA

HISTORY AND ORGANIZATION

VILLAGE OF ARROW POINT, MISSOURI HISTORY AND ORGANIZATION

The Village of Arrow Point was incorporated in 1987 and is located in Barry County. The village has 214 lot owners and 70 water customers.

The village government consists of a five member board of trustees. The trustees are elected for two-year terms. They serve without compensation. The elected officials at December 31, 2000, were:

<u>Elected Officials</u>	<u>Term Expiration</u>
Rose Nolan, Chairman	April 2001 (1)
Jolene Krutz, Secretary	April 2002
Jeane Trostle-White, Treasurer	April 2001 (2)
William Kane, Trustee	April 2002 (3)
Greg Winder, Trustee	April 2002

- (1) Doris Williams was elected in April 2001; however, she never took office. This position remained vacant as of July 2001.
- (2) Re-elected in April 2001 election.
- (3) Resigned in May 2001. Lynn Harris was appointed to the board in June 2001 to fill the remainder of this term.

All trustees are insured against “public officials errors and omissions” in the amount of \$300,000 for each wrongful act with an aggregate limit of \$300,000, subject to a \$500 deductible. The treasurer, chairman, and one other trustee are bonded for \$5,000.

The village’s assessed valuation has not been determined because a property tax is not levied. Instead, the village bills each lot owner and each water customer the assessments noted below:

<u>Assessment (lot owner)</u>	<u>Purpose</u>	<u>Annual Charge</u>
Maintenance	General upkeep	\$20 for first lot plus \$10 for each additional big lot owned by the same person and \$3 for each additional small lot owned by the same person
<u>Assessment (water customers)</u>	<u>Purpose</u>	<u>Annual Charge</u>
Water	Operating expenses of the water system	\$60 per hookup
Trash	Expenses of the village dumpster	\$20

The village assesses a \$150 fee for initial hookup to the water system.

The village assesses late charges on water and maintenance fees. Water and maintenance fees are billed in January and considered delinquent on April 1st. A \$10 late charge is then added each month until the account is paid. The late charge applies separately to water and maintenance accounts.

The village assesses a building permit fee for all new construction in the village. According to village ordinance, the charge is 1% of the estimated cost of construction, with a minimum charge of \$10.

A summary of the financial activity of the village of Arrow Point for the three years ended December 31,2000, is presented on the following page.

	Year Ended December 31,		
RECEIPTS	2000	1999	1998
Water income	4,764	4,887	4,100
Maintenance income	7,646	5,148	4,625
Motor fuel and motor vehicle fees	2,093	2,069	2,028
Dumpster income	75	0	0
Miscellaneous income	532	170	251
Interest	623	406	427
Total Receipts	15,733	12,680	11,431
DISBURSEMENTS			
Well expense	1,443	1,163	1,207
Dumpster expense/trash hauling	2,040	1,616	1,500
Electric	1,215	926	1,344
Phone expense	471	52	53
Insurance	427	862	1,280
Election costs	143	627	170
Office	401	564	274
Attorney fees	250	0	0
Dues	275	0	0
Mowing	700	700	765
Court costs	232	0	0
Payment to former board chairman	0	0	10,000
Other	341	85	589
Total disbursements	7,938	6,595	17,182
RECEIPTS OVER (UNDER)			
DISBURSEMENTS	7,795	6,085	(5,751)
CASH AND CASH EQUIVALENTS, JANUARY 1,	22,826	16,741	22,492
CASH AND CASH EQUIVALENTS, DECEMBER 31,	30,621	22,826	16,741

MANAGEMENT ADVISORY REPORT

VILLAGE OF ARROW POINT, MISSOURI
SUMMARY OF FINDINGS

1. Village Assessments (pages 10-11)

The fees charged to residents for water, trash, building permits and maintenance were established without a public vote. Some of the fees generate revenues in excess of related expenditures. The village does not account for the various fees separately from the general activities of the village. Late fees charged by the village appear excessive.

2. Payment to Former Chairman (page 12)

In 1998, the village made a \$10,000 payment to the former board chairman that appears questionable.

3. Budgets, Meetings and Minutes (pages 12-14)

The village did not prepare a budget until 2001. The 2001 budget was not properly prepared and formally approved as required by state law. Closed meetings were not always conducted in accordance with state law and minutes have not always been adequately maintained.

4. Accounting Controls and Procedures (page 14)

Accounting duties are not adequately segregated.

VILLAGE OF ARROW POINT, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Village Assessments
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The monies collected from the various village assessments are used to cover the costs of the village water system, pay the expense of the village dumpster, pay for general village upkeep such as mowing, and pay village operating expenses. We noted the following concerns during our review of these assessments:

- A. The village has not clearly established any of its assessments (water, trash and maintenance) as a tax or a user fee. While the village is providing water and trash services, the village has not established a statement of costs to adequately set rates for providing those services to the village customers. In addition, revenues generated by the maintenance fee far exceed the village's annual expenses (mowing and general upkeep of the village) related to this fee.

The village also assesses a building permit fee for all new construction although the village does not have a building inspector or any other related costs.

The Missouri Supreme Court, in its decision in *Beatty v. Metropolitan St. Louis Sewer District*, 867 S.W.2d 217 (Mo. Banc 1993) applied a five pronged analysis to determine whether a governmental charge was a tax, thus requiring a public vote, or user fee which could be revised without a vote. This court case also indicated that if the analysis did not clearly indicate the charge is a user fee, the issue should be put to a vote.

Because this matter has been a concern of some citizens, the village should request that its attorney review these fees to determine whether they are or can be structured as user fees, or whether they should be put to a public vote. If this matter is not resolved by clear legal authority or an election, the village and its residents may have to re-evaluate how services are being provided.

- B. The village does not separately account for the activities related to its various assessments. All financial activity is accounted for in one fund. General village operating expenses are paid from the excess of the various assessments over related expenses. A General Fund should be used to account for the general activities of the village and other operations should be accounted for separately to ensure that charges do not exceed the costs of providing the services.

The village should attempt to establish what its overall cash balance is as it relates to the various activities of the village. In addition, the village should determine the desired level of services to be provided by the General Fund and how the services are to be funded. Section 80.460, RSMo, authorizes the village (upon voter approval) to levy a property tax for general municipal purposes not to

exceed fifty cents on one hundred dollars of assessed valuation. The village may also seek voter approval for an additional levy (up to thirty cents) for a period not to exceed four years at any one time. The village should also review the possibility of collecting franchise taxes from various utilities operating in the village. Such additional revenues could help the village provide services to its residents.

- C. Late fees charged by the village appear to be excessive. Water and maintenance fees are billed in January and considered delinquent on April 1st. A \$10 late charge (applied separately to the water and maintenance account) is added each month until the account is paid. For example, the \$60 annual water fee billed in January, if not paid by year end would accrue an additional \$90 in late fees (one and one-half times the original assessment for the penalty alone). The village should review the current rate structure for the late fees for reasonableness.

WE RECOMMEND the Board of Trustees:

- A. Request legal counsel review the present assessments and determine whether they are or can be structured as a user fee, or if they should be put to a public vote. Also, the Board should ensure these assessments comply with state law and do not generate excess revenues.
- B. Establish a General Fund to account for the general activities of the village and account for operations other than general activities separately. Once the village has determined the desired level of services to be provided by the General Fund, the Board should consider levying village property taxes as allowed by Section 80.460, RSMo, and investigate obtaining utility franchise taxes in order to obtain sufficient funding.
- C. Review the current rate structure of the late fees for reasonableness.

AUDITEES'S RESPONSE

- A. *We will clearly establish the appropriate costs of providing the water and trash services and set the user rates to cover those costs. We will review the maintenance assessment and alternative funding sources with an attorney and take appropriate action upon their advice and due board consideration. The board has recently set the building permit at a flat \$10 fee.*
- B. *The village has maintained a balance by activity on a current basis. Each year we begin with a zero balance for each activity. We will determine the appropriate balance for each activity by January 2002. We will also review the possibility of a property tax after consulting with an attorney.*
- C. *We will review the late fee and make appropriate changes by January 2002.*

2.**Payment to Former Chairman**

In 1995, the Village of Arrow Point brought suit against former board chairman Bill Crouch for conflicts of interest noted in the State Auditor's report dated September 28, 1994. Mr. Crouch filed a counter suit against the village, in which he requested \$4,245 for his services in managing the installation of the new village water system in 1989 and 1990, along with interest and legal costs. The prior State Auditor's report had recommended the village not pay the former board chairman for managing the installation of the water system. In 1998, a different board than the one which brought the suit against Mr. Crouch, dismissed the suit and made a \$10,000 payment (the original amount of services plus interest and attorney fees) to Mr. Crouch. The village spent \$3,104 in attorney fees related to this case. Based on our review of village minutes and our conversations with the attorneys who represented the village in this case, the village's decision to dismiss the case and make the subsequent payment was not made on the basis of any legal advice they had received. The new board did not obtain any written legal opinion to support their actions nor did they document their reasons for dismissing the suit. The \$10,000 payment to the former board chairman represents a significant village expenditure considering total receipts for the village in that year were approximately \$11,400.

The village's residents have placed a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The payment to the former board chairman does not appear to represent a necessary and prudent use of public funds.

WE RECOMMEND the Board of Trustees ensure that all future expenditures represent a necessary and prudent use of public funds.

AUDITEE'S RESPONSE

We agree.

3.**Budgets, Meetings and Minutes**

A. Our review of village budgeting procedures noted the following concerns:

1. Budgets were not prepared for the village until 2001. The 2001 budget prepared by the Village Treasurer was not formally approved by the Board of Trustees. Section 67.080, RSMo, provides that no disbursement of public monies shall be made unless it is authorized in the budget.
2. The village's budget does not include actual receipts and disbursements for the previous two years. In addition, the budget does not include actual and estimated cash and resources available at the beginning and end of the year or a budget message.

Section 67.010, RSMo, sets specific guidelines for the format, of the annual operating budget. A complete budget for each fund should be prepared, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding fiscal years.

- B. The village conducted several closed meetings during the last two years; however, the minutes did not always document the related vote or the reasons for closing the meeting. Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.

Also, some topics discussed in closed meetings did not meet the criteria outlined in Section 610.021, RSMo. Some examples of closed meetings that appear questionable were for electing board officers, amending village ordinances, discussing the duties of board members and discussing procedures for responding to requests for public documents. The board should restrict the discussions in closed session to the specific topics allowed by state law.

- C. Board minutes (for both open and closed meetings) were often illegible, unclear and did not always record the results of votes taken on motions made and seconded.

The minutes are the official record of the actions of the board. Care should be taken to ensure the minutes are complete, legible and provide reasons and specific intentions behind board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to board intentions and possible incorrect interpretation of board actions by the general public, future board members, or other outside entities.

WE RECOMMEND the Board of Trustees:

- A. Prepare complete annual budget documents that include all relevant information required by state law. Ensure budgets are formally approved by the Board of Trustees and are used as a tool to monitor the villages finances.
- B. Hold a vote to go into closed session, state the reasons for going into closed session, publicly disclose the final disposition of applicable matters discussed in closed session, and ensure only allowable, specific subjects are discussed in closed session as required by state law.
- C. Ensure all significant discussions and actions taken are adequately documented in a legible manner in the board minutes.

AUDITEE'S RESPONSE

A. *We agree and will implement with our new budget in January 2002.*

B&C. *We agree and will implement.*

4. Accounting Controls and Procedures
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The Board of Trustees has not appointed separate individuals to serve as Village Collector and Village Treasurer. Presently, the Village Treasurer serves as the Village Collector. She collects receipts, maintains the village's financial records, makes bank deposits, co-signs checks, reconciles the bank account, and handles billings.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. The statutes pertaining to villages are similar to those cited in this opinion, therefore, the opinion's conclusion appears applicable to villages also.

Also, to safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the reconciliations between receipts and deposits and checks issued to disbursement records, and of bank reconciliations.

WE RECOMMEND the Board of Trustees consider appointing separate individuals to the positions of Village Treasurer and Village Collector. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.

AUDITEE'S RESPONSE

We will designate one of the remaining trustees to review the work of the Treasurer on a periodic basis.

This report is intended for the information of the management of the village of Arrow Point and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *



**DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE WATER PATROL**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-108
October 23, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

October 2001

The following problems were discovered as a result of an audit conducted by our office of the Department of Public Safety, Missouri State Water Patrol.

As of June 2001, the Missouri State Water Patrol (MSWP) maintained a fleet of 133 vehicles that were purchased at a cost of over \$2.5 million. The majority of these vehicles are trucks assigned to water patrol officers and are primarily used to transport boats. The MSWP also maintains approximately 185 boats that were purchased at a cost of over \$2 million and included in these boats were 4 canoes and 78 john boats. The majority of the boats are assigned to water patrol officers to patrol the state's waterways. The Missouri State Water Patrol employed 124 employees, including 84 officers as of June 2001.

Understanding a need on the part of the MSWP to have in its possession a variety of boats and vehicles to conduct its work, our review raised the concern that the patrol had not determined whether it had more equipment than necessary.

For example, we noted the MSWP has more vehicles and boats than employees. We also noted vehicles were assigned to individuals who performed primarily administrative duties, and 2 boats costing \$33,000 each were purchased in July 2000 but had not been placed in operation as of June 2001.

While procurement and placement of vehicles and boats has in the past been largely based on what the patrol claims to be its experience and knowledge, there is agreement that establishing better methods of documentation in this area could prove useful.

We recommended the MSWP perform a usage study to determine the optimum number of boats and vehicles needed. The report also recommended the MSWP reconsider the benefits derived from assigning vehicles to administrative personnel, surplus unneeded boats, and assign recently purchased boats in a more timely manner.

The MSWP enforces laws and regulations on the state's waterways and issues tickets when violations are noted. Our review of the MSWP's procedures indicated the following concerns:

- The MSWP did not maintain adequate records to account for ticket books assigned to officers.
- The numerical sequence of tickets issued was not adequately accounted for by the MSWP.

(over)

YELLOW SHEET

- The MSWP does not have enough sound equipment to adequately enforce excessive noise violations regarding recreational motorboats.

The former MSWP Commissioner's final paycheck included a \$10,004 payment for 288 hours of annual leave in addition to his regular salary. This payment was based on the maximum amount of annual leave that could be accrued based on the prior Commissioner's length of service with the MSWP and as a Legislator. In addition, the former Commissioner was credited with 823 hours of unused sick leave for the calculation of his retirement benefit. However, the prior Commissioner did not complete timesheets nor did the MSWP maintain any other record to document leave earned or taken. Periodic timesheets are necessary to properly document leave hours earned and used, as well as any accrued leave balances.

The MSWP has designated officers in each district to be responsible for handling drug buy monies. Generally, the drug buy monies are held in cash although one district has deposited drug buy monies into a bank account. Drug buy monies are not used very often. For example, General Headquarters had no activity relating to drug buy monies since May 1998 and had very little activity before then. One district's monthly reports indicated no activity going back to February 1995, while another district's monthly reports indicated no activity going back to August 1996. The other districts also indicated very little activity associated with the drug buy monies. Having excessive amounts of monies on hand increases the risk of loss, misuse, or theft of the money.

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DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE WATER PATROL

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Charles R. Jackson, Director
Department of Public Safety
and
Colonel Jerry E. Adams, Commissioner
Missouri State Water Patrol
Jefferson City, MO 65102

We have audited the Department of Public Safety, Missouri State Water Patrol (MSWP). The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2001 and 2000. The objectives of this audit were to:

1. Review the accountability of tickets issued by the MSWP.
2. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions.
3. Review certain other internal control procedures and management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed applicable state and federal laws, interviewed personnel, and inspected relevant records and reports of the MSWP.

As part of our audit, we assessed the MSWP's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the MSWP's management and was not subjected to the procedures applied in the audit of the MSWP.

The accompanying Management Advisory Report Section presents our findings arising from our audit of the MSWP.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

August 29, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Luetkemeyer, CPA
In-Charge Auditor:	Randall Gordon, CPA
Audit Staff:	Julie Tomlinson

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE WATER PATROL
SUMMARY OF FINDINGS

1. Vehicle and Boat Usage (pages 6-9)

Several concerns were noted regarding the possible under-utilization of boats and vehicles. The Missouri State Water Patrol (MSWP) has not conducted studies to determine the optimum number of boats and vehicles needed. Boat usage logs are not maintained.

2. Ticket Accountability and Enforcement (pages 10-11)

The MSWP did not assign ticket books to officers in numerical order, did not maintain adequate records to account for ticket books assigned to the officers, and did not account for the numerical sequence of tickets issued by officers. The MSWP does not have enough equipment to adequately enforce excessive noise violations.

3. Prior Commissioner's Leave Balances (page 12)

There was no documentation to support over \$10,000 paid to the retiring Commissioner for unused annual leave, or for crediting him with 823 hours of unused sick leave for the calculation of his retirement benefits.

4. Cash Procedures (pages 12-14)

The person who opens the mail does not prepare an immediate record of receipts. The MSWP has \$355 in seized funds that the MSWP has not been able to return to the applicable owner. Monthly reports of drug buy monies held by various district officers were not being submitted to General Headquarters in a timely manner. Periodic surprise reviews of drug buy monies held were not performed, and the amounts of drug buy monies kept on hand may be excessive since these monies are seldom used.

5. Duplicate Record Keeping (page 14)

The MSWP is maintaining two systems to account for its fixed assets and payroll.

DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE WATER PATROL
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1.

Vehicle and Boat Usage

As of June 2001, the Missouri State Water Patrol (MSWP) maintained a fleet of 133 vehicles that were purchased at a cost of over \$2.5 million. The majority of these vehicles are trucks assigned to water patrol officers and are primarily used to transport boats. The MSWP also maintains approximately 185 boats that were purchased at a cost of over \$2 million. Included in these boats were 4 canoes and 78 john boats. The majority of the boats are assigned to water patrol officers to patrol the state's waterways. The MSWP employed 124 employees, including 84 officers as of June 2001.

During our review of the MSWP's utilization of vehicles and boats we noted the following concerns:

- MSWP has more vehicles and more boats than employees. We noted six instances where one officer was assigned 2 vehicles and 3 boats, another instance where an officer was assigned 4 vehicles and numerous other instances where an officer was assigned more than one vehicle or boat. The MSWP indicated some boats are used primarily for rivers and some boats are used primarily for lakes. In addition, some officers are assigned boats that are actually used by marine specialists hired during the summer. The MSWP also indicated that some vehicles are used as main patrol vehicles while others are used for more specialized purposes, such as staff or prisoner transport, unmarked undercover vehicles, or vehicles equipped for dive situations.
- Of the MSWP's 133 vehicles, only eight vehicles were driven more than 15,000 miles during the year ended June 30, 2001. In addition, 50 of the vehicles were driven less than 10,000 miles, while 17 of those vehicles were driven less than 5,000 miles.
- Although the MSWP's main patrol boats are equipped with hour meters, boat usage records are not maintained. Boat usage logs, documenting the date, destination, purpose of usage, and beginning and ending hour usage, would help the MSWP monitor the extent that boats are used and could help identify underutilized boats.
- Six officers serve as administrative staff but are still assigned vehicles. Although the administrative officers may occasionally perform patrol duties, these officers issued only forty-three tickets during calendar year 2000. In addition, one officer wrote thirty-seven of these tickets, and three officers wrote no tickets. The level of patrol duties provided by these officers may not justify assigning a vehicle to these administrative staff.

- Boats and vehicles were loaned out to other political subdivisions or other state agencies. A 1995 Ford Truck costing more than \$19,000 was loaned to the Division of Fire Safety and another vehicle was loaned to the Cassville Police Department. In addition, the MSWP has loaned or is storing approximately 15 boats with other political subdivisions. One boat costing over \$16,000 was loaned to the Table Rock Corp of Engineers. Three boats were loaned to the city of Osage Beach. Two boats were stored at Jefferson City Fire Stations, even though the MSWP warehouse in Jefferson City had space available. In addition, the warehouse has 13 boats that are awaiting repair, are pending being surplused, or have not yet been assigned to an officer. Two boats purchased in July 2000 for \$33,300 each had not yet been placed into operation, and were still stored at the warehouse in June 2001. One of these boats was issued to an officer in July 2001. After this issuance, the MSWP had 27 boats that were not in service. Boats that are not needed by the MSWP should be surplused and should not be loaned to or stored at other political subdivisions, and boats purchased should be assigned to officers in a timely manner.

The MSWP has not conducted recent usage studies to determine the number of boats and vehicles needed for the MSWP. To ensure the MSWP is using state resources efficiently, a usage study should be performed to determine how many boats and vehicles are needed for the operation of the MSWP.

WE RECOMMEND the MSWP perform a usage study to determine the optimum number of boats and vehicles needed, reconsider the benefits derived from assigning vehicles to administrative personnel, discontinue the practice of loaning boats to or storing boats at other political subdivisions, surplus unneeded boats, and assign recently purchased boats to officers in a more timely manner. In addition, the MSWP should establish a system to track the utilization of its boats.

AUDITEE'S RESPONSE

The MSWP is taking under advisement but disagrees with a few of the recommendations for vehicle and boat usage.

A. *The MSWP has the responsibility of patrolling the major waterways in Missouri. These include:*

- *272,770 acres of lakes with 5,500 miles of shoreline*
- *519 miles of the Mississippi River*
- *533 miles of the Missouri River*
- *And all the tributaries of these waterways.*

These immensely varying waterways require a diverse fleet of boats for patrol purposes. It would be impossible to operate a boat designed for use on Lake of the Ozarks on the Current River. Additionally, the MSWP must be prepared for Emergency Response situations. We cannot be in a position where we would be unable to respond to calls for services by the public.

It may be appropriate and pertinent to take a closer look at where we have boats and vehicles assigned throughout the state. Placement of vehicles and boats has largely been based on our experience and knowledge of those areas requiring material support. It may be to our advantage to establish a method to better document and justify the placement of specific boats (boat types) and vehicles throughout the state.

The placement of flat bottom boats in specific areas (like the Jefferson City Fire Department) is a proactive approach on our part to coordinate with local jurisdictions for emergency planning. We have learned from experience that rescue type boats are hard to come by when disaster strikes. These smaller, lightweight craft become very important during floods and will be essential in case of an earthquake to cross waterways when bridges are damaged or destroyed. Although on paper it may appear as though the Patrol has a large number of boats that are not used for routine patrol, we think it is very important to emphasize we play a very important part in disaster preparation. Most of the material assets we have are essential to our role in the state's emergency response plan. We should include the assets that we have pre-staged in areas of the state in our emergency response plan. We are preparing to review the existing plan.

Vehicles can also be listed as assets for emergency planning. We think we are justified in the use of various vehicles to support our diverse mission. We should maintain written documentation to support the use of additional vehicles assigned to specific officers and/or districts. The audit is probably correct in pointing out that we do not have a formal plan to track vehicle assignment. We should have a written plan to manage vehicle use and justify the existence of "special use" vehicles.

- B. The MSWP normally has approximately 108-110 vehicles in the fleet. At the time of the audit, the MSWP had 133 vehicles in its fleet. This was primarily due to the timing of the audit. We had received our purchase of 14 vehicles and were still in the process of rigging the vehicles with police equipment. Some of the vehicles that were being replaced were still in our possession. Since that time, the first lot of 9 surplus vehicles was taken to the Office of Administration, Surplus Property with the remainder of 10 to be surplus in the next two months.*

Regarding the limited mileage that was placed on the vehicles over the past year, we consider this a success. Due to the mid-year budget withholding in fiscal year 2001, the MSWP specifically targeted mileage reduction. We imposed a 20% reduction in fuel purchases for both vehicles and boats during this time period, with the understanding that emergency call outs must be priority. We succeeded in reducing fuel costs for vehicles by 5% and boats by 11%. This was not required, but it was the fiscally responsible course of action in this fiscal climate.

- C. We could have a log for boat usage, if required. We would recommend against it since we do keep track of usage in the aggregate. When boats are serviced at the Maintenance and Repair Facility, the engine hours are logged at each maintenance interval. The reason we no longer have it on the weekly log is due to space considerations and engines are occasionally replaced.*

- D. *Vehicles assigned to administrative staff are essential if we are going to provide prompt emergency response for the public. The audit does not mention that all uniformed officers of the MSWP are available for emergency call out regardless of their assignment. All administrative officers are required to perform the duties of line officers when called. With only one officer assigned to the Jefferson City area, it would be impossible to provide adequate emergency response if administrative officers were not assigned police vehicles. Additionally, administrative officers are subject to call for state emergency duty at any time.*

The audit cites “patrol duties” as a determining factor in the assignment of patrol vehicles to administrative officers. It appears as though they only considered one factor (the issuance of tickets) in their recommendation. Prompt response to emergency calls is certainly of more importance when considering the overall mission of the patrol. We think all of us can agree that one life saved is more valuable than any number of citations issued. As officers, the MSWP is required to respond if a citizen calls for assistance year round, winter or summer, day or night, on dangerous waters and/or in remote areas.

Additionally, to require General Headquarters staff personnel to use private vehicles would require placing \$1,500 to \$2,500 of state-owned police equipment in civilian vehicles. Installation with this equipment requires alteration of a vehicle. It would not be good policy to drill holes in the fenders, floorplates and dashboards of an employee's personal vehicle. Transporting prisoners in personal vehicles is also not good policy. Lastly, of all vehicles that incurred mileage, some of the highest mileage vehicles in the fleet are staff vehicles.

AUDITOR COMMENTS

- B. The MSWP's efforts to achieve savings by reducing fuel consumption is commendable. As indicated by our recommendation, we suggest the MSWP also fully explore the possibility of achieving additional cost savings by eliminating any unnecessary vehicles and boats.
- D. We do not advocate utilizing administrative staffs' personal vehicles for law enforcement purposes. However, the MSWP currently does not track how frequently administrative staff respond to emergencies versus using the vehicles strictly for commuting to and from work. The MSWP should begin tracking the emergency occurrences and then decide whether vehicles are necessary for all administrative staff, or whether the use of pool vehicles may be more economical.

2.**Ticket Accountability and Enforcement**

The MSWP enforces laws and regulations on the state's waterways and issues tickets when violations are noted. Our review of the MSWP's procedures indicated the following concerns:

- A. Ticket books were not assigned to officers in numerical sequence. Ticket numbers 249801 to 254000 had been issued to officers before the next unissued ticket book sequence that started with ticket number 232901.

To provide better accountability over ticket books, tickets books should be assigned to officers in numerical sequence.

- B. The MSWP did not maintain adequate records to account for ticket books assigned to officers. For the ticket books issued out of sequence noted above, the ticket log did not indicate that these books were assigned to an officer. In addition, the ticket by officer log also did not include these ticket books as being assigned to officers.

To provide better accountability over ticket books, the MSWP should account for the assignment of the ticket books to the officers in the ticket log and the ticket by officer log at the time ticket books are assigned to officers.

- C. The numerical sequence of tickets issued was not adequately accounted for by the MSWP. We requested a disposition report for a six month period and noted several tickets that were not indicated in the disposition report. The majority of these tickets were voided tickets and the voided tickets were subsequently located in the officer's file. However, there were several tickets that could not be adequately accounted for by the MSWP.

Without a proper accounting of the numerical sequence of tickets issued by the MSWP, the MSWP cannot be assured that all tickets issued were properly submitted to the courts for processing.

- D. The MSWP does not have enough equipment to adequately enforce excessive noise violations regarding recreational motorboats (Section 306.090, RSMo 2000). The MSWP has a total of 28 sound meters and calibrators for 84 officers. With the cost of sound meter equipment estimated at approximately \$1,300 per officer, the MSWP would have to spend approximately \$72,800 to equip each officer with the necessary sound equipment.

During the calendar years 2000, 1999, and 1998, the MSWP issued 25, 15, and 17 tickets, respectively for excessive noise violations. For calendar years 1999 and 1998, all of the violations were issued at the Lake of Ozarks. However, only 16 of the 22 officers patrolling the Lake of the Ozarks have the necessary sound

equipment to issue tickets for noise violations. Given the volume of boating activities at the Lake of the Ozarks, it appears appropriate for the MSWP to ensure these officers are equipped with the necessary equipment to cite noise violators.

WE RECOMMEND the MSWP:

- A. Assign ticket books out to officers in numerical sequence.
- B. Ensure both the ticket log and the ticket by officer log are updated when assigning ticket books out to officers.
- C. Ensure the numerical sequence of all tickets can be accounted for properly.
- D. Obtain additional or reallocate existing sound equipment to officers patrolling the Lake of the Ozarks.

AUDITEE'S RESPONSE

The MSWP concurs with the findings for ticket accountability and enforcement.

- A. *Ticket books are assigned in numerical sequence.*
- B. *The accountability over ticket books has been improved.*
- C. *Policy does exist requiring officers to submit a brief inter-office communication with citations that are voided or lost explaining the circumstances. The communications section uses the annual disposition report to account for citation entries and to identify missing citation numbers. However, the officers are responsible for the citations that they are issued. There should be strict accountability for citations starting with the method of issuance. Considering the number of citations issued for violations (6,299 in 2000), there were relatively few that were not immediately accounted for when reviewing officer records. These citations were accounted for upon request. In all four cases, the officers had failed to follow existing policy. We will be reviewing the existing policy and develop a more formal method to track issued citations. Officers are being notified in regard to missing citations numbers. However, we need a better system to provide "follow-up" if the officers fail to respond.*
- D. *We will reevaluate the need for the equipment and make a request through the budget process if the findings for additional sound equipment are needed.*

3. Prior Commissioner's Leave Balances

The former MSWP Commissioner retired effective December 31, 2000. His final paycheck included a \$10,004 payment for 288 hours of annual leave in addition to his regular salary. This payment was based on the maximum amount of annual leave that could be accrued based on the prior Commissioner's length of service with the MSWP and as a Legislator. In addition, the former Commissioner was credited with 823 hours of unused sick leave for the calculation of his retirement benefit. However, the prior Commissioner did not complete timesheets nor did the MSWP maintain any other record to document leave earned or taken. Periodic timesheets are necessary to properly document leave hours earned and used, as well as any accrued leave balances.

Since documentation indicating hours of accumulated leave hours was not available, we could not determine if the additional payment was justified, or the propriety of the leave amount reported and used to calculate retirement benefits. Proper documentation is necessary to support all payroll transactions.

WE RECOMMEND the MSWP ensure time sheets are completed for all employees in the future.

AUDITEE'S RESPONSE

The MSWP policy now requires, regardless of rank, that all employees complete time sheets.

4. Cash Procedures

- A. The MSWP receipts include monies from the sale of surplus property, federal excise tax refunds, and fees received for copies of accident reports. Receipts totaled \$96,997 for the year ended June 30, 2001, with the majority of the receipts being from the sale of surplus property. The person who opens the mail does not prepare an immediate record of receipts. Receipts are not recorded until they are entered on the Statewide Advantage for Missouri system (SAM II) by someone other than the person who receives the mail. Preparation of an immediate record of receipts is necessary to adequately safeguard receipts against loss or misuse.
- B. The MSWP has \$355 in seized funds that the MSWP has not been able to return to the applicable owner. The majority of the monies were received by the MSWP prior to 1996 with some monies being held since 1988. If proper disposition of these funds cannot be done, these monies should be disposed of in accordance with the state's unclaimed property laws (Sections 447.500 through 447.595, RSMo).
- C. The MSWP has designated officers in each district to be responsible for handling drug buy monies. Generally, the drug buy monies are held in cash although one

district has deposited drug buy monies into a bank account. The drug buy monies range from \$235 to \$930 at the districts while General Headquarters has \$3,100. During our review of the procedures and records regarding drug buy monies, the following concerns were noted:

- Monthly reports were not submitted to General Headquarters on a timely basis. A report indicating any activity regarding the drug buy monies is to be submitted monthly to General Headquarters. One district submitted the monthly reports for January 1999 through May 2001 in June 2001. In addition, another district holding drug buy monies in a bank account did not submit a copy of the monthly bank statement as part of the monthly report to General Headquarters. Monthly reports along with the applicable bank statements should be submitted to General Headquarters on a timely basis to ensure General Headquarters can properly monitor the activity of drug buy monies.
- Periodic surprise reviews of drug buy monies held by the officers were not performed. Surprise reviews are necessary to ensure that drug buy monies are used for authorized purposes only. Without surprise reviews, the risk of loss, misuse, or theft of the money increases.
- Drug buy monies are not used very often. For example, General Headquarters had no activity relating to drug buy monies since May 1998 and had very little activity before May 1998. One district's monthly reports indicated no activity going back to February 1995 while another district's monthly reports indicated no activity going back to August 1996. The other districts also indicated very little activity associated with the drug buy monies. Having excessive amounts of monies on hand increases the risk of loss, misuse, or theft of the money.

WE RECOMMEND the MSWP:

- A. Prepare an immediate record of receipts as the mail is opened.
- B. Return the seized funds back to the applicable owner. If this is not possible, these monies should be disposed of in accordance with the state's unclaimed property provisions.
- C. Ensure the monthly reports of drug buy activity and the applicable bank statements are submitted to General Headquarters in a timely manner, perform periodic surprise reviews of the drug buy monies, and reconsider whether current balances of drug buy monies are necessary.

AUDITEE'S RESPONSE

The MSWP concurs with the findings for cash procedures.

- A. *A receipt log has been in place since June 2001.*
- B. *We will check with the appropriate people on how best to dispose of the long-term evidence.*
- C. *We are checking seizure buy reports and bank statements monthly. Policy has been established for periodic surprise reviews for drug buy monies.*

5. Duplicate Record Keeping

The MSWP is maintaining two systems to account for its fixed assets and payroll. In addition to maintaining fixed assets and leave accrual records on the new SAM II system, the MSWP has continued to maintain their old fixed assets and leave accrual systems.

Maintaining duplicate records is an inefficient use of state resources. Duplication of record keeping requires additional time by employees and takes time away from other duties required of the employees.

WE RECOMMEND the MSWP discontinue the maintenance of duplicate fixed assets and leave accrual records.

AUDITEE'S RESPONSE

The MSWP is taking under advisement the findings for duplicate record keeping.

The patrol's Manual Time System and Fixed Assets System have been maintained as a "control" while the SAM II system was being implemented. We felt that it was wise to run the systems concurrently in order to compare employee time for accuracy and to ensure all fixed asset modules in SAM II are working correctly.

This report is intended for the information of the Department of Public Safety, Missouri State Water Patrol's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and Statistical Information

DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE WATER PATROL
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

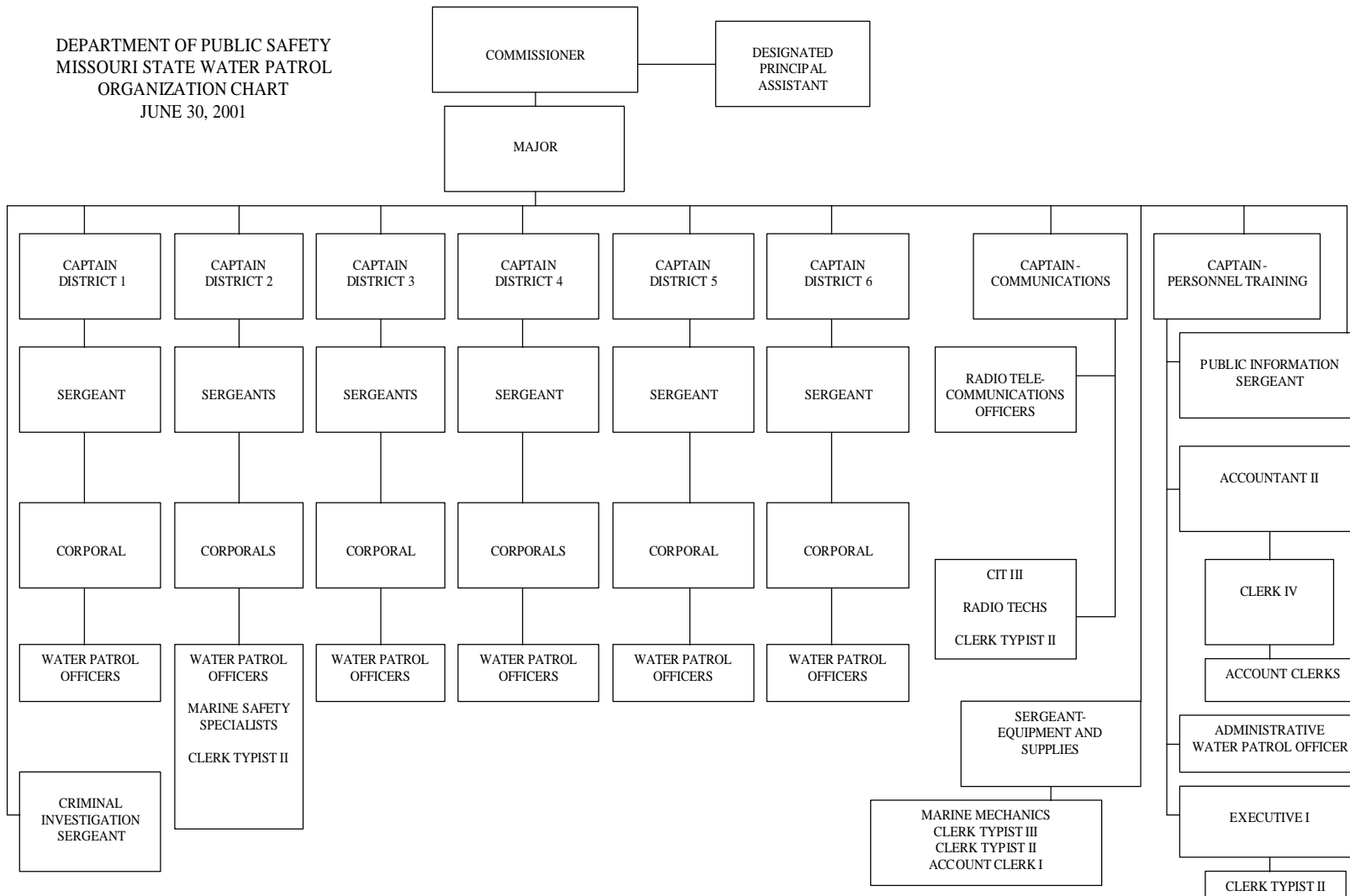
In 1959, the 70th General Assembly enacted legislation for regulation of boating in Missouri. The resulting agency was called the Missouri Boat Commission, and its purpose was to provide boating safety for the state through registration, inspection, education, and law enforcement. The Omnibus State Reorganization Act of 1974 transferred the Missouri Boat Commission to the Department of Public Safety and the agency was renamed the Division of Water Safety. In 1989, the Division of Water Safety was renamed as the Missouri State Water Patrol.

The purpose of the Missouri State Water Patrol is to make the waters of the state safe for boating and other water-related activities through law enforcement, registration, inspection and educational programs.

The Missouri State Water Patrol is a statewide law enforcement agency specializing in the regulation of waterways and boating safety. The Missouri State Water Patrol operates in a quasi-military fashion with authority being delegated by rank. For control purposes, the state is divided into six districts with a captain in charge of each district. The agency had 124 employees at June 30, 2001, including 84 water patrol officers.

Colonel Larry Whitten served as the Commissioner from May 17, 1993 to December 31, 2000. Major James Glover served as Interim Commissioner from January 1, 2001 until June 6, 2001 when Colonel Jerry Adams started serving as Commissioner on June 7, 2001. An organization chart follows.

DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE WATER PATROL
ORGANIZATION CHART
JUNE 30, 2001



Appendix A

DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE WATER PATROL
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

Year Ended June 30,						
	2001			2000		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE						
For statewide assessment, abatement, removal, remediation, and management of hazardous materials and pollutants	\$ 3,191	3,191	0	17,625	14,434	3,191
For statewide pavement management system	4,570	4,570	0	0	0	0
Personal Service	4,102,068	3,900,060	202,008	3,873,227	3,757,029	116,198
Expense and Equipment	1,247,431	995,030	252,401	1,195,431	1,150,014	45,417
Drug - Expense and Equipment	27,562	16,177	11,385	0	0	0
General expenditures from federal forfeiture funding sources deposited in the general revenue fund	0	0	0	27,562	0	27,562
For emergency and unprogrammed requirements for facilities statewide	0	0	0	2,000	2,000	0
For statewide pavement management system	25,000	25,000	0	0	0	0
Total General Revenue Fund - State	5,409,822	4,944,028	465,794	5,115,845	4,923,477	192,368
FACILITIES MAINTENANCE RESERVE FUND						
For maintenance, repairs, replacements, and improvements at facilities statewide	11,283	11,283	0	12	0	12
Total Facilities Maintenance Reserve	11,283	11,283	0	12	0	12
DEPARTMENT OF PUBLIC SAFETY - FEDERAL FUND						
Expense and Equipment	1,337,060	1,064,334	272,726	1,325,583	1,313,702	11,881
Personal Service	269,427	144,850	124,577	174,680	104,426	70,254
Total Department of Public Safety - Federal Fund	1,606,487	1,209,184	397,303	1,500,263	1,418,128	82,135
FEDERAL DRUG SEIZURE FUND						
Expense and Equipment	0	0	0	27,562	5,447	22,115
Total Federal Drug Seizure Fund	0	0	0	27,562	5,447	22,115
Total All Funds	\$ 7,027,592	6,164,495	863,097	6,643,682	6,347,052	296,630

Appendix B

DEPARTMENT OF PUBLIC SAFETY
MISSOURI STATE WATER PATROL
COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,	
	2001	2000
Salaries and wages	\$ 4,044,910	3,861,455
Travel	102,288	101,819
Fuel and utilities	29,386	25,433
Supplies:		
Repair and maintenance	324,868	505,474
Administrative	135,161	146,439
Specific use	65,736	81,006
Other	7,391	23,995
Professional development	29,767	27,704
Services:		
Communications	233,565	201,780
Professional	105,473	6,618
Transportation repair and maintenance	71,334	80,374
Business	57,207	99,022
Equipment repair and maintenance	38,661	25,885
Housekeeping and janitorial	14,313	10,336
Equipment:		
Motorized	599,317	698,347
Electronic and photo	72,262	123,222
Specific use	55,255	76,018
Computer	34,922	91,355
Other	1,302	32,311
Property and improvements	41,787	21,831
Real property rentals and leases	95,983	93,097
Other	3,607	13,531
Total Expenditures	\$ 6,164,495	6,347,052

* * * * *



MANAGEMENT OF CARING COMMUNITIES PROGRAM

**From The Office Of State Auditor
Claire McCaskill**

Better management of the \$24.8 million Caring Communities program is needed to ensure communities are accountable for results and program funds are distributed in a manner that provides the most benefit.

Report No. 2001-107
October 16, 2001
www.auditor.state.mo.us

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

October 2001

www.auditor.state.mo.us

**Missouri's Caring Communities social services program fell short of its cornerstone:
ensuring partnerships accounted for results and funds reached the right areas**

This audit reviewed the management of the state's Caring Communities program, an innovative approach started in 1993 to improve delivery of social services. The program involves partnerships with neighborhood, local businesses and state agency representatives and now includes 21 community partnerships statewide with a \$24.8 million budget in fiscal year 2001.

Auditors found program officials have not ensured accountability for their performance by setting goals tied to data-driven results or linked expenditures to specific outcomes. The following highlights the audit's findings:

Results-based planning not implemented

The majority of the 52 site plans reviewed by auditors did not address results-based planning, a program requirement. For example, some partnerships spent resources to correct a problem without data to prove a problem existed. Several plans included immeasurable benchmarks, such as "improve childrens' self-esteem." In addition, program coordinators did not critically review most partnership plans, but generally accepted them as submitted. (See page 5)

Lack of data impeded reporting and planning

Partnership personnel did not always have access to data needed to identify community problems worth targeting. St. Louis and Jackson County partnership personnel have both struggled to obtain state-level data, but have had limited access due to privacy issues. Data that is provided is often only at zip-code level, which does not offer enough detail to draw conclusions. Program officials have paid an outside consultant \$234,000 to propose solutions to data and confidentiality issues, but it is only a proposal. Lack of data has resulted in partnership's reporting results with anecdotal descriptions and no data to prove true change. (See page 9)

Statewide program evaluation of little use

Program officials paid an outside consultant \$456,000 in 1997 to evaluate the program's results statewide, but program officials called the evaluation "soft" and of little use. In August 2000, program officials spent \$280,000 for another statewide evaluation, including a specific study of the program's data weaknesses. Program officials said this evaluation will be more useful. (See page 10)

YELLOW SHEET

MANAGEMENT OF CARING COMMUNITIES PROGRAM

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and

Directors, Departments of Social Services, Mental Health, Elementary and Secondary Education,
Health, Economic Development, Labor and Industrial Relations, Corrections, and Public Safety
Jefferson City, Missouri

The State Auditor's Office has reviewed the Caring Communities program that is administered by the Department of Social Services. The State Auditor's Office reviewed the program to determine whether improvements in the management and oversight of the Caring Communities program are needed. Specific objectives included determining whether (1) program officials have assured accountability in the program; (2) funding strategies exist that allow equitable funding of community programs; and (3) other improvements are needed in the administration of the program.

We concluded that the following improvements are needed in the management and oversight of the Caring Communities program in order to ensure program objectives are achieved:

- Program officials need to increase accountability for program results by improving the planning process. Program officials have not (1) successfully implemented the results-based planning process; (2) required reporting to be linked to data-driven results; and (3) required linkage of expenditures to specific outcomes.
- An equitable funding strategy needs to be established for the program because the funding formula has created inequities among partnerships. Program officials have not linked the needs of communities or the performance of partnerships to the funding process.
- Other improvements are needed in the administration of the program because (1) some partnership employees' salaries are being paid from state funds without proper agreements delineating what the partnership will provide in return; (2) internal audit findings have not been corrected and, as a result, funds are missing at one partnership; (3) the appropriations process does not accurately reflect funding by participating agencies; and (4) opportunities to reduce unnecessary administrative costs have been overlooked.

The audit was made in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests of the procedures and records as were considered appropriate under the circumstances.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 30, 2001 (fieldwork completion)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
Audit Manager:	Robert D. Spence, CGFM
In-Charge Auditor:	Robert E. Showers, CPA
Audit Staff:	Douglas P. Robinson
	Brenda J. Simpson

RESULTS AND RECOMMENDATIONS

1. Program Officials Need to Ensure Accountability for Program Results

Program officials charged with the responsibility of overseeing the Caring Communities program have not been successful in implementing one of the cornerstones of the program—assuring accountability. Improvements in this area are needed because program officials have not:

- ✓ Successfully implemented the results-based planning process.
- ✓ Required reporting to be tied to data-driven results.
- ✓ Required linkage of expenditures to specific programs.

As a result, the program lacks the necessary accountability to ensure that goals are achieved and funds are going to the right programs.

The state created an innovative approach to delivering social services

The Caring Communities program (the program) represents an innovative approach to delivering social services and other programs that are needed in communities. Historically, state agency officials, without the benefit of local input, made key decisions on programs needed in communities. However, in 1993 the governor of Missouri issued Executive Order 93-43 establishing the Family Investment Trust¹ (the Trust) to change how communities and state government work together to improve results for families and children. (*See Appendix VI, page 37, for Executive Order 93-43.*) According to Trust literature, the governor charged Trust officials to assist communities and state agencies in addressing four policy directions as follows:

- Increase the accountability of communities and agencies to improve results.
- Change the way services are delivered by integrating and basing them in the neighborhoods where children go to school and families live.
- Change the way services are financed by pooling funds more flexibly across state agencies and communities.
- Change the way decisions are made by involving neighborhood residents and community stakeholders, in decisions that affect their well-being.

Program officials implemented a results-based accountability planning model to help ensure the communities are accountable for results. This model allows data-based program outcomes to aid in the planning of future program activities. In its literature published in 1995², Trust officials describe results-based accountability as the foundation for all other changes desired because it:

¹ Now known as the Family and Community Trust

² "Missouri's Direction for Change: Achieving Better Results for Families and Children" March 1995 .

- Measures performance by identifying the benchmarks of progress.
- Produces clear information to be distributed publicly to citizens and policy makers.
- Links the expenditure of dollars to specific results and priorities.
- Uses rewards and sanctions that are tied to performance.

According to the published literature³, state agencies and communities would make the transition to results-based accountability over a 3-year time period (1995-1998). Also, communities and state officials would have to negotiate agreements about the rewards and sanctions tied to results.

Program officials began establishing community partnerships to facilitate achieving the new direction in delivering services to neighborhoods. The partnerships were made up of neighborhood, local businesses, and state agency representatives who assumed responsibility for developing a community-wide agenda to improve six core results for children and families:

- Parents are working.
- Children are safe in their families, and families are safe in their communities.
- Young children are ready to enter school.
- Children and youth are succeeding in school.
- Children and families are healthy.
- Youth are ready to enter the work force and become productive citizens.

As of June 30, 2001, there were 21 community partnerships with 111 Caring Communities sites throughout the state. Approximately \$98 million has been budgeted in state and federal funding for the program for fiscal years 1998 through 2001, including \$24.8 million budgeted for fiscal year 2001. (*See Appendix V, page 35, for additional information on appropriations and expenditures.*) The Department of Social Services is the lead agency responsible for coordinating with seven other state agencies and administering funding for the program.⁴ The metropolitan-based Area Resources for Community and Human Services, (the St. Louis Partnership) and the Local Investment Commission, (the Jackson County Partnership) are the two largest in terms of scope, population affected, budget, and number of Caring Communities sites.

³ "Missouri's Direction for Change: Achieving Better Results for Families and Children" March 1995.

⁴ The other seven agencies are: Health, Mental Health, Corrections, Elementary and Secondary Education, Public Safety, Economic Development, and Labor and Industrial Relations

Audit Procedures

Auditors performed work at state program offices in Jefferson City, the Family and Community Trust office (the umbrella organization for the Caring Community partnerships) in St. Louis, and partnership offices and site locations in the city of St. Louis, and Jackson, Boone, and Phelps counties. The audit period included fiscal years 2000 and 2001 and auditors conducted review work from December 2000 through June 2001. Auditors reviewed site plans, interviewed key program and partnership officials and reviewed statutes, policies, and procedures.

Table 1.1: Description of Locations Visited

Program Locations	2001 Funding (millions)	Number of Sites	Number of Staff
St. Louis	\$5.9	20	89
Jackson County	3.5	20	26
Boone County	1.4	10	12
Phelps County	.3	4	6

Source: Auditor analysis of partnership records

St. Louis partnership officials operate school-based intervention programs for children and families with services such as case management, substance abuse counseling, and after school programs. The Jackson County partnership officials deliver services in neighborhood locations and are school and community based. Jackson County partnership personnel also act as facilitators to help community leaders secure funding through grants or other state or federal funding for programs at the local level. Both locations focus on two to three core results and establish strategies to improve in these areas.

Boone County partnership officials focus on the delivery of services through school-based sites. Each site is responsible for selecting one or more of the core results to address.

Phelps County partnership officials have delivered services through school-based sites. Program officials are transitioning to the community-based facilitator approach, serving four communities—Rolla, St. James, Newburg, and Edgar Springs. In that role, partnership officials will help communities secure other funding sources for needed services. The Phelps County Caring Communities program focuses on two of the six core results. (*See Appendix II, page 26, for additional background information on these partnerships.*)

Officials have not successfully implemented results-based planning

Program officials have not successfully implemented a planning process that ensures accountability. To emphasize accountability, program officials implemented a results-based planning model that should have been reflected in planning documents by fiscal year 1999, according to program officials. However, the majority of the 52 site and partnership plans reviewed for fiscal year 2000 were not adequately prepared. Examples of problems related to the implementation of the results-based planning model follow:

- Local partnership officials implemented strategies to correct problems without having data that indicated problems actually existed. Instead, many of the plans based the need for action on generalizations or general observations at the local level. For example, several plans cited that children in today's society are exposed to a lot of negative influences, such as guns, drugs and gangs, as the reason action was needed to increase the safety of the children in their particular school. Guidance on planning issued by the Trust emphasizes the need to obtain data to verify that a problem actually exists in order to target the right areas for improvement.

Resources spent without defining problems
- Site and partnership officials responsible for preparing plans were not always aware of other state or federal programs operating in their community and the potential impact of those programs when assessing needs, planning strategies, or assessing results achieved in their communities. In cases where personnel were generally aware of other programs, they had not taken steps to assess the impact those programs might have on their community while planning local strategies or evaluating results. For example, several community partnerships offered job training and unemployment services through other entities. If local officials identified job training as an issue at the local level, site personnel would need to consider the impact of having job training and unemployment services available in their neighborhood when assessing needs, planning strategies and measuring results.

Impact of other programs not addressed
- A benchmark is a desired outcome or goal that should be quantifiable. During our review of site plans we found the following deficiencies in the development of benchmarks:

 - Benchmarks were not always stated in measurable terms and, therefore, were not quantifiable. For example, benchmarks such as "Improve Children's Self-esteem" and "Increase Parents Awareness of School Programs" were common among the plans reviewed. While program personnel may view improving a child's self-esteem as important, it cannot be quantified in a meaningful way. An example of a benchmark or goal stated in measurable terms would be "Increase Standardized Test Scores" which would be quantified and measured by using the test scores.

Expected outcomes were not measurable
 - Expected outcomes were not always specific. Specific outcomes require local program personnel to predict the level of impact realistically expected to result from strategies in place. For example, "Increasing Standardized Test Scores" is an outcome that is measurable, but not specific. However, "Increasing Standardized Test Scores by 5 percent" provides a specific expected improvement.

Expected outcomes were not specific

- Many benchmarks were actually performance measures of strategies. According to results-based accountability literature⁵, a performance measure measures the effectiveness of a specific strategy, while a benchmark quantifies the desired outcome or result. Early in the program, program officials developed 18 standard benchmarks. These benchmarks all quantified the achievement of a specific core result and were supportable by an established data source. *(See Appendix IV, page 33, for a listing of the established benchmarks.)* However, site personnel have been allowed to develop their own benchmarks in addition to the established 18 standard benchmarks that have contributed to weaknesses in benchmarks described above.

Outcomes
were actually
performance
measures

A recent review of site plans by a contractor working with state officials to improve reporting of results, revealed that fiscal year 2000 site plans contained approximately 180 separate benchmarks. The contractor found that the majority of the benchmarks were actually performance measures. This does not allow for comparability of results between partnerships and makes a statewide evaluation very difficult, according to the contractor representative. *(See page 9 for additional information on work done by this contractor.)*

“Increased Attendance Rates” is an example of a performance measure incorrectly used as a benchmark under the core result “Children Succeeding In School.” Attempting to increase attendance is a valid strategy to increase academic achievement, however increasing attendance rates does not necessarily indicate that children are achieving academically. It only indicates the children are at school. On the other hand, the standard benchmarks under the “Children Succeeding In School” core result include (1) the number of children retained in a grade; (2) reading and mathematics levels (generally measured by standardized tests); and (3) change in grade average. The standard benchmarks quantify the achievement of the core result.

- Our review of site plans revealed that the majority did not include an evaluation plan as suggested by Trust planning guidance. This guide indicates that an adequate evaluation plan should address: the data sources to be used; the timing of future assessments; and the outcomes noted so far; through an analysis of benchmark baseline data and performance measures. *(For more information regarding the results-based accountability model, including definitions of terms and a description of the planning process, see Appendix IV, page 33.)*

Evaluation
plans were
deficient

⁵ Source: Results Accountability for Proposition 10 Commissions: A Planning Guide for Improving the Well-Being of Young Children and Their Families, March 2000. A project of the University of California, Los Angeles, Center for Healthier Children, Families, and Communities.

Lack of oversight and training have contributed to poor planning efforts

Review of planning documents and discussions with program personnel revealed a general lack of oversight of the planning process by program officials at all levels. For example, program coordinators are responsible for reviewing partnership plans at the state level. However, the plans are generally accepted and receive little critical review, according to some coordinators. In addition to reviewing partnership plans, coordinators stated they also review some, but not all, of the site plans. Partnership personnel are primarily responsible for the review of the site plans. However, most partnership personnel did not conduct critical reviews of site plans. Instead, site plans were generally accepted as submitted—some with incomplete or inadequate information.

Officials have provided little oversight at most sites

Discussions with site personnel responsible for preparing site plans indicated they did not have a clear understanding of what is expected in the planning document or of the planning process. Site personnel also indicated that they felt the training received was not sufficient to fully understand the planning process. Most site personnel interviewed indicated a need for additional training.

Personnel did not understand the process

Efforts to enhance planning

Program officials stated that they have worked with partnership and site personnel to improve the quality of site and partnership planning documents, citing several training sessions that had occurred during the past 2 years. Trust officials stated they plan to provide additional training to program personnel during the next year to enhance planning efforts by site personnel.

At two of the four locations visited, auditors found evidence that partnership officials had been actively involved in the planning process. Jackson County partnership personnel were more involved in making critical assessments of site plans. Officials made efforts to provide feedback to site personnel regarding plans, and provided additional training to site personnel. Site plans reviewed at the Jackson County partnership were generally more adequate than plans reviewed at other locations visited.

Planning and reporting efforts have been impeded by a lack of data

The planning and reporting process is dependent upon having access to adequate and reliable data, according to results-based accountability literature. Auditors found that site personnel have not had access to data needed to help determine whether a problem really existed, or access to data to measure outcomes. Data-related deficiencies found during auditors' review of the planning process are as follows:

- Site personnel have not always used data to help determine whether a problem really existed or to track program outcomes. Results-based accountability literature stresses the need for baseline, or trend data that can be collected and reviewed for several years in succession. Trend data can then be analyzed to determine how the community or neighborhood has improved or declined compared to a standard. For example, if site personnel believe children in first through sixth grades are not reading at the appropriate level, reading score trend data could be collected for a particular school and used to compare against a community or statewide standard. That would help establish whether a problem actually existed and also help site personnel establish a benchmark—the improvement expected or desired at the local level in reading scores.
- St. Louis and Jackson County partnership personnel stated that they have not had access to all state data that they felt was needed to meet their needs. They have struggled to obtain database information maintained at the state level and have had limited success because some state agencies refused to share data with the partnerships due to concerns over the confidentiality issues relating to the data. Jackson County personnel have had some success in working out confidentiality agreements with some agencies but not all agencies will cooperate. For example, a representative from the Department of Health stated that state and federal statutes prohibit him from releasing certain information on patients. The Departments of Elementary and Secondary Education, and Labor and Industrial Relations are additional examples of agencies concerned over privacy issues, according to program officials. When agencies do provide the partnerships with data, it is usually zip-code level data that does not allow for enough detail to draw meaningful conclusions, according to partnership personnel.

Data is needed to help define problems and measure results

Site personnel do not have access to all data needed

Officials' efforts to solve data problems

In September 1999 and 2000, Trust officials contracted with the Office of Social and Economic Data Analysis, which is associated with the University of Missouri (the contractor), to develop a proposal to summarize state level data to specified local areas in order to solve data confidentiality issues. Contract efforts covered a 2-year period and cost approximately \$234,000. The contract also calls for the contractor to improve the current reporting system and develop guidelines for the fiscal year 2000 program evaluation. The contractor will make its final report to program officials by September 1, 2001. All elements of the contract have been substantially completed, according to the contractor and program officials. However, once completed, program officials will only have a *proposal* that addresses a solution to data access problems. They will not have a functioning system capable of providing data to partnerships.

Officials hope to have a proposal to address issue

Reporting of program results has not been adequate

Auditors found that reports prepared by site personnel did not reflect results that were adequately supported by data. Instead, site personnel used narrative descriptions of program strategies to report program results. For example, a report completed by site personnel at one elementary school reported on the positive outcomes related to the strategy of having high school student cadets mentor several elementary students. This strategy was intended to affect the following benchmarks: decrease violent crime, decrease disciplinary referrals and decrease grade retentions. The report did not contain any data to show an improvement in the stated benchmarks. The only results reported for this strategy included the following: “The presence and attention of the cadets has an immediate effect on the students. Through the mentoring, the students learn to address and vent their feelings and concerns appropriately and engage into (sic) good verbal conflict resolution without the use of aggression and abusive language. Through the efforts of the cadets, we can expect decreases in violent crime, disciplinary referrals, and grade retention among students.”

Reporting has not been supported by data

As of June 30, 2001, program officials were in the process of implementing improvements to the reporting system that were proposed by the Office of Social and Economic Data Analysis. This office focused on ensuring that reports submitted were in a results-based format and supported by data.

Efforts to report on statewide results have not been successful

Early in the program, program officials intended on relying on contracted program evaluations to report program results. However, program officials’ attempts to obtain a meaningful evaluation of the program on a statewide basis have not been successful. In 1997 and 1998, program officials contracted for evaluations at a total cost of \$456,000. However, program officials have described these evaluations as “soft” because the evaluations did not provide meaningful and specific information on statewide results achieved. In August 2000, program officials contracted for another statewide evaluation at a cost of \$280,000. Program officials believe that this effort will provide meaningful information to officials because one of the objectives is to discover where data weaknesses exist in the current system. An interim report issued by the contracting firm, submitted to program officials in May 2001, indicated a standard set of benchmarks and data sources is necessary to effectively measure program outcomes statewide as well as between partnerships.

\$456,000 spent with little useful results

Governor’s efforts to improve measuring and reporting results

In April 2001, the governor issued Executive Order 01-07, which re-established the Trust as the Family and Community Trust and directed the Trust, among other things, to develop a system to measure and report statewide and community-level success in achieving the six core results, based on benchmarks derived from statewide results by October 1, 2001. The executive order also emphasized results-based planning and

management. The governor's staff is working with Trust and state officials to address data and reporting needs in an effort to meet the deadline. *(See Appendix VI, page 37, for full text of executive order 01-07.)*

Expenditures cannot be related to outcomes

Funds expended cannot be directly attributed to core results or benchmarks. One of the keys of the results-based accountability model is to use results achieved to reallocate resources to strategies that are working, according to results-based accountability literature. Program officials have established 15 standard cost categories that do not necessarily relate to specific core results or benchmarks. For example, it is not clear which core result or benchmark a partnership is attempting to effect by charging expenditures to the cost category "Family Support." "Family Support" could be attributable to any one of the program's six core results.

Expenditures
cannot be
related to
outcomes

Conclusions

Program officials have not taken the steps necessary to ensure accountability in the program and are not in a position to know whether or not they have achieved program goals. Accountability will not occur unless program personnel understand the importance of the planning process and implement it correctly at the local level. Using reliable and meaningful data is also critical to achieving accountability. Currently, program personnel do not have the data sources needed to accomplish effective planning. The governor has mandated that officials have a system developed by October 1, 2001, to measure and report statewide and community-level success in achieving the six core results. However, program officials do not expect to have a proposal until August 31, 2001, and there may not be time to develop the system to meet the governor's mandate. The ability to link program expenditures to outcomes is also critical to assuring accountability and currently that link is missing in the program. Without this ability, site personnel and officials overseeing the program have no means to relate expenditures to program goals. If steps are not taken to address these areas there can be no assurance that program funding will be spent in the right areas and that program goals will be met.

Recommendations

We recommend the Department Directors:

- 1.1 Implement the results-based planning model by directing local officials responsible for preparing site plans to:
 - Establish problem statements that are well supported and based on data.
 - Assess the impact that other programs have in assessing needs, planning strategies, or assessing results achieved.
 - Establish benchmarks that are measurable and have specific outcomes.
 - Prepare evaluation plans for inclusion in site plans that address how current and future program outcomes will be evaluated.

- 1.2 Initiate training to ensure that results-based planning efforts will be effective. Training should be focused in the following areas:
- Defining problems.
 - Assessing the impact of other programs in assessing needs, planning strategies, and assessing results.
 - Development and use of benchmarks.
 - Evaluation of outcomes.
 - Effective use of data in the planning and reporting process.
- 1.3 Intensify efforts to gain the cooperation of state agencies in sharing needed databases.
- 1.4 Restructure cost categories to allow program expenditures to be attributable to specific core results and benchmarks.

Auditee Comments

The state Department Directors agreed with the recommendations and elected to have the Family and Community Trust Board of Directors respond to this report. Their response follows:

The partners involved with the Caring Communities initiative appreciate the interest with which the State Auditor's office has examined our system-reform effort in Missouri. The process of the audit and the subsequent face-to-face interviews with audit staff have been both enlightening and encouraging. We noted with great pleasure the recognition by your office during our exit interview of the good work in which this initiative is involved in Missouri and the encouragement the auditors proffered to continue it.

As noted frequently throughout the audit, implementation of the Caring Communities concept is an evolutionary process; one that continually demands introspection and transformation. The work of Caring Communities will continue to move forward in order to achieve our core results for families and children in Missouri.

The initiative will utilize the audit report as a management tool against which to gauge our plans for next steps. With that in mind, we concur with the nine recommendations noted in the audit report and will incorporate these suggestions as we make the necessary changes. As was noted in our exit interview, task forces set up by the Family and Community Trust (FACT) Board of Directors have been at work since January 2001, studying the issues about which the audit expresses concern. Task Force reports and recommendations are due to the Board in November and work to implement those recommendations will begin promptly. Among those, which address the areas of concern noted in the audit recommendations, are:

- 1.1 *FACT, in conjunction with the state agencies, will implement a training plan to build the capacity of both local Caring Community personnel and State personnel to develop and define community plans based on needs, strategies, and outcomes that are supported by data. This will begin during the current fiscal year in order to impact the level of quality in the plans.*

In cooperation with the Governor's Office, efforts are underway to develop a new statewide Reporting System containing measurable benchmarks and specific outcomes. The joint task force addressing this issue will have the design of this reporting system completed in October 2001.

- 1.2 FACT will reorganize and enhance its training components to specifically address the areas noted in the audit report. Efforts are currently underway to implement new learning guide modules which will address using data to assess community needs, strategy development, results accountability, and evaluation. The development of training modules will be enhanced by the use of an evaluation of Caring Communities. The final report on this evaluation is expected to be published in December 2001.*
- 1.3 The New Reporting System will require increased sharing and the probable expansion of state databases. Efforts are currently underway to redefine local areas based upon the most recent census tracks. This will allow for a better application of state databases in defining community level needs and evaluating community level results. This will be an ongoing challenge.*
- 1.4 The implementation of a comprehensive management information system will allow for the capture of expenditures by core result and benchmark. This should be operational statewide by December 2002.*

2. An Equitable Funding Strategy Needs to Be Established

Program officials' approach to funding partnerships does not assure equitable funding of those partnerships. Officials' use of an arbitrary funding formula to fund partnerships has ignored the needs of communities and the performance of partnerships. Without an adequate needs assessment, program officials can not be assured that adequate program funding is reaching communities most in need of it and that other communities are not over funded. Without an assessment of the performance of partnerships, program officials cannot be assured that program funding is spent most effectively. In addition, the sustainability of larger programs is in question given proposed budget reductions and it is questionable whether additional communities that need the program will be allowed to participate.

Program funding is not based on needs of communities served

Program funding allocated to partnerships is not based on the needs of the community served by the partnership. Instead, program officials have used a funding formula to allocate program funding to most partnerships, based on the number of students in the largest school district in the partnership's county. The funding formula favors partnerships in counties with large school districts over more rural areas with smaller school districts. Table 2.1 displays Caring Communities partnerships and funding.

Funding is based on the number of students

Table 2.1: Partnerships, Date Established, and Budget

Partnership	Date Established	Fiscal Year 2001 Budget* (in thousands)
Phase I Partnerships		
Area Resources for Community and Human Services (St. Louis City and County)	1997**	\$5,856
Local Investment Commission, Jackson County	1995	3,462
Community Partnership of the Ozarks	1995	1,956
Columbia/Boone County Community Partnership	1995	1,418
St. Joseph Youth Alliance, Buchanan County	1995	999
Community Caring Council, Cape Girardeau County	1995	596
Northeast Missouri Caring Communities	1998**	509
Phase II Partnerships		
Southwest Missouri Community Alliance (Jasper and Newton Counties)	1997	768
Jefferson County Community Assistance Network	1996	624
Butler County Community Resource Council	1997	390
Pettis County Community Partnership	1996	328
Phelps County Community Partnership	1996	304
Families and Communities Together, Marion County	1996	300
New Madrid County Human Resources Council	1998	170
Dunklin County Caring Council	1998	164
Ripley County Caring Community Partnership	1997	137
Mississippi County Interagency Council	1998	126
Pemiscot County Initiative Network	1998	101
Phase III Partnerships		
St. Francois County	1999	50
Washington County	2000	50
Randolph County	2000	50

Source: Trust and partnership officials and Department of Social Services – Enterprise Unit Financial Reports

Notes: * Represents state Caring Communities program funding only and excludes other sources of funding.

** The Caring Communities pilot program began in 1989.

As shown above, there is a wide range of funding. Phase III partnership funding was not based on the funding formula, but was restricted to \$50,000 because of funding limitations.

One of four partnerships visited may be over funded

Boone County partnership officials have allowed approximately \$1 million in program funds to expire for fiscal years 1998 through 2001. State program officials provided \$1.4 million in fiscal year 2001 funding without any consideration of the partnership's need or ability to utilize the funding. Program documentation indicated that Boone County's employment rate, as well as average earnings per worker, consistently exceeded state averages. Columbia is also a provider-rich community with the University of Missouri and multiple healthcare providers. According to a partnership official, site personnel over estimated mental health funding needed for those years, in part, because the majority of mental health services provided to Columbia students were covered by insurance. Funds expired

Officials did not assess need for funding

because partnership officials did not re-direct program funds for other purposes or return funds to the state for reallocation to other partnerships.

Sustaining delivery of services by some partnerships is questionable

State program officials' funding of most partnerships has allowed those partnerships to deliver a full array of services to communities. Early programs, such as St. Louis, were established with programs already in place delivering services to the community. Once the Caring Communities program was established, the funding of those services continued. However, the state legislature has reduced the Caring Communities fiscal year 2002 appropriation by \$5.3 million for a 22 percent reduction to the \$24.8 million fiscal year 2001 budget. Program officials have left the decision with partnership officials as to how to reduce partnership budgets.

Partnerships
are facing
budget cuts

Some partnerships have chosen to act as advisors to the community

Based on the desire to reach more of the community and in an environment of budget restrictions, some partnerships have chosen to act as facilitators, or advisors, to the communities that they serve. The following describes some partnership plans to act as facilitators:

- St. Louis partnership officials stated that they anticipate a significant reduction in program funding and as a result, plan to reduce services provided to the community and initiate efforts to be more of a facilitator, or advisor, and help community leaders find the resources needed.
- Phelps County partnership officials decided in 1999 to focus efforts on helping communities help themselves, which they described as capacity building. Given the limited resources at their disposal—\$304,000 for fiscal year 2001, officials decided that instead of investing limited program resources on a small population of students at school locations, they could accomplish more by helping community leaders define problems and find funding to help solve those problems. Partnership personnel have assisted in writing and receiving several grants to aid the entire community.
- Partnership officials in Jefferson County stated that they intend to initiate the facilitator role in order to reach more of the county's needy population and Boone County partnership officials stated they are also considering adding a facilitator approach to their program. Newer partnerships such as Washington, St. Francois, and Randolph counties received minimal funding to start programs and officials have also decided to act as facilitators to the community.

Partnerships
are choosing
to become
facilitators

Program funding is not tied to performance of partnerships

Literature issued by the Trust has recognized that one of the strengths of a results-based accountability model is the use of rewards and sanctions that are tied to performance. However, performance of individual partnerships has not been considered at the state level while formulating annual budgets. Instead, budgets, based on the funding formula described on page 14, are simply carried forward year after year with only minor adjustments. Partnership officials we spoke with generally expect to see current funding levels maintained unless there are budget shortfalls.

Performance
is not
considered in
funding

Furthermore, officials at the partnership level do not consider the performance of local sites during their budget preparation phase. Pre-established funding levels are carried forward annually with only minor adjustments. Site personnel indicated that they assume that they will receive about the same level of funding from the partnership as they received the previous year.

Efforts to resolve funding inequities have not been successful

Program officials have attempted to address the inequity in funding and other budget related issues by establishing a 13-member budget taskforce made up of state and local partnership officials. Two of the issues addressed by the taskforce included:

- Funding inequities and several alternative funding formulas, however, no agreement was reached in the fall of 2000. One alternative considered using the total number of children in a county. However, taskforce members noted that this approach did not address poverty levels of the affected counties.
- The concept of core funding of partnerships. This issue involves whether core funding should sustain current budget levels of partnerships or merely sustain the basic infrastructure of a partnership. Taskforce members noted that the resolution of this question would have a great impact on how program funding would be allocated in the future and the extent to which they could be used to expand activities statewide.

Once taskforce members come to an agreement on these and other issues, they will report to officials at the state level. As of June 30, 2001, no final disposition of these issues has been agreed to by taskforce members. Program officials stated that they plan to address these issues during fiscal year 2002.

Conclusions

Officials' use of the current funding formula has ignored the needs of communities and the performance of partnerships. Without a needs assessment, program officials can not be assured that adequate program funding is reaching communities most in need of it and that other communities are not over funded. Program officials also have not assessed the performance of partnerships and that is essential to ensuring that program funding is spent most effectively.

Officials' strategy should also consider the need to make funding available for future expansion of the program.

Recommendations

We recommend the Department Directors:

- 2.1 Develop a funding strategy that is based on the need and performance of the partnerships and that assures an equitable distribution of program funds.

Auditee Comments

The state Department Directors agreed with the recommendations and elected to have the Family and Community Trust Board of Directors respond to this report. Their response follows:

- 2.1 *The FACT Board of Directors is working on the issue of performance-based funding and will implement a new formula for the FY 03 funding cycle.*

3. Other Improvements Are Needed in Program Administration and Oversight

Program officials have not provided adequate administration and oversight of the Caring Communities program and have missed opportunities to be more efficient. Major areas of concern include:

- ✓ Partnership employees' salaries have been paid from state funds without proper agreements delineating what the partnership will provide in return.
- ✓ State officials have not assured critical internal control findings have been corrected at partnership locations.
- ✓ The appropriation process does not reflect most agencies' actual contributions.
- ✓ Opportunities to reduce administrative costs have been overlooked.

Weaknesses in financial controls had not been corrected and contributed to an alleged theft of funding of about \$15,000 at one partnership location; some of which was recoverable through a bond. In addition, program officials have incurred some administrative costs that could have been avoided. These conditions can be attributed to a lack of diligence by program officials in ensuring that proper safeguards are in place to protect program funds and the integrity of the Caring Communities program.

Employment of state employees at partnerships contributes to lack of accountability

Salaries for seven partnership employees are paid by the Department of Social Services. They receive state benefits such as health insurance, annual leave, and retirement benefits. These employees had been long-time state employees prior to their employment at the partnerships. According to state officials, the employees were allowed to retain their status as state employees so that the employees could retain state retirement benefits. In effect, the employees were loaned to the partnerships. Affected employees acknowledged that they were hired by the not-for-profit partnerships. None of these employees are paid an additional salary by their employing partnerships. These employees work directly for the partnership and in several instances actually direct the activities including signing contracts between the partnership and the state. They report directly to the partnership board of trustees and there is no evidence of direct supervision of these employees by state officials.

State pays for seven partnership employees

While the state employees and the partnerships share a common goal to provide valuable public service, the audit determined that there were no written agreements between the state agencies and the partnerships delineating responsibilities and expectations of what each entity was going to provide. The state agencies should ensure that cooperative agreements or memoranda of understandings are developed before engaging in any activity with private partnerships to ensure the state receives commensurate value for the services contributed by state employees.

Internal audit findings were not corrected

State internal audit findings need follow-up and internal audit coverage needs to be increased. Examples of related weaknesses follow:

- In March 2001, program officials stated that approximately \$15,000 in funds was not accounted for at one of the partnerships. Some of this loss is recoverable through a bond. Program officials investigated and found an alleged theft by an employee. Local officials attributed the problem to weak internal controls. The most recent internal audit conducted by the Department of Social Services Audit Services—covering fiscal year 1999, included an internal control finding regarding the lack of separation of accounting duties and a recommendation that additional controls be put in place. Partnership officials never implemented the audit recommendation and the state coordinator assigned to monitor the partnership did not ensure that the recommendation had been implemented. State coordinators responsible for overseeing partnerships also have the responsibility to follow-up on all internal audit findings in lieu of internal auditors.

Loss of funds results from lack of audit follow-up
- Fourteen internal audit reports have been issued since fiscal year 1998, and seven contained findings relating to internal control weaknesses—primarily the lack of segregation of accounting duties. However, internal auditors did not know whether or not corrective action has been implemented because they relied on state coordinators to follow-up on audits. Several state coordinators stated that their follow-up efforts on internal audits are limited and they did not believe they were qualified to assess corrective action on internal controls.
- Four of the 21 community partnerships have not had a state internal audit while 3 others have not had a state internal audit in as many as 4 years. As of June 30, 2001, no audits had been released for the St. Louis and Kansas City partnerships. While audit work has been initiated at the Kansas City partnership and a report is in process, internal audit work has never been performed at the St. Louis partnership. The St. Louis and Kansas City partnerships receive over 50 percent of the program funds designated for partnership use. The audit services sections of the Departments of Social Services, Mental Health, and Health currently perform internal audits. Also, partnerships contract for independent audits annually.

Internal audits are not timely

Opportunities exist to reduce administrative costs

Program officials have not taken action to reduce administrative costs. During fiscal year 2000, program officials spent approximately \$7.2 million (31 percent) of \$23.2 million in program funding for administrative and/or overhead expenses. Of that amount, \$2.2 million (31 percent) was expended at the discretion of state and Trust officials. The following two examples demonstrate questionable expenditures made by state and/or Trust officials that contribute to high administrative costs:

Administrative costs could be reduced

- Trust and partnership officials spent approximately \$300,000 in fiscal year 2000 for an annual program-wide conference at Tan-Tar-A Resort at the Lake of the Ozarks. Similar

conferences were held in fiscal year 1999 and 2001. Costs included lodging and meals of individuals directly and indirectly affiliated with the program. Trust officials stated that in order to encourage better attendance at the conference, family members were invited to accompany personnel attending the conference. Therefore, some costs were incurred for food and entertainment for family members.⁶ Trust officials also stated they would be re-evaluating options for the conference for fiscal year 2002.

- Program officials spent \$400,295 in fiscal year 2001 (\$804,000 over 3 years) in program funds for tuition for a graduate certificate program in St. Louis; primarily for the benefit of St. Louis area program personnel. The goals of the program included training leaders, and building capacity for inter-professional family and community work. The funds represented a tuition subsidy that officials paid to a university whether or not any program personnel took advantage of the program. Personnel that participated in the program incurred \$1,500 in tuition costs. According to program records, 51 individuals took advantage of this program. However, only 24 Caring Communities personnel participated, as well as nine state employees. Therefore, state officials subsidized tuition for 18 other individuals at a cost of about \$284,000 $((\$804,000/51) \times 18)$. Program officials stated that they would re-evaluate the program for the fiscal year 2003 time frame.

Administrative costs at the partnership level accounted for approximately \$5 million (69 percent) of the \$7.2 million program administrative costs for fiscal year 2000. Of the \$5 million of administrative costs charged at the partnership level, the St. Louis partnership incurred \$1.9 million. This represents 31 percent of the \$6.1 million expended by the St. Louis partnership in fiscal year 2000. Similar levels of administrative costs were noted in several prior years as well. In reviewing expenditures for this partnership, we found the following:

- Partnership officials incur an 8 percent fee for a fiscal agent's services, which totaled \$330,435 in fiscal year 2000. However, officials had not done a cost/benefit analysis to determine whether performing fiscal duties in-house would be more cost-effective and had not utilized a competitive bid process in awarding the current contract. Partnership officials stated that they plan to assess the feasibility of conducting fiscal agent duties in-house for the fiscal year 2002 budget year. Also, if not done in-house they will competitively bid the next contract.
- Partnership officials have maintained a dual administrative organizational structure as a result of the merging of the current partnership staff and the existing local program staff (approximately 100 employees) in 1997. The dual structure resulted in the duplication of duties and additional administrative costs. In March 2001, partnership officials took action to eliminate some of the dual organization structure by eliminating three administrative positions. However, one of the individuals terminated continues to be paid out of state program funds in a different capacity. Partnership officials stated that they intend to address the need to reduce unnecessary administrative costs following the completion of a contracted efficiency analysis currently underway.

⁶ The full extent of these costs could not be determined because documentation did not contain sufficient detail.

Conclusions

The payment of salaries of some partnership employees without agreements delineating what the partnership contribution will be leaves the state vulnerable to not receiving proper value for services provided. These employees were hired, and are responsible to partnership officials—not to state officials. The internal audit function is an important management tool to increase accountability and efficiency if implemented properly. Had program officials ensured that audit recommendations had been implemented; an alleged theft of \$15,000 may have been avoided. Program officials have not taken action to reduce administrative costs at the state, Trust, and partnership levels.

Recommendations

We recommend the Department Directors:

- 3.1 Develop appropriate cooperative agreements or memoranda of understanding between the state and private partnerships for the use of state employees.
- 3.2 Require internal auditors from the departments' audit services to work with Caring Communities coordinators to ensure internal audit recommendations are implemented.
- 3.3 Ensure timely audit coverage of all partnerships by requiring that each partnership receive an internal audit at least once every 3 years.
- 3.4 Take action to review program expenditures and eliminate unnecessary administrative costs from the program.

Auditee Comments

The state Department Directors agreed with the recommendations and elected to have the Family and Community Trust Board of Directors respond to this report. Their response follows:

- 3.1 *The Department of Social Services will be reporting on and clarifying the relationship and duties of state staff who are partnership personnel. This will be completed by the conclusion of FY 02.*
- 3.2 *The audit staff of the Departments of Mental Health, Social Services, and Health and Senior Services will meet with the State Coordinators in order to ensure that internal audit recommendations are implemented and documented. This process will begin in the third quarter of FY 02.*
- 3.3 *The audit staff of the Departments of Mental Health, Social Services, and Health and Senior Services, in conjunction with the Finance Committee will establish a calendar of audits to ensure that each partnership is audited at least once every three years by state*

staff. It should be noted that it is required of the partnerships to have an independent audit each year.

- 3.4 The FACT Board of Directors will begin reviewing expenditures in order to eliminate unnecessary administrative costs. This will be an ongoing process for the Board.*

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The overall objective was to determine whether agency officials provided effective management and oversight of the caring communities program. Specific objectives included determining whether (1) program officials have ensured accountability for program results; (2) funding strategies allow communities to deliver needed services; and (3) improvements are needed in the administration of the program.

Scope and Methodology

Audit work was performed at state program offices in Jefferson City, the Family and Community Trust office in St. Louis, and partnership offices and site locations in the city of St. Louis, and Jackson, Boone, and Phelps counties. The audit period included fiscal years 2000 and 2001.

To determine whether Caring Communities program had effective management and oversight, we reviewed:

- The organizational structure at the state level, including a review of the various committees and subcommittees that have been formed and their responsibilities.
- Expenditure processing and reporting procedures at the state level, including a review of the appropriation process used by agencies involved.
- Procedures to monitor partnership activities including internal audits of selected locations.
- State level administrative costs.
- Procedures used by partnership officials to monitor site activities.

To determine if program officials have assured accountability for program results, we reviewed the implementation of results-based planning; which is designed to more effectively measure program results. Our review included contracts entered into by program administrators related to data development, and corresponding interviews with contracted data experts concerning the data needs of the program. We also:

- Conducted site visits at the St. Louis, Jackson County, Boone County and Phelps County Partnerships. Work at the partnership locations included the following:
 - A review of the planning process at the partnership level, including data access and usage issues.

APPENDIX I

- A review of internal controls, accounting procedures and other fiscal operations, such as a review of contracts and a review of partnership administrative costs. Our review of accounting procedures included a test of expenditures and payroll.
- Visits to selected sites. Site personnel were interviewed to determine procedures for providing services and preparing the site plan as well as discussions regarding financial controls and tracking of expenditures.
- A review of the content and format of all site plans.

To determine funding strategies used for the program, we conducted a review of the procedures used at the state level to distribute funding to the partnerships as well as the procedures at the partnership level to distribute funding to the sites. This review was primarily conducted through discussions with state, partnership and local level administrators as well as through a review of program documentation.

BACKGROUND

Missouri's vision for children and families includes having strong families and communities where parents are working, children are succeeding in school and growing up healthy, safe, and prepared to enter productive adulthood. The Caring Communities program is a multi-agency reform effort to work toward this goal with a focus on community-based, human service integration. It has been modeled after two state neighborhood-based programs—the St. Louis Walbridge Caring Communities program and the Family Preservation program of the Division of Family Services, initiated in the late 1980s. These efforts linked neighborhood-based human service delivery efforts to schools along with cross-agency planning and program implementation. The program is funded with a combination of state and federal funds through five state agencies—the Departments of Economic Development, Elementary and Secondary Education, Health, Mental Health, and Social Services. The legislature budgeted approximately \$98 million for program activities for fiscal years 1998 through 2001. *(See Appendix V, page 35, for detail of program appropriations and expenditures for fiscal years 1998 through 2001.)* Technical assistance and oversight of the program is provided by the Family and Community Trust, representatives of the funding agencies, and local community partnership officials. *(See Appendix III, page 32, for the organizational structure involved in the oversight of the caring communities initiative.)*

Establishment of the Family and Community Trust

In November 1993, the governor of Missouri issued Executive Order 93-43 creating the Family Investment Trust¹ (the Trust), as a public-private partnership to change how communities and state government work together to improve results for families and children. It's charged with providing leadership, in collaboration with Caring Community partnerships, to measurably improve the condition of Missouri's families, children, individuals, and communities; and encouraging collaboration among public and private community entities to build and strengthen comprehensive community-based support systems. *(See Appendix VI, page 37, for the full text of Executive Order 93-43.)* According to Trust literature, the governor charged the Trust to assist communities and state agencies in addressing four policy directions that included the following:

- Increasing the accountability of communities and agencies to improve results.
- Changing the way services are delivered by integrating and basing them in the neighborhoods where children go to school and families live.
- Changing the way services are financed by pooling funds more flexibly across state agencies and communities, and by tying program funding to the results achieved.
- Changing the way decisions are made by involving neighborhood residents and community stakeholders in decisions that affect their well being.

In 1995, the Trust published a report presenting its strategic approach to achieving better results for children and their families in communities. The report presented four overarching strategies

¹ In April 2001, the name was changed to the Family and Community Trust.

APPENDIX II

for changes to be implemented in communities and in state government, which reflected the governor's guidance. The strategies included the following:

- Being accountable for achieving results.
- Bringing services closer to where families live and children attend school.
- Active community involvement in decisions that affect their well-being.
- Using funding more flexibly and effectively to meet community needs.

The report stressed accountability for achieving results and cited results-based accountability as the foundation for all other changes because it measures performance by identifying the benchmarks of progress; uses rewards and sanctions that are tied to performance; links the expenditure of dollars to specific results and priorities; and produces clear information to be distributed publicly to citizens and policymakers. The report stated that state agencies and local communities would make the transition to results-based accountability over a 3-year period—1995 to 1998.

The report also addressed measuring progress against a set of core results expected for children and families which included the following:

- Parents are working.
- Children are safe in their families, and families are safe in their communities.
- Young children are ready to enter school.
- Children and youth are succeeding in school.
- Children and families are healthy.
- Youth are ready to enter the work force and become productive citizens.

(See Appendix IV, page 33, for additional information regarding the implementation of results-based accountability.)

To facilitate its strategies, the Trust established community partnerships. The partnerships were to include a mix of community and business leaders as well as local representatives of the state agencies to assume responsibility for developing a community-wide agenda to improve the six core results for children and families. As of June 30, 2001, there were 21 community partnerships with 111 Caring Communities sites throughout the state. The metropolitan-based Area Resources for Community and Human Services, (the St. Louis Partnership) and the Local Investment Commission, (the Jackson County Partnership) are the two largest in terms of scope, population affected, budget, and number of Caring Communities sites.

Statutory authority for the program

Section 205.565, RSMo 2000, provides the only statutory authority for the program. It states that “the Department of Social Services may, subject to appropriation, use, administer and dispose of any gifts, grants, or in-kind services and may award grants to qualifying entities to carry out the Caring Communities program”.

Formulation of the St. Louis Partnership

The St. Louis Partnership was formally launched in August 1997 and is the largest partnership in terms of budget and scope of services delivered to communities served. According to program documentation, the federal Personal Responsibility Act—passed in August 1996, acted as the catalyst for creating the St. Louis Partnership. Members from a committee of the United Way of Greater St. Louis met together with a group of interested citizens to deal with the problem of how to help people move from welfare to work. The group decided a new community structure was needed and the St. Louis community partnership resulted. This ad hoc group, along with Trust board members, worked on the mission, goals, and structure of the St. Louis Partnership. The group studied the program in Kansas City, established in 1992, that became a partnership in 1995. In August 1997, Trust officials formally approved the formation of the St. Louis Community Partnership and recognized the Partnership’s authority as the vehicle to make decisions regarding the allocation of state agency resources in St. Louis.

The St. Louis Partnership has developed partnerships with community and state government stakeholders. While initially focused on welfare reform and sustainable neighborhoods, during the first 18 months it broadened efforts to include a group of community and state partnerships. Program initiatives and partnerships are shown in table II.1.

Table II.1: Initiatives and Strategic Partnerships

<i>St. Louis Caring Communities Initiative</i>	<i>Sustainable Neighborhoods</i>	<i>-Welfare to Work -Early Childhood -Health Care</i>
Partners Missouri Departments of: <ul style="list-style-type: none"> • Corrections • Economic Development • Elementary & Secondary Education • Health • Labor & Industrial Relations • Mental Health • Social Services • Public Safety 	Partners <ul style="list-style-type: none"> • Eight St. Louis Neighborhoods • Regional Housing and Community Development Alliance • St. Louis 2004 	Partners Missouri Departments of: <ul style="list-style-type: none"> • Economic Development • Labor & Industrial Relations • Mental Health • Social Services • St. Louis 2004

Source: St. Louis Caring Communities program documents

The St. Louis Partnership assumed responsibility for oversight of the St. Louis Caring Communities program in 1997. As such, it acts as the contracting agent for the St. Louis Caring Communities program and assumes accountability and responsibility in accordance with the contract, according to program documentation. In addition, it has the responsibility and authority for all programs funded through its relationship with state agencies and the Trust.

APPENDIX II

The St. Louis Caring Communities program is modeled after two neighborhood programs started in St. Louis in the late 1980s—the St. Louis Walbridge Caring Communities program and the Family Preservation program of the Missouri Division of Family Services. The program initially operated with school-based intervention programs for children and families with services such as case management, substance abuse counseling, and after school programs. The Walbridge program emerged as a non-traditional service model based on family strengthening and community involvement, according to program documentation. The program currently operates 19 sites and a teen center in the city of St. Louis, and one site in University City, which is located in St. Louis County. The program had a \$5.9 million operating budget for fiscal year 2001.

Partnership staffs work with a Caring Communities Advisory Board that is made up of representatives from all of the school sites. There are approximately 110 employees involved in delivering programs at these sites. Additional personnel provide clinical services through a contract with the St. Louis Partnership at a cost of approximately \$1.5 million for fiscal year 2001. Individual site coordinators are responsible for overseeing day-to-day program activities at the 21 sites. Each of the sites has a site steering committee representing the school and community where the school is located.

The Jackson County Partnership

The Jackson County Partnership—the second largest partnership in the state, got its start in 1992, when business leaders in the Kansas City area met with Department of Social Services officials over concerns with the welfare system in Jackson County. They informed officials that a group of private citizens wanted to get involved in overseeing the use of federal and state funds in the community. In November 1992, a commission was formed to give this approach a try. Efforts were successful and in 1993—the same year that the Trust was formed, the organization gained status as a not-for-profit organization known as the Local Investment Commission. In 1995 state officials established Caring Communities funding and 16 sites along with councils were established by the Jackson County Partnership.

The partnership has four programs it manages in addition to the Caring Communities program. In fiscal year 2001, partnership officials received approximately \$8 million for these programs. Programs include the following:

- Before and After School Program.
- Educare/Early Childhood Development.
- Welfare to Work.
- Managed Care Plus/Health Services.

The Jackson County Caring Communities program is currently carried out at 20 sites in the metropolitan Kansas City area. The program delivers services in the neighborhood locations and is school and community based. Caring communities personnel also act as facilitators to help community leaders secure funding through grants or other state or federal funding for programs at the local level. For fiscal year 2001, state budgeted funds totaled \$3.5 million for the program.

Boone County Partnership

The Boone County partnership has administrative offices located in Columbia. This partnership was one of the original seven locations in the state. Columbia school district officials and community leaders established the program as a school-based program serving Columbia. The Columbia school district volunteered to be the fiscal agent for the first three years, until July 1, 1999. In 1999, the partnership became a not-for-profit entity. Once established as a non-profit organization, the day-to-day administrative responsibility for the program was removed from the school district and transferred to partnership officials.

The partnership is responsible for the following programs in addition to the Caring Communities program:

- Community Child Care Consortium - Early Childhood Development. They have a contract with the Department of Social Services for \$500,000 and they act as the fiscal agent, so the funds pass through the partnership. This program's primary purpose is to train child care providers.
- Central Missouri Mentoring Partnership. These funds, approximately \$320,000, have been received from the Department of Social Services and the services are subcontracted. The primary purpose of this program is the development of an after-school mentoring program.
- The partnership had a \$170,000 grant from the county which was combined with \$25,000 of state dollars received for after-school tutoring that ended in February 2001.
- They have a 5-year demonstration grant for a program to help prevent child abuse. This program is referred to as the Community Based Family Resource System. These funds are state funds from the Children's Trust Fund.
- The partnership is also closely affiliated with Boone "WORKS" which is an entity that provides job training to individuals. However, little-to-no funding actually passes through the partnership.

The partnership has approximately \$7.3 million in funding to support all of its programs. Of that amount, \$1.4 million supports the Caring Communities program. The partnership has focused on the delivery of services through 10 school-based sites in Columbia.

Phelps County Partnership

The Phelps County partnership is headquartered in Rolla. Local officials on the Meramec Regional Planning Commission, an association of local governments that worked with Trust officials in establishing a partnership. In December 1996, a board was formed and by-laws were

APPENDIX II

established and in May 1997, the partnership was officially recognized. In the fall of 1997, the partnership became a legal not-for-profit entity. The partnership established seven school-based sites in the four communities. In January 2000, officials established a director's position for the program. State funds budgeted for fiscal year 2001 totaled \$304,380 and services are currently provided to Rolla, St. James, Newburg, and Edgar Springs.

The partnership has two programs it manages in addition to the Caring Communities program. In fiscal year 2001, partnership officials received \$583,761 for these programs. Programs include the following:

- Educare/Early Care and Education. This program is used to develop, train, and support child care workers and increase the quality of child care through licensure and accreditation of child care providers.
- Youth Mentoring-Missouri Mentoring Partnership. This program is designed for selected, qualified youth to access employment and educational programs for working teens, young parents and pregnant teens.

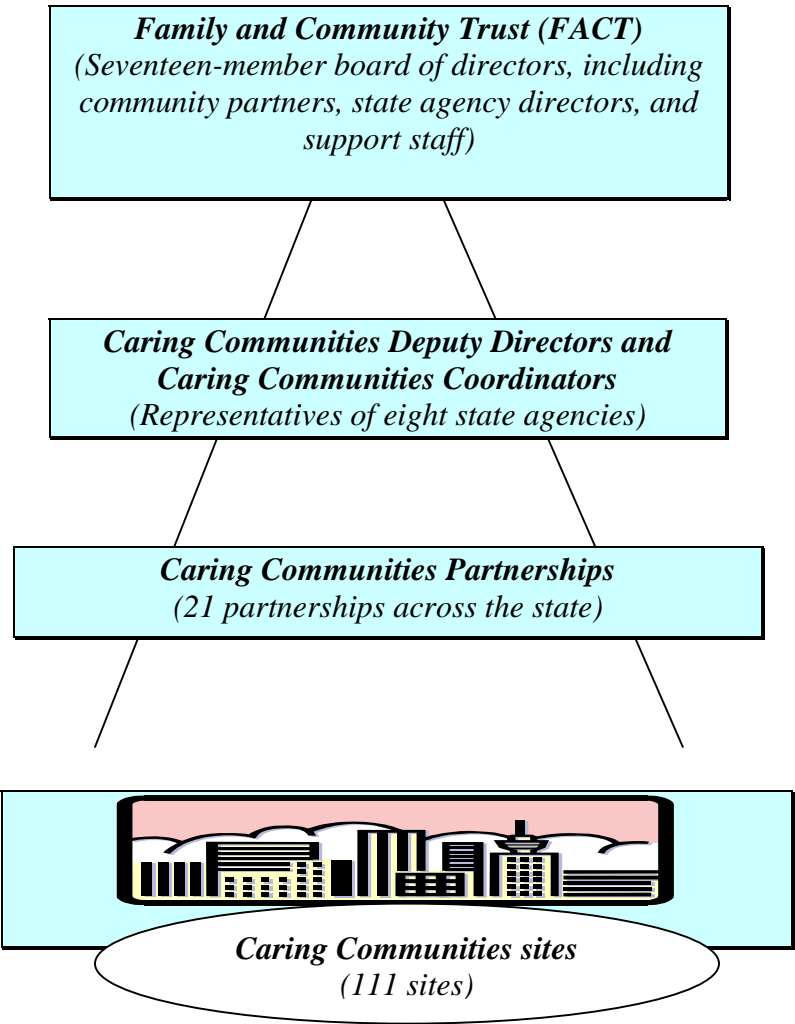
A total of \$888,141 in state funds were budgeted for the Caring Communities program and these two programs for fiscal year 2001.

In September 1999, board members decided to change from a school-based program to a community-based program and move from the delivery of services to facilitating community efforts to secure needed community services.

The Caring Communities program focuses on two core results. These include:

- Children and families are safe.
- Children and families are healthy.

FIGURE III.1: ORGANIZATIONAL STRUCTURE OF PROGRAM



Source: Family and Community Trust literature

UNDERSTANDING RESULTS-BASED PLANNING

The first step in implementing the results-based accountability model is to establish the core results a program is hoping to achieve. In a study done for the UCLA Center for Healthier Children, Families and Communities, Mr. Mark Friedman¹, an individual recognized by program officials as an authority in results-based accountability, presented the following in regard to results-based accountability.

- A result is a condition of well-being stated in plain English. Program administrators did this by establishing the following six core results:
 - Parents Working.
 - Children Safe in Their Families, and Families Safe in Their Communities.
 - Children Ready to Enter School.
 - Children Succeeding in School.
 - Children and Families Healthy.
 - Youth Ready to Enter Productive Adulthood.
- The next step in implementing this model is to establish a set of indicators, or benchmarks, which quantify the achievement of the core results already established. According to Mr. Friedman, a benchmark would ideally be stated in terms of a reliable data source that is already being collected or could be easily collected. For example, the rate of unemployment, for which data is already collected in detail, would be a good indicator of the “Parents Working” core result.

Program administrators developed 18 standard benchmarks to quantify the six core results as follows:

Core Results No. 1: Parents working

1. Average earnings
2. Employment rate
3. Retention of employment

Core Result No. 2: Children safe in their families and families safe in their communities

4. Substantiated child abuse/neglect
5. Out-of-home placement for abuse/neglect
6. Injury hospitalizations
7. Delinquency and habitual delinquency
8. Suspensions/expulsions

¹ Mr. Friedman is a member of the Fiscal Policy Studies Institute, in Baltimore, Maryland.

Core Result No. 3: Healthy children and families

- 9. Preventable hospitalizations
- 10. Out of home placements for psychiatric reasons
- 11. Immunization rate at kindergarten enrollment
- 12. School absences

Core Result No. 4: Young children ready to enter school

- 13. Kindergarten readiness test scores

Core Result No. 5: Children and youth succeeding in school

- 14. Grade retention
- 15. Reading and mathematics level
- 16. Grades

Core Result No. 6: Youth ready to enter the work force and become productive citizens

- 17. High school graduation rate
- 18. Teen pregnancy

- Next, program administrators at the local level choose which of the six core results and related benchmarks their site will attempt to effect. Once this process has been completed a set of strategies must be developed. According to Mr. Friedman, a strategy is a coherent collection of actions which have a reasoned chance of improving results.

An example of a strategy to affect the “Children Succeeding in School” core result would include an after-school tutoring program. Program administrators at the local level must also develop performance measures to measure the effectiveness of a strategy in place. A performance measure should also be stated in quantifiable terms. To measure the effectiveness of the after-school tutoring program, for example, a site may choose to measure the improvement in the grade point averages of the children participating in the program.

- A planning document would then be prepared at the local level to document the planning process. The planning document should first state the reason it is necessary to implement the strategies planned. Secondly, the plan should evaluate the program outcomes noted to date, including the effectiveness of individual strategies through analysis of performance measure data, as well as evaluate program outcomes through an analysis of benchmark data trends. The results noted, whether good or bad, would then be used to redirect funding to the strategies that are working and away from those that are not.

APPENDIX V

APPROPRIATIONS AND EXPENDITURES BY DEPARTMENT

For fiscal years 1998—2001 the legislature appropriated approximately \$98 million for the Caring Communities program. Table V.1 summarizes funding appropriated by agency.

Table V.1: Total Caring Communities Funds Appropriated by Fiscal Year

Departments	1998	1999	2000	2001	Totals
Social Services	\$8,241,488	\$12,270,802	\$10,845,343	\$10,871,987	\$42,229,620
Mental Health	5,918,276	5,934,971	5,985,781	5,991,077	23,830,105
Elementary and Secondary Education	4,025,000	4,025,000	4,025,000	4,025,000	16,100,000
Health	3,689,193	3,689,193	3,689,193	3,689,193	14,756,772
Labor and Industrial Relations	500,000	500,000	-	-	1,000,000
Economic Development	-	-	250,000	250,000	500,000
Totals	\$22,373,957	\$26,419,966	\$24,795,317	\$24,827,257	\$98,416,497

Source: Department of Social Services- Community Enterprise Unit Financial Reports

As shown above, the Department of Social Services received funding in excess of \$42 million, or 43 percent, of the total appropriated for the program for fiscal years 1998 through 2001, while other departments were budgeted to fund it to a lesser extent.

During the fiscal years of 1998—2001, agencies participating in the program expended approximately \$84 million. Table V.2 summarizes funds expended by the agencies.

APPENDIX V**Table V.2: Funds Expended by Department for Fiscal Year**

Departments	1998	1999	2000	2001	Totals
Social Services	\$5,948,187	\$10,149,551	\$9,469,962	\$8,087,694	\$33,655,394
Mental Health	5,297,009	5,042,182	5,858,712	5,814,865	22,012,768
Elementary and Secondary Education	3,180,572	3,750,038	3,955,500	3,706,763	14,592,873
Health	2,430,008	2,817,567	3,615,070	3,613,504	12,476,149
Labor and Industrial Relations	331,290	382,731	-	-	714,021
Economic Development	-	-	247,500	246,589	494,089
Totals	\$17,187,066	\$22,142,069	\$23,146,744	\$21,469,415	\$83,945,294

Source: Department of Social Services- Community Enterprise Unit Financial Reports

PROGRAM EXECUTIVE ORDERS

Executive Order 93-43

Whereas, services to Missouri's families and their children must focus on achieving positive measurable results; and

Whereas, the well-being of children is inseparable from family strength and community stability; and

Whereas, the new public-private partnerships are needed to measurably improve the condition of Missouri's families and their children and establish greater collaboration among human service agencies;

Now, therefore, I, Mel Carnahan, Governor of the State of Missouri, by virtue of the authority vested in me by the Constitution and laws of the State of Missouri, do hereby establish the Family Investment Trust for the following purposes:

1. Assist local communities in establishing collaborative processes to coordinate the services of public and private human service agencies to achieve measurably improved conditions for families and children.
2. Develop measures with the Departments of Social Services, Elementary and Secondary Education, Health, and Mental Health to improve measurably the conditions of Missouri's families and children through greater collaboration among the departments.

The Family Investment Trust Board of Directors will consist of private sector members appointed by the Governor and directors of the Departments of Social Services, Elementary and Secondary Education, Health, and Mental Health.

In witness whereof, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Missouri, in the City of Jefferson, on this 3rd day of November, 1993.

Mel Carnahan
Governor

Judith Moriarty
Secretary of State

Executive Order 01-07

Whereas it is the goal of this administration to create a system of government that efficiently and effectively uses resources to improve the quality of life and enhance opportunity for all of Missouri's citizens; and

Whereas this efficiency and effectiveness can only be achieved through systemic reform of the way the executive and legislative branches of government work with each other, with local communities, and private sector partners to dedicate and invest our resources toward a common set of goals; and

Whereas the leadership and all partners in this collaboration must improve the methods for measuring the results of these goals and promote the successful management and investment of our resources; and

Whereas an increase in opportunity and improvement in quality of life begins within successful communities, which require strong families, children's well-being and active citizen involvement; and

Whereas the entity now known as the Family Investment Trust has been working to build a partnership among State government, local communities and private entities to improve the lives of Missouri's families and children and strengthen communities by:

- Increasing the collaboration of communities, businesses, and government in the planning and delivery of services at the local level consistent with the six core results established by the Family Investment Trust Board of Directors;
- Using public resources to support planning and service delivery more flexibly and effectively across traditional agency boundaries, consistent with the appropriations process of the General Assembly and state policy goals;
- Leveraging public resources to attract additional investment from other sources, measured in part by comparing the total costs of the approaches used to achieve the desired results; and
- Improving accountability for the measures that reflect the six core results and approaches to achieving these results; and

Whereas several financial reviews and audits have recommended improvements in the efforts of the Family Investment Trust to measure results and improve performance in achieving these results,

NOW, THEREFORE, I, Bob Holden, Governor of the State of Missouri, by virtue of the authority vested in me by the Constitution and laws of the State of Missouri, do hereby reestablish the Family Investment Trust through August 28, 2002, to operate as the Family and Community Trust, and direct that:

APPENDIX VI

- The Family and Community Trust Board of Directors—consisting of the Directors of the Departments of Corrections, Economic Development, Elementary and Secondary Education, Health, Labor and Industrial Relations, Mental Health, Public Safety, and Social Services, and nine [9] private sector members—shall be responsible for advancing management reform and implementing policies to measurably improve the well-being of Missouri's families and children;
- The Family and Community Trust and all departments and agencies shall work with the state government's executive branch, legislature, private sector and community partners to develop, by October 1, 2001, a system to measure and report statewide and community-level success in achieving the six core results, based upon benchmarks derived from statewide results, including:
 - The number of persons employed in higher wage jobs;
 - The overall safety of children within their family units and the safety of families within their communities, measured in part by incidents of crimes against persons and family violence;
 - The preparedness of young children to enter school, measured by the percentage of children entering school with the basic requirements necessary to learn;
 - The health of children and families, measured in part by rates of injuries and death caused by drugs and alcohol, the percentage of pregnancies resulting in the birth of healthy babies and the percentage of people with health insurance;
 - The educational success of children and youth, measured in part by the percentage of young people achieving desired levels of performance in certain grades and the decreased pregnancy rate for females under age 18; and
 - The employability of youth ready to enter the workforce, measured in part by the percentage of 18-year olds with a high school diploma or GED.

All departments and agencies involved in the Family and Community Trust shall institute results-based planning and management while promoting collaboration across department and agency lines. These departments shall analyze the methods used to finance and deliver services, review potential structural improvements, implement strategies to maximize effectiveness and anticipate barriers that inhibit effectiveness both within government and between government and community-based organizations.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Missouri, in the City of Jefferson, on this 2nd day of April, 2001.

Bob Holden
GOVERNOR

Matt Blunt
Secretary of State

Board of Directors

Charlie O'Reilly
Co-Chair
 Vice Chairman of the Board
 O'Reilly Auto Parts

Alfred H. Kerth III
Treasurer
 President and Chief
 Operating Officer
 The EADS Center

Bert Berkley
 Chairman of the Board
 Tension Envelope Corporation

Robert L. Culler
 Senior Vice President
 First State Bank and
 Trust Company

William Danforth, M.D.
 Chairman of the Board of Trustees
 Washington University

Maureen Dempsey, M.D.
 Director
 Dept. of Health and
 Senior Services

Reginald Dickson
 Chairman
 Buford, Dickson, Harper,
 & Sparrow, Inc.

Joseph L. Driskill
 Director
 Dept. of Economic Development

Patricia S. Graber
 Interim Director
 Dept. of Mental Health

Charles R. Jackson
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 Dept. of Public Safety

Denise E. Jordan
 Managing Editor
 Kansas City Globe

Gary B. Kempker
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Kent King, Ed.D.
 Commissioner
 Dept. of Elementary and
 Secondary Education

Catherine B. Leapheart
 Director
 Dept. of Labor and
 Industrial Relations

Dana Kathenne Martin
 Director
 Dept. of Social Services

Michael A. Middleton
 Deputy Chancellor
 University of Missouri-
 Columbia

Landon H. Rowland
 President and CEO
 Stilwell Financial, Inc.

Dee Joyce-Hayes
 Chief Executive Officer
 Family and Community Trust

**RESPONSE OF THE FAMILY AND COMMUNITY TRUST
 BOARD OF DIRECTORS TO THE AUDIT OF THE
 MANAGEMENT OF THE CARING COMMUNITIES PROGRAM**



The partners involved with the Caring Communities initiative appreciate the interest with which the State Auditor's office has examined our system-reform effort in Missouri. The process of the audit and the subsequent face-to-face interviews with audit staff have been both enlightening and encouraging. We noted with great pleasure the recognition by your office during our exit interview of the good work in which this initiative is involved in Missouri and the encouragement the auditors proffered to continue it.

As noted frequently throughout the audit, implementation of the Caring Communities concept is an evolutionary process; one that continually demands introspection and transformation. The work of Caring Communities will continue to move forward in order to achieve our core results for families and children in Missouri.

The initiative will utilize the audit report as a management tool against which to gauge our plans for next steps. With that in mind, we concur with the nine recommendations noted in the audit report and will incorporate these suggestions as we make the necessary changes. As was noted in our exit interview, task forces set up by the Family and Community Trust (FACT) Board of Directors have been at work since January 2001, studying the issues about which the audit expresses concern. Task Force reports and recommendations are due to the Board in November and work to implement those recommendations will begin promptly. Among those, which address the areas of concern noted in the audit recommendations, are:

- ⇒ 1.1 FACT, in conjunction with the state agencies, will implement a training plan to build the capacity of both local Caring Community personnel and State personnel to develop and define community plans based on needs, strategies, and outcomes that are supported by data. This will begin during the current fiscal year in order to impact the level of quality in the plans.

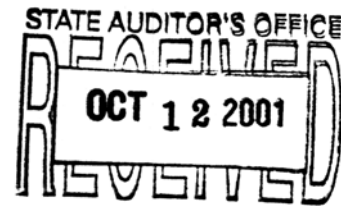
In cooperation with the Governor's Office, efforts are underway to develop a new statewide Reporting System containing measurable benchmarks and specific outcomes. The joint task force addressing this issue will have the design of this reporting system completed in October 2001.

Page 2
Audit Response

- ⇒ 1.2 FACT will reorganize and enhance its training component to specifically address the areas noted in the audit report. Efforts are currently underway to implement new learning guide modules which will address using data to assess community needs, strategy development, results accountability, and evaluation. The development of training modules will be enhanced by the use of an evaluation of Caring Communities. The final report on this evaluation is expected to be published in December 2001.
- ⇒ 1.3 The New Reporting System will require increased sharing and the probable expansion of state databases. Efforts are currently underway to redefine local areas based upon the most recent census tracks. This will allow for a better application of state databases in defining community level needs and evaluating community level results. This will be an ongoing challenge.
- ⇒ 1.4 The implementation of a comprehensive management information system will allow for the capture of expenditures by core result and benchmark. This should be operational statewide by December 2002.
- ⇒ 2.1 The FACT Board of Directors is working on the issue of performance-based funding and will implement a new formula for the FY 03 funding cycle.
- ⇒ 3.1 The Department of Social Services will be reporting on and clarifying the relationship and duties of state staff who are partnership personnel. This be completed by the conclusion of FY 02.
- 3.2 The audit staff of the Departments of Mental Health, Social Services, and Health and Senior Services will meet with the State Coordinators in order to ensure that internal audit recommendations are implemented and documented. This process will begin in the third quarter of FY 02.
- ⇒ 3.3 The audit staff of the Departments of Mental Health, Social Services, and Health and Senior Services, in conjunction with the Finance Committee will establish a calendar of audits to ensure that each partnership is audited at least once every three years by state staff. It should be noted that it is required of the partnerships to have an independent audit each year.
- ⇒ 3.4 The FACT Board of Directors will begin reviewing expenditures in order to eliminate unnecessary administrative costs. This will be an ongoing process for the Board.

Submitted by the Family and Community Trust Board of Directors
Charlie O'Reilly, Co-Chair
September 26, 2001





October 3, 2001

Claire McCaskill
State Auditor of Missouri
State Capitol
Room 224
Jefferson City, MO 65102

Dear Claire:

Our conversation this afternoon was most encouraging. Your patience and tolerance for my account of the details of Social Services to the disadvantaged in Kansas City and Jackson County were very much appreciated.

Our preliminary response to the findings accompanies this letter. We look forward to working with you as we collectively sort through these complex issues.

Sincerely,

Attachment

cc: Gayle Hobbs



Response of the Local Investment Commission to the Audit of the Management of the Caring Communities Program

As LINC Commissioners, we believe – based on our own experience since 1992 – that many issues and points raised by the audit deserve a more complete response.

Although we concur with many of the findings, we believe that resolution of these issues requires a clear definition of the roles and responsibilities for partnerships, state agencies and the Family and Community Trust, all of which is being developed at this time.

This work is new and innovative. FACT, state agencies and community partnerships are committed to making it successful. Difficulties are inevitable. Forming these partnerships challenges the status quo and requires not only commitment but also a new way of doing business.

As new FACT leadership builds a strong state-level intermediary, many of the barriers to the implementation of results-based accountability can be eliminated.

We believe the audit clearly and correctly identifies several important issues, not the least of them being the need for shared accountability and community-level data – both of which are essential for effective results-based accountability.

Shared Accountability

Building a system of interdependent partnerships with strong relationships and agreements among themselves and with and among state agencies is critical. Shared administrative and data responsibilities are also possible and will motivate savings in capacity and personnel.

Although results-based accountability was “defined” in “Missouri’s Direction for Change” in March of 1995, resources were not available to provide training until November of 1997. Reporting requirements continued to be modified, and partnerships and state agencies have to revisit the planning process annually to implement changes. As a result, the foundation for measurement and reporting was not easily established. FACT, state agencies and local partnerships have continued to improve this process year by year.

Even in the midst of these challenges, many partnerships have been able to mobilize the local community and providers to deliver services for better results at a lower cost while leveraging local resources.

Data

While exploring the state's efforts "to solve data problems," the audit found that there is no "functioning system capable of providing data to partnerships"; that there is only a proposal. Clearly there is a "need to obtain data," but the audit provides little recommendation or guidance about what needs to happen. In this regard, we believe the audit should have enlarged upon the recommendation to "intensify efforts to gain the cooperation of state agencies in sharing needed databases."

Results-based accountability is both an innovative and an ambitious approach. It is an effort to "turn the curve" on results that government alone cannot achieve. The approach involves working with many volunteer citizens who are interested in creating healthier families and stronger neighborhoods. These citizens are not planners, demographers, budget managers or computer programmers. They are people who care about their community and believe there are better ways to do things.

These citizens – with support, data and facilitative leadership – can achieve impressive results. Experiences can differ from community to community. The audit discusses several communities who addressed job training without regard to what others were doing. Others have built a nationally recognized welfare-to-work system by building on what already exists and by using data to design, plan and improve the system. Innovations include performance-based contracts for community providers, redesign of the local welfare-to-work offices, and coordinating available state, federal and community dollars to provide a systemic response to employment barriers.

Most state agencies find data sharing difficult. There are bureaucratic, operational and technical issues that still need to be identified, addressed and resolved. Data that communities need in order to effectively implement results-based accountability often comes from state mainframe systems that lack the staffing and resources to provide timely data. The simplest request often requires a programmer to implement.

LINC has had a productive data-sharing agreement with the Dept. of Social Services. LINC has effectively used DSS welfare data to achieve impressive results in its welfare-to-work effort. However, despite having a high-speed T-1 data line, LINC is restricted in downloading files from the DSS mainframe by the significantly slower 56K modem in Jefferson City. A single file transfer can take literally hours and must be restarted if the modem connection is lost or disrupted. If a higher speed connection could be established, the download would take a fraction of the time. (It is easier and faster to transfer data internationally than it is to get data from Jefferson City to Kansas City.) Most businesses, and many residences, have faster ISDN or T-1 data lines that they use to support their business and operations.

Conclusion

The proposed findings should be addressed in detail by the local community partnerships on their own terms and under their specific conditions. Specific findings do not apply uniformly to all partnerships. Neither these partnerships nor FACT (and FIT its predecessor) can help the collaborating agencies overcome their internal obstacles to the kind of constructive change we all believe to be possible.

We urge the Auditor to take an active role in assisting these agencies to achieve the desired and unprecedented levels of collaboration.

Equitable funding needed

Program officials fund various partnerships by the student population in the partnerships' largest school district and not by community needs or partnership performance. This formula favors urban partnerships with large school districts over rural areas and has caused over funding of at least one partnership. The funding ranges from \$50,000 for sites in mostly rural areas to \$5.8 million for the St. Louis partnership. (See page 14)

Internal audits findings go uncorrected

Internal auditors have issued 14 reports on various partnerships since fiscal year 1998 with half of these audits noting similar findings about inadequate segregation of accounting duties. But the findings have gone uncorrected and it is still unclear which program officials are responsible for such corrections. In addition, four of the 21 partnerships have not had any state internal audit and three partnerships have not had an internal audit for four years. (See page 19)

Questionable administrative expenditures

Program officials spent \$300,000 for an annual program-wide conference at a Lake of the Ozarks resort, which included lodging, meals and entertainment for some family members of the participants not directly involved with the program. Program officials paid \$400,295 in tuition costs for a graduate certificate program benefiting St. Louis area personnel. Of the 51 persons who took advantage of this program, only 33 were involved with Caring Communities. Program officials have said they will reevaluate this tuition subsidy. (See page 20)



**DEPARTMENT OF SOCIAL SERVICES
DIVISION OF YOUTH SERVICES
SCHOOL ATTENDANCE HOURS
TWO YEARS ENDED JUNE 30, 2001**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-106
October 4, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

October 2001

The following problem was discovered as a result of an audit conducted by our office of the Student Attendance Records of the Department of Social Services, Division of Youth Services.

The Missouri State Auditor's Office has audited the compliance of the Department of Social Services, Division of Youth Services with respect to the methods of maintaining student attendance records. Our responsibility is to express an opinion on the division's compliance based on our audit.

As provided by state law, the Division of Youth Services is entitled to state aid for youth assigned to the division's facilities which have an education program approved by the Department of Elementary and Secondary Education. The state aid payments are based on the number of full-time equivalent students and the average daily attendance. The Division of Youth Services received \$2,702,502 and \$2,130,481 from the Department of Elementary and Secondary Education for the years ended June 30, 2001 and 2000, respectively.

Teachers typically record daily attendance for each of their classes. Their attendance is then submitted to the school secretary who enters the attendance into the Division of Youth Services computer information system.

In our opinion, the student attendance records are accurately maintained by the division. However, the audit noted that the Division of Youth Services failed to report school attendance data to the Department of Elementary and Secondary Education within the timeframes required by state law.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF YOUTH SERVICES
SCHOOL ATTENDANCE HOURS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Dana Katherine Martin, Director
Department of Social Services
and
Mark D. Steward, Director
Division of Youth Services
Jefferson City, MO 65102

We have audited the compliance of the Department of Social Services, Division of Youth Services, with Section 165.121.3(7), RSMo 2000, with respect to the methods of maintaining student attendance records for the years ended June 30, 2001 and 2000. Compliance with those requirements is the responsibility of the division's management. Our responsibility is to express an opinion on the division's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the division's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Division of Youth Services' compliance with those requirements.

In our opinion, the student attendance records maintained by the division accurately disclosed, in all material respects, the average daily attendance in compliance with the requirements referred to above for the years ended June 30, 2001 and 2000.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in the audit of compliance with the requirements referred to above.

The accompanying Management Advisory Report presents our findings arising from our audit of the Division of Youth Service's compliance with state law with respect to the maintenance of student attendance records.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

September 7, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Luetkemeyer, CPA
Audit Staff:	Susan M. Cessac
	Christina Brown
	Troy Royer

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF YOUTH SERVICES
SCHOOL ATTENDANCE HOURS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Reporting of Attendance Data

As provided by Section 163.073, RSMo 2000, the Division of Youth Services (DYS) is entitled to state aid for youth assigned to the division's facilities which have an education program approved by the Department of Elementary and Secondary Education (DESE). The state aid payments are based on the number of full-time equivalent students and the average daily attendance. The DYS received \$2,702,502 and \$2,130,481 from the DESE for the years ended June 30, 2001 and 2000, respectively.

The DYS did not submit fiscal year 2001 school attendance data to the DESE until September 7, 2001. According to Section 163.081, RSMo 2000, school attendance data is to be submitted to DESE on or before July 15th of each year. DESE's policy indicates that failure of school districts, including the DYS, to submit this data by the due date could result in DESE withholding payments until the data is received. However, DESE chose not to withhold funding in this instance.

WE RECOMMEND the DYS ensure school attendance data is submitted to DESE within the timeframes required by state law.

AUDITEE'S RESPONSE

The Division of Youth Services provides educational services throughout the fiscal year, July 1 through June 30. Statutes requiring districts to submit attendance reports on or before July 15 of each year may have been established under the idea of the traditional end of school being in mid or late May to early June. Thus, school districts usually have 45 or more days after the end of the school year to submit attendance reports.

Historically, DESE has recognized the division's 12-month school calendar and provided a verbal waiver from submitting attendance records by July 15. The division will request a written waiver from DESE to continue the practice of submitting attendance records by August 15.

This report is intended for the information of the management of the Department of Social Services, Division of Youth Services, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF YOUTH SERVICES
SCHOOL ATTENDANCE HOURS
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Omnibus State Reorganization Act of 1974 created the Division of Youth Services within the Department of Social Services. Previously, the Division of Youth Services had been known as the State Board of Training Schools. During the 1970's, systematic agency planning began which resulted in the de-emphasis of large rural institutions and the establishment of smaller treatment facilities. This enabled geographic regionalization where youth could be served closer to their homes.

During the 1990's, the division continued in the direction of regionalization and the expansion of the continuum of treatment services. An array of community-based services was developed including day treatment, tracking, and case management. The Juvenile Crime Bill was passed in 1995 and included measures for determinate sentencing, granting the division the ability to petition for increased length of stay up to the age of twenty-one, removed the lower age limit for commitment, and provided for the development of dual jurisdiction.

The Division of Youth Services is administered by a director who is appointed by the director of the Department of Social Services. Mark D. Steward has been the director since May 6, 1988.

The agency provides services to youth committed from the state's forty-five Judicial Circuit Courts. The services include residential (secure, moderate, and community-based) and non-residential (tracking, day treatment, alternative living service, family therapy, and aftercare). All youth receive case management services and are assigned a service coordinator who ensures the assessment, treatment planning, and the coordination, monitoring, and evaluation of services occurs for all youth.

As of June 30, 2001, the division operated thirty-one residential facilities with a total of 716 beds and twelve non-residential facilities with a total of 255 day treatment slots.

As provided by Section 163.073, RSMo 2000, the Division of Youth Services is entitled to state aid for youth assigned to the division's facilities which have an education program approved by the Department of Elementary and Secondary Education. The state aid payments are based on the number of full-time equivalent students and the average daily attendance. The Division of Youth Services received \$2,702,502 and \$2,130,481 from the Department of Elementary and Secondary Education for the years ended June 30, 2001 and 2000, respectively.

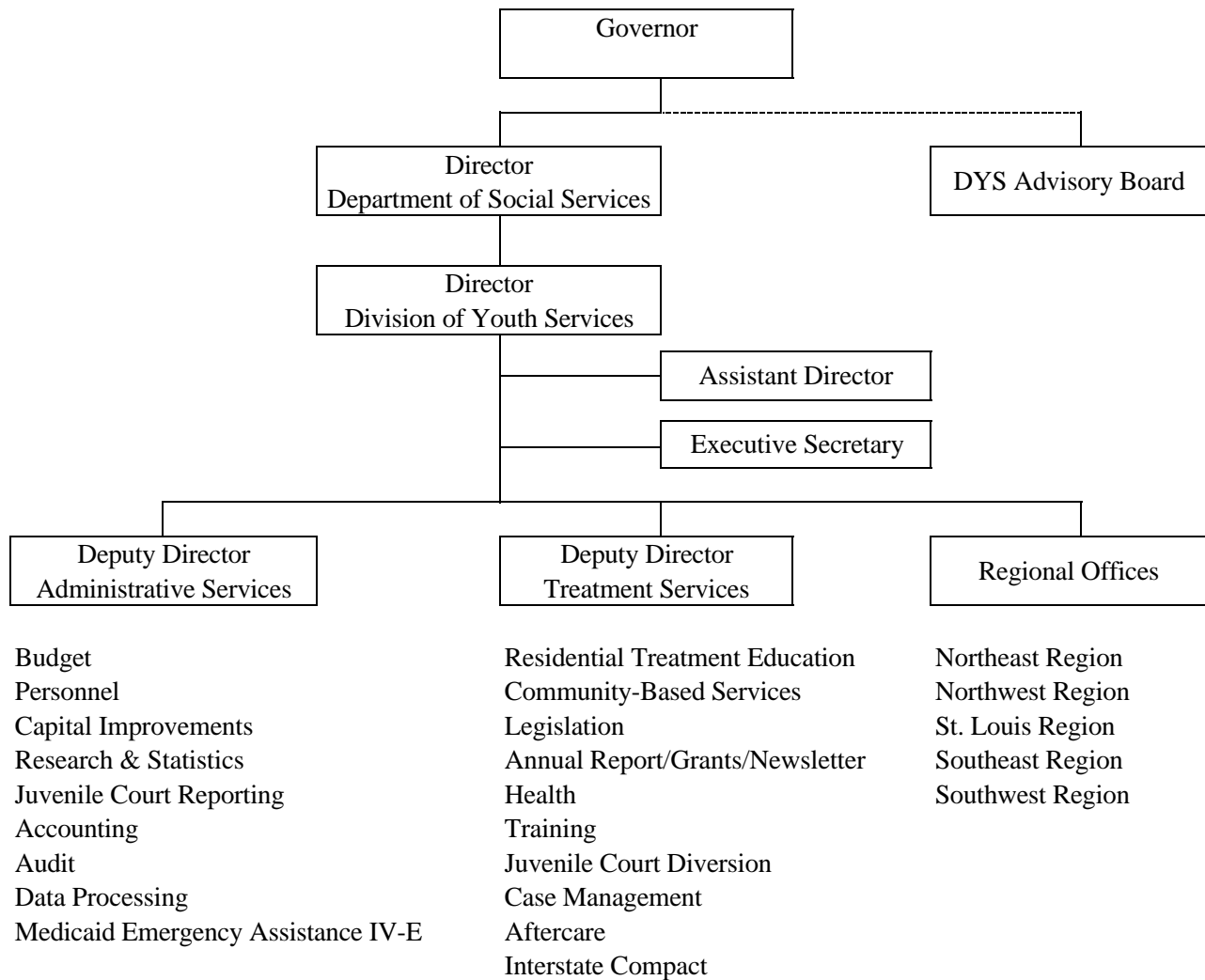
Teachers typically record daily attendance for each of their classes. Their attendance is then submitted to the school secretary who enters the attendance into the Division of Youth Services computer information system. The Division of Youth Services uses the attendance from the computer system to prepare the Application for State School Money, which is submitted to the Department of Elementary and Secondary Education.

On the Application for State School Money, the Division of Youth Services reported 1,178,970 and 1,083,057 school attendance hours for the years ended June 30, 2001 and 2000, respectively. This calculates to 1,129 and 1,037 average daily attendance (total school attendance hours divided by 1,044 standard school attendance hours in a school year) in 2001 and 2000, respectively.

During the two years ended June 30, 2001 the division had forty-three facilities that offered education programs. The actual student counts for these facilities were:

Facility with Education Program	Actual Student Count at June 30, 2001
Alternative Resource Center (Kansas City)	33
Camp Avery Park Camp (Troy)	33
Babler Lodge (Chesterfield)	21
Delmina Woods (Forsyth)	23
Echo Program - Day Treatment (Cape Girardeau)	12
Bissell Hall (St. Louis)	23
Spanish Lake Campus (St. Louis)	24
Twin Rivers Campus (St. Louis)	25
New Madrid Treatment Center (New Madrid)	24
Rich Hill Treatment Center (Rich Hill)	22
Sierra/Osage Treatment Center (Poplar Bluff)	21
Watkins Mill Park Camp (Lawson)	49
Gentry Residential Treatment (Cabool)	23
Reach - Day Treatment (St. Louis)	10
Star - Day Treatment (Kansas City)	39
Quest - Day Treatment (St. Charles)	15
New Day - Day Treatment Center (Arnold)	9
St. Louis County - Day Treatment (St. Ann)	16
Sikeston Day Treatment (Sikeston)	7
Midway Day Treatment (Mt. Vernon)	0
Gateway School - Day Treatment (Joplin)	25
Excel School - Day Treatment (Springfield)	6
Alpha School (Columbia)	5
Langsford House (Lees Summit)	12
Datema House (Springfield)	12
Wilson Creek Group Home (Springfield)	12
Lewis & Clark Hall (St. Louis)	11
Rosa Parks Center (Fulton)	10
Cornerstone (Columbia)	11
Community Learning Center (Springfield)	12
Northeast Community Treatment Center (Mexico)	11
Girardot Center for Youth and Families (Cape Girardeau)	23
Green Gables (Macks Creek)	11
Northwest Regional Youth Center (Kansas City)	25
Hogan Street Regional Youth Center (St. Louis)	32
St. Joseph Facility - Riverbend (St. Joseph)	31
Fort Bellefontaine Campus (St. Louis)	23
Montgomery City Youth Center (Montgomery City)	37
Fulton Treatment Center (Fulton)	28
Hillsboro Treatment Center (Hillsboro)	33
W. E. Sears Youth Center (Poplar Bluff)	54
Mt. Vernon Facility (Mt. Vernon)	34
Waverly Regional Youth Center (Waverly)	45
Total	932

DEPARTMENT OF SOCIAL SERVICES
 DIVISION OF YOUTH SERVICES
 SCHOOL ATTENDANCE HOURS
 ORGANIZATION CHART
 JUNE 30, 2001



Appendix

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF YOUTH SERVICES
SCHOOL ATTENDANCE HOURS
SCHEDULE OF SCHOOL ATTENDANCE HOURS

	Year Ended June 30,	
	2001	2000
Alternative Resource Center (Kansas City)	13,660	13,775
Camp Avery Park Camp (Troy)	45,682	44,323
Babler Lodge (Chesterfield)	26,681	22,295
Delmina Woods (Forsyth)	23,828	26,818
Echo Program - Day Treatment (Cape Girardeau)	16,557	14,645
Bissell Hall (St. Louis)	31,942	28,564
Spanish Lake Campus (St. Louis)	26,410	20,644
Twin Rivers Campus (St. Louis)	31,803	34,095
New Madrid Treatment Center (New Madrid)	35,359	18,687
Rich Hill Treatment Center (Rich Hill)	32,260	26,752
Sierra/Osage Treatment Center (Poplar Bluff)	30,857	32,721
Watkins Mill Park Camp (Lawson)	68,969	72,065
Gentry Residential Treatment (Cabool)	30,479	24,434
Reach - Day Treatment (St. Louis)	10,876	13,297
Star - Day Treatment (Kansas City)	15,451	16,465
Quest - Day Treatment (St. Charles)	24,074	20,849
New Day - Day Treatment Center (Arnold)	30,108	32,290
St. Louis County - Day Treatment (St. Ann)	14,916	17,819
Sikeston Day Treatment (Sikeston)	12,595	14,342
Midway Day Treatment (Mt. Vernon)	784	0
Gateway School - Day Treatment (Joplin)	24,233	15,545
Excel School - Day Treatment (Springfield)	23,839	25,153
Alpha School (Columbia)	8,909	7,922
Langsford House (Lees Summit)	15,249	14,158
Datema House (Springfield)	13,059	14,167
Wilson Creek Group Home (Springfield)	14,356	14,205
Lewis & Clark Hall (St. Louis)	11,470	12,490
Rosa Parks Center (Fulton)	6,737	0
Cornerstone (Columbia)	15,054	13,616
Community Learning Center (Springfield)	14,901	12,078
Northeast Community Treatment Center (Mexico)	12,762	11,001
Girardot Center for Youth and Families (Cape Girardeau)	35,868	29,183
Green Gables (Macks Creek)	9,252	10,116
Northwest Regional Youth Center (Kansas City)	38,337	41,582
Hogan Street Regional Youth Center (St. Louis)	41,982	37,792
Riverbend Treatment Center (St. Joseph)	41,412	34,022
Fort Bellefontaine Campus (St. Louis)	27,297	26,963
Montgomery City Youth Center (Montgomery City)	44,642	36,212
Fulton Treatment Center (Fulton)	35,270	39,285
Hillsboro Treatment Center (Hillsboro)	41,223	19,087
W. E. Sears Youth Center (Poplar Bluff)	79,158	74,721
Mt. Vernon Facility (Mt. Vernon)	45,296	41,355
Waverly Regional Youth Center (Waverly)	55,375	57,527
TOTALS	1,178,970	1,083,057

* * * * *



**MORGAN COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-105
September 28, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Morgan, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Morgan County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Over the past decade, the Morgan County Commission established thirteen neighborhood improvement districts to develop certain roads in the respective districts. As noted in prior audits, the county has included a maintenance levy in the special assessments levied to landowners of the neighborhood improvement districts. The county assessed this maintenance levy on all thirteen projects at the time of their creation and continues to assess and collect this maintenance levy.

Prior to August 1994, state statute and the ballot wording did not provide for the assessment and collection of the maintenance levy. Current state law allows the county to obtain voter approval for the assessment and collection of this levy after the bonds issued to fund the project are fully repaid. The County has never obtained such voter approval for the first five projects. Also, for these projects and five additional projects established between August 1994 and January 1999 the county is collecting the maintenance levy even though the bonds for these projects have not yet been paid in full.

For the three most recent projects, established in 1999 and 2000, voters passed an additional ballot issue specifically authorizing the collection of a maintenance levy during the period that the project bonds are outstanding. However, there is no statutory authority allowing the county to vote for, assess, or collect a maintenance levy during the period that the bonds are outstanding.

(over)

YELLOW SHEET

While the County Commission believes they are operating within the original intent of the legislation, they have not obtained a written legal opinion in support of their positions and actions.

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1998 Morgan County's Associate County Commissioners salaries were each increased approximately \$6,390 yearly, according to information from the Presiding Commissioner.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners who served one, two, and three years, totaling approximately \$6,390, \$12,780, and \$19,170, for the three years ended December 31, 2000, should be repaid. In addition, other officials also received raises within their term of office. Any raises given to other officials within their term of office should also be re-evaluated for propriety.

- The county has not sufficiently reduced its general revenue property tax levy to reduce property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by Morgan County voters under state law. Procedural errors, combined with actual sales tax collections exceeding estimated amounts, has resulted in the county having collected excess property tax revenues totaling approximately \$51,000. The County Commission reduced the General Revenue fund tax levy approved in August 2001 to adjust for the prior excess collections.
- The Prosecuting Attorney has not established adequate controls or records for the handling of court ordered restitution, bad check restitution and bad check collection fees. Duties are not adequately segregated, receipts are not deposited timely, and monthly listings of open items are not prepared or reconciled to cash balances. In addition, an adequate system has not been developed to account for all bad check complaints received and their ultimate disposition.
- The Sheriff has not adequately segregated accounting duties, and the escrow account contains large old outstanding checks or open items which should be researched and disposed of properly. Also, inmate and commissary monies are not accounted for properly, including the failure to issue receipt slips for some monies, returning some monies in the form of cash, not reconciling the bank accounts to individual prisoner records, and not performing some bank reconciliations. The Sheriff's Office could not adequately account for approximately \$3,300 in inmate and commissary receipts due to the lack of controls and poor record keeping.

The audit also suggested improvements to the schedule of expenditures of federal awards, published financial statements, budgetary practices, bidding procedures, fixed assets, apportionment of railroad and utility taxes, and collateral security. The audit also noted improvements needed in the accounting controls of the Health Center Board and the Senior Citizen Service Board. Several of these issues have been mentioned in prior audits.

All reports are available on our website: www.auditor.state.mo.us

MORGAN COUNTY, MISSOURI

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MORGAN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Morgan County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Morgan County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding

budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 12, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Morgan County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

July 12, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Gayle A. Garrison
Audit Staff:	Anissa Falconer
	Thomas Fox
	Turan Hirji



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Morgan County, Missouri

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Morgan County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1 and 00-2. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Morgan County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Morgan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 12, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 844,321	1,750,652	1,557,857	1,037,116
Special Road and Bridge	1,010,433	1,418,462	1,453,519	975,376
Assessment	980	301,646	302,626	0
Law Enforcement Training	3,479	3,231	3,185	3,525
Prosecuting Attorney Training	7,906	1,041	0	8,947
Johnson Grass	19,407	1,107	4,701	15,813
911	0	380,948	379,104	1,844
Local Emergency Planning Committee	6,522	2,773	3,064	6,231
Prosecuting Attorney Delinquent Sales				
Tax Collection	10,315	995	709	10,601
Recorder's User Fees	18,169	16,930	20,778	14,321
Domestic Violence	641	854	16	1,479
Bad Check Collection	3,491	29,710	22,054	11,147
Prosecuting Attorney Library	5,899	6,180	6,655	5,424
Law Enforcement Sales Tax	183,770	1,363,436	1,537,746	9,460
Neighborhood Improvement District				
Debt Service	1,114,352	436,691	1,044,334	506,709
Neighborhood Improvement District				
Maintenance	275,156	465,291	0	740,447
Sheriff Fees	11,034	21,668	26,764	5,938
POST	2	2,265	2,267	0
K-9 Drug Dog	406	1,679	2,085	0
Election Services	0	1,776	113	1,663
Neighborhood Improvement District				
Debt Service Reserve Fund	0	183,000	0	183,000
Health Center	221,368	547,545	584,170	184,743
Senate Bill 40	57,760	128,286	103,392	82,654
Senior Citizens Service	19,976	118,538	107,733	30,781
Circuit Clerk Interest	24,031	5,057	6,471	22,617
Associate Circuit Court Interest	15,384	2,492	937	16,939
Neighborhood Improvement District				
Dun Wandrin Construction	0	119,361	104,001	15,360
Neighborhood Improvement District				
Viewside Road Construction	0	112,914	108,538	4,376
Neighborhood Improvement District				
Pelican Point Road Construction	0	90,920	76,156	14,764
Local Law Enforcement Block Grant	16,376	25,261	18,773	22,864
Family Access	964	185	0	1,149
Sheriff's Drug Seizure	325	12	0	337
Jury Scrip	9,290	0	6,144	3,146
Total	\$ 3,881,757	7,540,906	7,483,892	3,938,771

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MORGAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 663,235	1,598,029	1,416,943	844,321
Special Road and Bridge	555,101	1,702,428	1,247,096	1,010,433
Assessment	95	293,668	292,783	980
Law Enforcement Training	3,232	3,271	3,024	3,479
Prosecuting Attorney Training	7,236	1,096	426	7,906
Johnson Grass	22,329	1,699	4,621	19,407
911	0	362,243	362,243	0
Local Emergency Planning Committee	9,015	1,317	3,810	6,522
Prosecuting Attorney Delinquent Sales				
Tax Collection	10,101	2,805	2,591	10,315
Recorder's User Fees	19,904	17,043	18,778	18,169
Domestic Violence	623	779	761	641
Bad Check Collection	16,674	24,215	37,398	3,491
Prosecuting Attorney Library	4,091	6,250	4,442	5,899
Law Enforcement Sales Tax	128,251	1,078,281	1,022,762	183,770
Neighborhood Improvement District				
Debt Service	1,011,839	886,706	784,193	1,114,352
Neighborhood Improvement District				
Maintenance	160,710	114,446	0	275,156
Sheriff Fees	6,803	25,412	21,181	11,034
POST	0	1,445	1,443	2
Neighborhood Improvement District				
135-12 Construction	179	10	189	0
Neighborhood Improvement District				
TT1/TT1A Construction	46,242	1,723	47,965	0
K-9 Drug Dog	1,043	297	934	406
Neighborhood Improvement District				
Y-20B Construction	12,314	465	12,779	0
Health Center	244,161	477,264	500,057	221,368
Senate Bill 40	33,745	130,197	106,182	57,760
Senior Citizens Service	0	20,282	306	19,976
Circuit Clerk Interest	19,204	6,020	1,193	24,031
Associate Circuit Court Interest	12,592	2,915	123	15,384
Local Law Enforcement Block Grant	20,187	812	4,623	16,376
Family Access	0	964	0	964
Sheriff's Drug Seizure	0	5,300	4,975	325
Jury Scrip	0	15,680	6,390	9,290
Total	\$ 3,008,906	6,783,062	5,910,211	3,881,757

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2000			1999			
		Variance			Variance	
	Budget	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)	
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 7,111,827	7,192,253	80,426	6,122,495	6,740,024	617,529
DISBURSEMENTS	7,466,258	7,170,280	295,978	6,576,610	5,893,917	682,693
RECEIPTS OVER (UNDER) DISBURSEMENTS	(354,431)	21,973	376,404	(454,115)	846,107	1,300,222
CASH, JANUARY 1	3,834,829	3,854,802	19,973	2,990,713	2,988,719	(1,994)
CASH, DECEMBER 31	3,480,398	3,876,775	396,377	2,536,598	3,834,826	1,298,228
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	266,000	280,883	14,883	255,000	266,382	11,382
Sales taxes	800,000	833,588	33,588	701,000	774,238	73,238
Intergovernmental	18,305	32,264	13,959	21,200	18,360	(2,840)
Charges for services	378,875	482,896	104,021	410,750	450,983	40,233
Interest	40,000	42,363	2,363	33,000	40,349	7,349
Other	12,500	33,658	21,158	16,200	44,431	28,231
Transfers in	47,500	45,000	(2,500)	54,590	3,286	(51,304)
Total Receipts	1,563,180	1,750,652	187,472	1,491,740	1,598,029	106,289
DISBURSEMENTS						
County Commission	104,596	103,472	1,124	103,041	102,980	61
County Clerk	98,800	91,916	6,884	87,010	86,429	581
Elections	26,600	23,356	3,244	9,250	1,951	7,299
Buildings and grounds	62,320	51,915	10,405	36,300	34,546	1,754
Employee fringe benefits	63,000	60,215	2,785	57,500	54,010	3,490
County Treasurer	34,060	33,078	982	33,760	33,067	693
County Collector	107,280	111,127	(3,847)	108,780	96,158	12,622
Ex Officio Recorder of Deeds	56,119	49,563	6,556	49,158	49,834	(676)
Circuit Clerk	10,640	13,293	(2,653)	9,600	10,165	(565)
Associate Circuit Court	31,000	23,760	7,240	21,230	17,760	3,470
Court administration	1,800	0	1,800	0	0	0
Public Administrator	34,623	32,024	2,599	41,494	35,305	6,189
Prosecuting Attorney	135,895	140,198	(4,303)	135,613	108,811	26,802
Juvenile Officer	46,372	43,952	2,420	76,153	49,974	26,179
County Coroner	22,700	16,250	6,450	18,640	20,495	(1,855)
Circuit Judges-Div. 1 & 2	8,897	7,318	1,579	8,897	2,192	6,705
Insurance	15,000	39,268	(24,268)	28,000	14,841	13,159
University Extension Service	29,324	24,864	4,460	28,638	27,682	956
Utilities	15,000	10,962	4,038	20,000	22,740	(2,740)
Telephone	15,000	16,665	(1,665)	21,000	21,903	(903)
Equipment	100,000	67,012	32,988	115,000	84,231	30,769
Detention fees	12,000	0	12,000	187,000	183,676	3,324
Capital improvements	8,000	17,587	(9,587)	120,000	106,881	13,119
Other	33,901	41,788	(7,887)	67,400	71,587	(4,187)
Transfers out	584,720	538,274	46,446	424,450	179,725	244,725
Emergency fund	46,900	0	46,900	44,800	0	44,800
Total Disbursements	1,704,547	1,557,857	146,690	1,852,714	1,416,943	435,771
RECEIPTS OVER (UNDER) DISBURSEMENTS	(141,367)	192,795	334,162	(360,974)	181,086	542,060
CASH, JANUARY 1	844,321	844,321	0	663,235	663,235	0
CASH, DECEMBER 31	702,954	1,037,116	334,162	302,261	844,321	542,060

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	275,000	269,508	(5,492)	250,000	264,668	14,668
Sales taxes	180,000	162,621	(17,379)	170,000	174,604	4,604
Intergovernmental	930,000	934,563	4,563	1,265,000	1,197,690	(67,310)
Interest	40,000	51,150	11,150	50,000	40,749	(9,251)
Other	11,000	620	(10,380)	25,000	24,717	(283)
Total Receipts	1,436,000	1,418,462	(17,538)	1,760,000	1,702,428	(57,572)
DISBURSEMENTS						
Salaries	400,000	373,411	26,589	370,000	339,413	30,587
Employee fringe benefits	53,300	59,351	(6,051)	49,300	40,051	9,249
Supplies	95,000	124,922	(29,922)	80,000	86,538	(6,538)
Insurance	15,000	11,554	3,446	15,000	9,073	5,927
Road and bridge materials	120,000	141,740	(21,740)	200,000	97,616	102,384
Equipment repairs	45,000	53,725	(8,725)	40,000	54,319	(14,319)
Equipment purchases	300,000	354,434	(54,434)	250,000	174,358	75,642
Construction, repair, and maintenance	400,000	84,658	315,342	580,000	254,263	325,737
CART to special road districts	180,000	174,815	5,185	205,000	176,304	28,696
Other	19,500	29,909	(10,409)	23,650	15,161	8,489
Transfers out	45,000	45,000	0	54,390	0	54,390
Total Disbursements	1,672,800	1,453,519	219,281	1,867,340	1,247,096	620,244
RECEIPTS OVER (UNDER) DISBURSEMENTS	(236,800)	(35,057)	201,743	(107,340)	455,332	562,672
CASH, JANUARY 1	1,010,433	1,010,433	0	555,101	555,101	0
CASH, DECEMBER 31	773,633	975,376	201,743	447,761	1,010,433	562,672
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	301,051	247,766	(53,285)	260,744	245,217	(15,527)
Interest	0	1,076	1,076	1,835	1,103	(732)
Other	0	0	0	0	132	132
Transfers in	20,870	52,804	31,934	46,637	47,216	579
Total Receipts	321,921	301,646	(20,275)	309,216	293,668	(15,548)
DISBURSEMENTS						
Assessor	318,585	302,626	15,959	309,216	292,783	16,433
Total Disbursements	318,585	302,626	15,959	309,216	292,783	16,433
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,336	(980)	(4,316)	0	885	885
CASH, JANUARY 1	980	980	0	95	95	0
CASH, DECEMBER 31	4,316	0	(4,316)	95	980	885
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	3,350	2,807	(543)	3,100	2,933	(167)
Interest	150	124	(26)	0	155	155
Other	0	300	300	0	183	183
Total Receipts	3,500	3,231	(269)	3,100	3,271	171
DISBURSEMENTS						
Sheriff	5,600	3,185	2,415	4,600	3,024	1,576
Total Disbursements	5,600	3,185	2,415	4,600	3,024	1,576
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,100)	46	2,146	(1,500)	247	1,747
CASH, JANUARY 1	3,479	3,479	0	3,232	3,232	0
CASH, DECEMBER 31	1,379	3,525	2,146	1,732	3,479	1,747

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2000			1999			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	700	704	4	800	733	(67)
Interest	300	337	37	9	363	354
Total Receipts	1,000	1,041	41	809	1,096	287
DISBURSEMENTS						
Prosecuting Attorney	500	0	500	2,000	426	1,574
Total Disbursements	500	0	500	2,000	426	1,574
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,041	541	(1,191)	670	1,861
CASH, JANUARY 1	7,906	7,906	0	7,236	7,236	0
CASH, DECEMBER 31	8,406	8,947	541	6,045	7,906	1,861
<u>JOHNSON GRASS FUND</u>						
RECEIPTS						
Property taxes	0	387	387	200	500	300
Interest	0	720	720	1,000	1,199	199
Total Receipts	0	1,107	1,107	1,200	1,699	499
DISBURSEMENTS						
Salaries	4,100	3,807	293	4,100	3,808	292
Office expenditures	200	29	171	250	34	216
Equipment	0	0	0	150	138	12
Other	1,300	865	435	1,250	641	609
Total Disbursements	5,600	4,701	899	5,750	4,621	1,129
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,600)	(3,594)	2,006	(4,550)	(2,922)	1,628
CASH, JANUARY 1	19,407	19,407	0	22,329	22,329	0
CASH, DECEMBER 31	13,807	15,813	2,006	17,779	19,407	1,628
<u>911 FUND</u>						
RECEIPTS						
Intergovernmental	44,100	54,625	10,525	41,100	45,693	4,593
Charges for services	190,000	222,718	32,718	187,100	189,925	2,825
Interest	1,000	116	(884)	140	1,080	940
Other	0	976	976	0	12,552	12,552
Transfers in	127,184	102,513	(24,671)	128,296	112,993	(15,303)
Total Receipts	362,284	380,948	18,664	356,636	362,243	5,607
DISBURSEMENTS						
Salaries	280,570	295,536	(14,966)	268,606	277,265	(8,659)
Office expenditures	16,364	31,621	(15,257)	22,550	20,875	1,675
Equipment	10,000	9,036	964	12,500	12,725	(225)
Mileage and training	8,600	5,809	2,791	9,000	7,075	1,925
Line charges	33,000	31,235	1,765	32,000	32,317	(317)
Other	5,500	5,867	(367)	11,980	11,986	(6)
Total Disbursements	354,034	379,104	(25,070)	356,636	362,243	(5,607)
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,250	1,844	(6,406)	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	8,250	1,844	(6,406)	0	0	0

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2000			1999			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<u>LOCAL EMERGENCY PLANNING COMMITTEE FUND</u>						
RECEIPTS						
Intergovernmental	0	2,556	2,556	2,400	997	(1,403)
Interest	0	217	217	350	320	(30)
Total Receipts	0	2,773	2,773	2,750	1,317	(1,433)
DISBURSEMENTS						
Salaries	1,500	0	1,500	1,500	0	1,500
Office expenditures	500	0	500	500	0	500
Equipment and software	2,500	44	2,456	6,500	3,810	2,690
Mileage and training	2,000	3,020	(1,020)	2,500	0	2,500
Total Disbursements	6,500	3,064	3,436	11,000	3,810	7,190
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,500)	(291)	6,209	(8,250)	(2,493)	5,757
CASH, JANUARY 1	6,522	6,522	0	9,015	9,015	0
CASH, DECEMBER 31	22	6,231	6,209	765	6,522	5,757
<u>PROSECUTING ATTORNEY DELINQUENT SALES TAX COLLECTION FUND</u>						
RECEIPTS						
Intergovernmental	1,500	597	(903)	1,500	2,038	538
Interest	500	398	(102)	500	535	35
Other	0	0	0	0	232	232
Total Receipts	2,000	995	(1,005)	2,000	2,805	805
DISBURSEMENTS						
Equipment	600	709	(109)	0	2,359	(2,359)
Other	0	0	0	0	232	(232)
Total Disbursements	600	709	(109)	0	2,591	(2,591)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,400	286	(1,114)	2,000	214	(1,786)
CASH, JANUARY 1	10,315	10,315	0	10,101	10,101	0
CASH, DECEMBER 31	11,715	10,601	(1,114)	12,101	10,315	(1,786)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	16,050	16,257	207	16,000	15,591	(409)
Interest	1,000	673	(327)	1,000	1,452	452
Total Receipts	17,050	16,930	(120)	17,000	17,043	43
DISBURSEMENTS						
Office expenditures	20,400	20,778	(378)	24,800	18,778	6,022
Total Disbursements	20,400	20,778	(378)	24,800	18,778	6,022
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,350)	(3,848)	(498)	(7,800)	(1,735)	6,065
CASH, JANUARY 1	18,169	18,169	0	19,904	19,904	0
CASH, DECEMBER 31	14,819	14,321	(498)	12,104	18,169	6,065
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	775	815	40	800	755	(45)
Interest	0	39	39	40	24	(16)
Total Receipts	775	854	79	840	779	(61)
DISBURSEMENTS						
Payments to domestic violence shelters	755	0	755	750	750	0
Other	20	16	4	15	11	4
Total Disbursements	775	16	759	765	761	4
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	838	838	75	18	(57)
CASH, JANUARY 1	641	641	0	623	623	0
CASH, DECEMBER 31	641	1,479	838	698	641	(57)

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2000			1999			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<u>BAD CHECK COLLECTION FUND</u>						
RECEIPTS						
Charges for services	18,000	14,140	(3,860)	11,000	23,377	12,377
Interest	550	570	20	1,100	838	(262)
Transfers in	0	15,000	15,000	0	0	0
Total Receipts	18,550	29,710	11,160	12,100	24,215	12,115
DISBURSEMENTS						
Salaries	13,550	19,448	(5,898)	22,925	32,616	(9,691)
Office expenditures	1,978	2,160	(182)	1,483	1,969	(486)
Equipment	0	0	0	2,360	2,358	2
Mileage and training	500	0	500	1,000	0	1,000
Other	150	446	(296)	840	455	385
Total Disbursements	16,178	22,054	(5,876)	28,608	37,398	(8,790)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,372	7,656	5,284	(16,508)	(13,183)	3,325
CASH, JANUARY 1	3,491	3,491	0	16,674	16,674	0
CASH, DECEMBER 31	5,863	11,147	5,284	166	3,491	3,325
<u>PROSECUTING ATTORNEY LIBRARY FUND</u>						
RECEIPTS						
Charges for services	6,000	6,180	180	3,200	6,250	3,050
Total Receipts	6,000	6,180	180	3,200	6,250	3,050
DISBURSEMENTS						
Law library	4,500	6,655	(2,155)	3,700	4,442	(742)
Total Disbursements	4,500	6,655	(2,155)	3,700	4,442	(742)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500	(475)	(1,975)	(500)	1,808	2,308
CASH, JANUARY 1	5,899	5,899	0	4,107	4,091	(16)
CASH, DECEMBER 31	7,399	5,424	(1,975)	3,607	5,899	2,292
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	850,000	886,693	36,693	750,000	850,886	100,886
Charges for services	181,500	55,186	(126,314)	13,300	41,357	28,057
Interest	0	53,547	53,547	1,600	39,392	37,792
Other	2,500	9,949	7,449	1,400	137,377	135,977
Transfers in	400,000	358,061	(41,939)	230,000	9,269	(220,731)
Total Receipts	1,434,000	1,363,436	(70,564)	996,300	1,078,281	81,981
DISBURSEMENTS						
Salaries	673,350	630,900	42,450	370,650	394,150	(23,500)
Office expenditures	20,000	35,965	(15,965)	25,000	23,374	1,626
Equipment	7,600	10,063	(2,463)	2,000	1,916	84
Mileage and training	70,000	79,866	(9,866)	50,000	39,665	10,335
Other	56,000	54,486	1,514	26,260	45,510	(19,250)
Jail	117,000	147,985	(30,985)	68,000	87,636	(19,636)
Fringe benefits	72,000	82,085	(10,085)	42,000	41,886	114
Bond payments	413,760	440,084	(26,324)	431,810	388,605	43,205
Land purchase	0	0	0	0	20	(20)
Utilities	50,000	56,312	(6,312)	0	0	0
Total Disbursements	1,479,710	1,537,746	(58,036)	1,015,720	1,022,762	(7,042)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(45,710)	(174,310)	(128,600)	(19,420)	55,519	74,939
CASH, JANUARY 1	183,770	183,770	0	128,252	128,251	(1)
CASH, DECEMBER 31	138,060	9,460	(128,600)	108,832	183,770	74,938

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2000			1999			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<u>NEIGHBORHOOD IMPROVEMENT DISTRICT DEBT SERVICE FUND</u>						
RECEIPTS						
Property taxes	431,600	382,045	(49,555)	257,119	415,912	158,793
Interest	52,103	54,646	2,543	18,820	52,975	34,155
Other	10,000	0	(10,000)	84,690	356,942	272,252
Transfers in	0	0	0	0	60,877	60,877
Total Receipts	493,703	436,691	(57,012)	360,629	886,706	526,077
DISBURSEMENTS						
Commissions	0	0	0	24,820	0	24,820
Bond payments	353,810	425,090	(71,280)	318,291	671,700	(353,409)
Other	6,200	4,808	1,392	0	5,474	(5,474)
Transfers out	628,100	614,436	13,664	0	107,019	(107,019)
Total Disbursements	988,110	1,044,334	(56,224)	343,111	784,193	(441,082)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(494,407)	(607,643)	(113,236)	17,518	102,513	84,995
CASH, JANUARY 1	1,114,352	1,114,352	0	1,011,840	1,011,839	(1)
CASH, DECEMBER 31	619,945	506,709	(113,236)	1,029,358	1,114,352	84,994
<u>NEIGHBORHOOD IMPROVEMENT DISTRICT MAINTENANCE FUND</u>						
RECEIPTS						
Property taxes	0	0	0	40,530	0	(40,530)
Interest	10,500	12,582	2,082	10,260	7,427	(2,833)
Other	0	21,273	21,273	18,790	0	(18,790)
Transfers in	440,700	431,436	(9,264)	58,735	107,019	48,284
Total Receipts	451,200	465,291	14,091	128,315	114,446	(13,869)
DISBURSEMENTS						
Road maintenance	0	0	0	6,136	0	6,136
Total Disbursements	0	0	0	6,136	0	6,136
RECEIPTS OVER (UNDER) DISBURSEMENTS	451,200	465,291	14,091	122,179	114,446	(7,733)
CASH, JANUARY 1	275,156	275,156	0	160,709	160,710	1
CASH, DECEMBER 31	726,356	740,447	14,091	282,888	275,156	(7,732)
<u>SHERIFF FEES FUND</u>						
RECEIPTS						
Charges for services	13,900	20,623	6,723	25,000	24,774	(226)
Interest	600	312	(288)	400	638	238
Other	0	733	733	0	0	0
Transfers in	0	0	0	1,000	0	(1,000)
Total Receipts	14,500	21,668	7,168	26,400	25,412	(988)
DISBURSEMENTS						
Sheriff	25,363	26,764	(1,401)	23,950	8,626	15,324
Transfers out	0	0	0	0	12,555	(12,555)
Total Disbursements	25,363	26,764	(1,401)	23,950	21,181	2,769
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,863)	(5,096)	5,767	2,450	4,231	1,781
CASH, JANUARY 1	11,037	11,034	(3)	6,803	6,803	0
CASH, DECEMBER 31	174	5,938	5,764	9,253	11,034	1,781
<u>POST FUND</u>						
RECEIPTS						
Intergovernmental	2,500	2,265	(235)	2,500	1,443	(1,057)
Interest	0	0	0	0	2	2
Total Receipts	2,500	2,265	(235)	2,500	1,445	(1,055)
DISBURSEMENTS						
State of Missouri	2,500	2,267	233	2,500	1,443	1,057
Total Disbursements	2,500	2,267	233	2,500	1,443	1,057
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(2)	(2)	0	2	2
CASH, JANUARY 1	2	2	0	0	0	0
CASH, DECEMBER 31	2	0	(2)	0	2	2

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2000			1999			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<u>NEIGHBORHOOD IMPROVEMENT DISTRICT 135-12 CONSTRUCTION FUND</u>						
RECEIPTS						
Charges for services			0	0	0	
Interest			0	10	10	
Total Receipts			0	10	10	
DISBURSEMENTS						
Other			0	23	(23)	
Transfers out			179	166	13	
Total Disbursements			179	189	(10)	
RECEIPTS OVER (UNDER) DISBURSEMENTS						
CASH, JANUARY 1			(179)	(179)	0	
CASH, DECEMBER 31			179	179	0	
			0	0	0	
<u>NEIGHBORHOOD IMPROVEMENT DISTRICT TT1/TT1A CONSTRUCTION FUND</u>						
RECEIPTS						
Charges for services			0	0	0	
Interest			0	1,723	1,723	
Total Receipts			0	1,723	1,723	
DISBURSEMENTS						
Other			0	17	(17)	
Transfers out			46,242	47,948	(1,706)	
Total Disbursements			46,242	47,965	(1,723)	
RECEIPTS OVER (UNDER) DISBURSEMENTS						
CASH, JANUARY 1			(46,242)	(46,242)	0	
CASH, DECEMBER 31			46,242	46,242	0	
			0	0	0	
<u>K-9 DRUG DOG FUND</u>						
RECEIPTS						
Interest	0	5	0	44	44	
Other	800	351	0	253	253	
Transfers in	0	1,323	0	0	0	
Total Receipts	800	1,679	0	297	297	
DISBURSEMENTS						
Veterinary expenses	800	981	200	496	(296)	
Supplies	300	177	550	417	133	
Mileage and training	100	0	250	0	250	
Other	0	927	0	21	(21)	
Total Disbursements	1,200	2,085	1,000	934	66	
RECEIPTS OVER (UNDER) DISBURSEMENTS						
CASH, JANUARY 1	(400)	(406)	(1,000)	(637)	363	
CASH, DECEMBER 31	406	406	1,043	1,043	0	
	6	0	43	406	363	
<u>NEIGHBORHOOD IMPROVEMENT DISTRICT Y-20B CONSTRUCTION FUND</u>						
RECEIPTS						
Interest			0	465	465	
Total Receipts			0	465	465	
DISBURSEMENTS						
Other			0	17	(17)	
Transfers out			12,314	12,762	(448)	
Total Disbursements			12,314	12,779	(465)	
RECEIPTS OVER (UNDER) DISBURSEMENTS						
CASH, JANUARY 1			(12,314)	(12,314)	0	
CASH, DECEMBER 31			12,314	12,314	0	
			0	0	0	

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Charges for services	2,500	1,430	(1,070)			
Interest	0	26	26			
Other	0	320	320			
Total Receipts	2,500	1,776	(724)			
DISBURSEMENTS						
Voter machine	2,500	0	2,500			
Other	0	113	(113)			
Total Disbursements	2,500	113	2,387			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,663	1,663			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	1,663	1,663			
<u>NEIGHBORHOOD IMPROVEMENT DISTRICT DEBT SERVICE RESERVE FUND</u>						
RECEIPTS						
Transfers in	193,400	183,000	(10,400)			
Total Receipts	193,400	183,000	(10,400)			
DISBURSEMENTS						
Debt service payments	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	193,400	183,000	(10,400)			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	193,400	183,000	(10,400)			
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	222,739	220,864	(1,875)	225,170	222,805	(2,365)
Intergovernmental	264,945	243,020	(21,925)	219,490	192,053	(27,437)
Charges for services	42,000	43,815	1,815	36,500	37,990	1,490
Interest	22,580	12,597	(9,983)	28,000	9,968	(18,032)
Other	16,500	27,249	10,749	15,000	14,448	(552)
Total Receipts	568,764	547,545	(21,219)	524,160	477,264	(46,896)
DISBURSEMENTS						
Salaries	382,520	408,839	(26,319)	380,660	351,062	29,598
Office expenditures	46,658	48,486	(1,828)	44,000	42,975	1,025
Equipment	19,200	10,463	8,737	5,500	5,483	17
Mileage and training	15,500	16,759	(1,259)	18,500	13,409	5,091
Programs	154,886	99,623	55,263	72,500	83,931	(11,431)
Election	0	0	0	3,000	3,197	(197)
Total Disbursements	618,764	584,170	34,594	524,160	500,057	24,103
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50,000)	(36,625)	13,375	0	(22,793)	(22,793)
CASH, JANUARY 1	221,368	221,368	0	244,161	244,161	0
CASH, DECEMBER 31	171,368	184,743	13,375	244,161	221,368	(22,793)

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2000			1999			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<u>SENATE BILL 40 FUND</u>						
RECEIPTS						
Property taxes	96,000	122,710	26,710	112,000	122,829	10,829
Intergovernmental	1,200	1,200	0	1,200	2,054	854
Interest	3,000	4,376	1,376	2,400	3,234	834
Other	0	0	0	0	2,080	2,080
Total Receipts	100,200	128,286	28,086	115,600	130,197	14,597
DISBURSEMENTS						
Quality Industries	51,000	51,000	0	71,500	67,215	4,285
Lake Ozark Development Center	14,500	12,500	2,000	17,500	15,000	2,500
Morgan County Mental Health	7,074	7,074	0	7,074	6,574	500
Central Missouri Regional Center	32,438	13,067	19,371	18,871	6,108	12,763
Center for Human Services	0	0	0	1,440	40	1,400
Wonderland Camp	7,500	6,250	1,250	8,250	7,975	275
Stover Development Center	12,000	12,000	0	2,984	1,851	1,133
Quality Industries Activity Account	1,000	0	1,000	1,550	0	1,550
Special Education Grant	600	833	(233)	0	700	(700)
Other	1,000	668	332	0	719	(719)
Total Disbursements	127,112	103,392	23,720	129,169	106,182	22,987
RECEIPTS OVER (UNDER) DISBURSEMENTS	(26,912)	24,894	51,806	(13,569)	24,015	37,584
CASH, JANUARY 1	57,760	57,760	0	35,902	33,745	(2,157)
CASH, DECEMBER 31	30,848	82,654	51,806	22,333	57,760	35,427
<u>SENIOR CITIZENS SERVICE FUND</u>						
RECEIPTS						
Property taxes	110,000	116,707	6,707			
Financial institution tax	0	789	789			
Interest	0	1,042	1,042			
Total Receipts	110,000	118,538	8,538			
DISBURSEMENTS						
Bonds	150	0	150			
Postage	50	11	39			
Newspaper advertisements	180	222	(42)			
Versailles & Laurie nutrition sites	45,000	50,000	(5,000)			
Regal Home Care	5,000	2,500	2,500			
Missouri Home Care	10,000	2,500	7,500			
West Central MO Community Action Agency	5,000	2,500	2,500			
Homemaker Health Care Inc.	10,000	15,000	(5,000)			
Mathew 25 Ministries	25,000	35,000	(10,000)			
Total Disbursements	100,380	107,733	(7,353)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,620	10,805	1,185			
CASH, JANUARY 1	0	19,976	19,976			
CASH, DECEMBER 31	9,620	30,781	21,161			
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	5,000	5,057	57	5,000	6,020	1,020
Total Receipts	5,000	5,057	57	5,000	6,020	1,020
DISBURSEMENTS						
Office expenditures	10,000	6,471	3,529	5,000	1,193	3,807
Total Disbursements	10,000	6,471	3,529	5,000	1,193	3,807
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,000)	(1,414)	3,586	0	4,827	4,827
CASH, JANUARY 1	24,031	24,031	0	19,024	19,204	180
CASH, DECEMBER 31	19,031	22,617	3,586	19,024	24,031	5,007

Exhibit B

MORGAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT COURT INTEREST FUND</u>						
RECEIPTS						
Interest	3,000	2,471	(529)	3,000	2,915	(85)
Other	0	21	21			
Total Receipts	3,000	2,492	(508)	3,000	2,915	(85)
DISBURSEMENTS						
Office expenditures	0	937	(937)	0	123	(123)
Total Disbursements	0	937	(937)	0	123	(123)
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,000	1,555	(1,445)	3,000	2,792	(208)
CASH, JANUARY 1	15,384	15,384	0	12,592	12,592	0
CASH, DECEMBER 31	18,384	16,939	(1,445)	15,592	15,384	(208)

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The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MORGAN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Morgan County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Local Law Enforcement Block	
Grant Fund	2000 and 1999
Family Access Fund	2000 and 1999
Sheriff's Drug Seizure Fund	2000 and 1999
Jury Scrip Fund	2000 and 1999
Neighborhood Improvement District	
Dun Wandrin Construction Fund	2000
Neighborhood Improvement District	
Viewside Construction Fund	2000
Neighborhood Improvement District	
Pelican Point Construction Fund	2000
Senior Citizens Service Fund	1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
911 Fund	2000 and 1999
Prosecuting Attorney Delinquent Sales	
Tax Collection Fund	2000 and 1999
Bad Check Collection Fund	2000 and 1999
Prosecuting Attorney Library Fund	2000 and 1999
Law Enforcement Sales Tax Fund	2000 and 1999
Neighborhood Improvement District	
Debt Service Fund	2000 and 1999
Associate Circuit Court Interest Fund	2000 and 1999
Recorder's User Fees Fund	2000
Sheriff Fees Fund	2000
K-9 Drug Dog Fund	2000
Senior Citizens Service Fund	2000
Neighborhood Improvement District	
135-12 Construction Fund	1999
Neighborhood Improvement District	
TT1/TT-1A Construction Fund	1999
Neighborhood Improvement District	
Y-20B Construction Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	2000 and 1999
Associate Circuit Court Interest Fund	2000 and 1999
Jury Scrip Fund	2000 and 1999

Additionally, for the Health Center Fund, Senate Bill 40 Fund, and the Senior Citizens Service Fund, the county's published financial statements for the years ended December 31, 2000 and 1999, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name.

The Senate Bill 40 Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name.

The Senior Citizens Service Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end for the Senior Citizens Service Board.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

MORGAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health:				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	EROO45-9171	\$ 0	35,346
		EROO45-0171	34,039	12,754
		ERS045-1171W	11,459	0
	Program Total		45,498	48,100
10.559	Summer Food Service Program for Children	ERS146-0171I	57	0
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.592	Local Law Enforcement Block Grants Program	2000-BU-BX-3025	18,773	4,623
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	0	5,053
Passed through Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,962	1,075
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	3,145	2,152
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.544	Public Assistance Grants	FEMA-1253-DR-MO	0	262,165
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Health:				
93.268	Immunization Grants	N/A	26,392	22,578
		PG0064-9171 IAP	0	2,360
	Program Total		26,392	24,938
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	AOC00380177	44,358	5,642
		AOC01380173	8,175	0
	Program Total		52,533	5,642

Schedule

MORGAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2000	1999
93.575	Child Care and Development Block Grant	PGA067-9171	0	1,065
		PGA067-0171S	470	220
		PGA067-1171S	365	0
		ERO146-9171CCH&SCS	0	1,184
		PGA067-0171C	976	304
		PGA067-1171C	51	0
	Program Total		<u>1,862</u>	<u>2,773</u>
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-90034	0	6,389
		ERO161-00070	4,444	2,728
		ERO161-10048	1,622	0
			<u>6,066</u>	<u>9,117</u>
93.991	Preventive Health and Health Services Block Grant	N/A	314	269
93.994	Maternal and Child Health Services Block Grant to the States	N/A	1,571	1,344
		ERO 175-9171FP	0	5,348
		ERO 175-0171F	4,382	1,932
		ERS 175-1171F	1,484	0
		ERS 146-0171M	41	93
	Program Total		<u>7,478</u>	<u>8,717</u>
	Total Expenditures of Federal Awards		\$ <u><u>164,080</u></u>	<u><u>374,624</u></u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

MORGAN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Morgan County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) program represent the estimated fair market value of the property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$26,392 and \$22,578 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$314 and \$269 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,571 and \$1,344 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Morgan County, Missouri

Compliance

We have audited the compliance of Morgan County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Morgan County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-3.

Internal Control Over Compliance

The management of Morgan County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Morgan County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

July 12, 2001 (fieldwork completion date)

Schedule

MORGAN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
16.592	Local Law Enforcement Block Grants Program
83.544	Public Assistance Grants

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

00-1.	Omission of Budgetary Information
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The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the years ended December 31, 2000 and 1999. Receipt and disbursement transactions occurred in the following funds which did not have formal budgets prepared:

Fund	Year Ended December 31,			
	2000		1999	
	Receipts	Disbursements	Receipts	Disbursements
Senior Citizens Service Fund	\$ N/A	N/A	20,282	306
Neighborhood Improvement District				
Dun Wandrin Construction Fund	119,361	104,001	N/A	N/A
Neighborhood Improvement District				
Viewside Road Construction Fund	112,914	108,538	N/A	N/A
Neighborhood Improvement District				
Pelican Point Road Construction Fund	90,920	76,156	N/A	N/A
Local Law Enforcement				
Block Grant Fund	25,261	18,773	812	4,623
Family Access Fund	185	0	964	0
Sheriff's Drug Seizure Fund	12	0	5,300	4,975
Jury Scrip Fund	0	6,144	15,680	6,390
	<u>\$ 348,653</u>	<u>313,612</u>	<u>43,038</u>	<u>16,294</u>

The lack of budgetary information for these funds, especially the Neighborhood Improvement District - Dun Wandrin Construction Fund, Neighborhood Improvement District - Viewside Construction Fund, and Neighborhood Improvement District - Pelican Point Construction Fund, is a significant omission from the county's financial statements. The County Commission indicated these funds were not budgeted because the county's formal budget process had already been completed at the time these funds were established and the County Commission neglected to create the budgets.

Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county

funds, the County Commission and other county officials and boards would be able to more effectively evaluate all county financial resources.

WE RECOMMEND the County Commission and other applicable officials ensure budgets are prepared for all county funds.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission responded:

We will include all appropriate funds in future years' budgets.

00-2.	Overspending of Budgets
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Disbursements were made in excess of the approved budgets in the following funds during the two years ended December 31, 2000:

Fund	Year Ended December 31,	
	\$ 2000	1999
911 Fund	25,070	5,607
Prosecuting Attorney Delinquent Sales		
Tax Collection Fund	109	2,591
Recorder's User Fees Fund	378	N/A
Bad Check Collection Fund	5,876	8,790
Prosecuting Attorney Library Fund	2,155	742
Law Enforcement Sales Tax Fund	58,036	7,042
Neighborhood Improvement District		
Debt Service Fund	56,224	441,082
Sheriff Fees Fund	1,401	N/A
Neighborhood Improvement District		
135-12 Construction Fund	N/A	10
Neighborhood Improvement District		
TT1/TT1A Construction Fund	N/A	1,723
K-9 Drug Dog Fund	885	N/A
Neighborhood Improvement District		
Y-20B Construction Fund	N/A	465
Senior Citizens Service Fund	7,353	N/A
Associate Circuit Court Interest Fund	937	123
	\$ 158,424	468,175

The county had no formal monitoring procedures to ensure adequate budget appropriations existed prior to approving disbursements.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

WE RECOMMEND the County Commission and the Senior Citizens Service Board adopt procedures to periodically compare budgeted and actual disbursements and ensure the county and applicable officials do not authorize disbursements in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budgets should be formally amended.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission responded:

We have implemented a new accounting system and are using that system's reports to monitor budgetary status. We will amend budgets when necessary.

The Senior Citizens Service Board Chairman responded:

I agree and will implement this recommendation.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-3.	Schedule Of Expenditures Of Federal Awards
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Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	16.592
Program Title:	Local Law Enforcement Block Grants Program
Pass-Through Entity	
Identifying Number:	2000-BU-BX-3025
Award Year:	2000 and 1999
Questioned Costs:	N/A

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.544
Program Title:	Public Assistance Grants
Pass-Through Entity	

Identifying Number: FEMA-1253-DR-MO
Award Year: 2000 and 1999
Questioned Costs: N/A

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county does not have a procedure in place to adequately track federal awards for preparation of the SEFA. The county prepared a SEFA for the years ended December 31, 2000 and 1999; however, the schedule only contained information submitted by the Health Center Board and excluded all grants expended by the County Commission or other county officials during the two years. In addition, the information presented for many of the programs did not agree to the Health Center Board's grant activity records. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. Considering the overall incompleteness of the SEFA, it appears the County Clerk's efforts to prepare an accurate and complete SEFA were inadequate.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk responded:

I agree and I will attempt to do this with next year's budget.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MORGAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Morgan County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1998.

98-1. Budgetary Procedures

- A. Actual expenditures exceeded budgeted amounts in several funds.
- B. Expenditures were made from several funds that did not have a formal budget prepared.
- C. Neighborhood Improvement District (NID) budgets did not always present accurate financial information in that the amounts budgeted for receipts and disbursements varied significantly from actual amounts.

Recommendation:

The County Commission and County Clerk implement procedures to ensure:

- A. Budgets are properly amended if necessary, and expenditures are kept within budgetary limits.
- B. Budgets are prepared or obtained for all funds.
- C. Budgets prepared for the NID funds reflect more accurate estimates.

Status:

- A. Not implemented. See finding number 00-2.
- B. Not implemented. See finding number 00-1.
- C. Partially implemented. During the two years ending December 31, 1998, four NID funds did not have accurate estimates of receipts or disbursements. During the current audit period only one NID fund (Debt Service Reserve) had inaccurate estimates. Although not repeated in the current report, our recommendation remains as stated above.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MORGAN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MORGAN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Morgan County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 12, 2001. We also have audited the compliance of Morgan County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 12, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Morgan County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

Over the past decade, the Morgan County Commission established thirteen neighborhood improvement districts (NIDs) pursuant to a petition or public vote from the residents in the proposed districts. The NIDs were established to develop certain roads in the respective districts. Temporary notes were issued by the County Commission to fund each project's construction. General obligation special assessment bonds were, or will be, issued to pay off the temporary notes related to these various projects. These bonds are to be paid off over periods up to twenty years.

While the County Commission is ultimately responsible for the repayment of the general obligation bonds, the bonds are intended to be repaid through the collection of special assessments on the benefited properties within each district. Two payment options were developed by the County Commission. The options allowed property owners to pay the assessments in one lump sum or allocate the special assessment and related interest costs over payment periods of up to twenty years.

Our review of the county's handling of the NIDs during the two years ended December 31, 2000, disclosed the following concerns:

- A. The county has included a maintenance levy in the special assessments levied to landowners of the NIDs. The county assessed this maintenance levy on all thirteen projects at the time of their creation and continues to assess and collect this maintenance levy. As of December 31, 2000, the combined cash balance of the NID maintenance accounts exceeds \$740,000 and receipts and disbursements for the seven years ended December 31, 2000 total approximately \$1,007,000 and \$267,000, respectively.

The statute (Section 67.457, RSMo 1994) in effect at the time the first five projects were established (prior to August 28, 1994) and the ballot wording did not provide for the assessment and collection of a maintenance levy. A new provision of this statute, effective August 28, 1994, allows the county to obtain voter approval for the assessment and collection of this maintenance levy after the bonds issued to fund the project are fully repaid. However, the county has never obtained such voter approval for the first five projects. Also, for these projects and five additional projects established between August 28, 1994, and January 1, 1999 the county is collecting the maintenance levy even though the bonds for these projects have not yet been paid in full.

This condition has been noted in our three prior audit reports and discussed with the County Commission. To address these concerns, the county included an additional issue on the ballot during the public vote on the three most recent projects established in 1999 and 2000. The additional ballot issue, which was passed by voters, specifically authorized the collection of a maintenance levy for each project during the period that the bonds were outstanding. However, there is no statutory provision

allowing the county to vote for, assess, and collect a maintenance levy during the period that the bonds are outstanding.

- B. The County Commission changes the levies used to collect special assessments for each NID annually based on changes in the assessed valuation or parcel counts, as applicable depending on the assessment method for that district. The change in the levy is made to ensure that the total amount collected for the year is approximately equal to the amount needed to fund debt service and maintenance requirements established by the County Commission during the formative stages of the project. The County Commission believes that unfair cash windfalls or inequitable treatment would occur during times of rising assessed valuations if the levies were not adjusted.

It does not appear the county has authority to change the individual assessments annually under current statutory provisions. Section 67.463, RSMo 2000 states that special assessments shall be payable in substantially equal installments for the duration of the assessment. While Section 67.467, RSMo 2000 does allow the County Commission to establish new assessments when assessments are inadequate, excessive, or invalid, these situations should not be occurring on an annual basis.

Although we have brought these matters to the county's attention in the three prior audit reports, the county has failed to fully address the issues. It appears that the applicable statutes regarding NIDs clearly set forth the provisions for the collection of the special assessments and that the county is not in compliance with those statutes. The County Commission indicates that they believe they are operating within the original intent of the legislation; however, they have not obtained a written legal opinion in support of their positions and actions.

WE AGAIN RECOMMEND the County Commission:

- A. Discontinue the maintenance levy on all NIDs and refund all maintenance monies previously collected to the affected property owners. In addition, if the assessment of a maintenance levy is determined to be necessary for the original five projects, appropriate district petitions should be obtained or elections held authorizing such an assessment. If approved, any maintenance assessments should be levied and collected according to law only after the applicable bonds have been paid in full.
- B. Ensure special assessments are assessed to property owners in accordance with state law. This would require the County Commission to revise the assessment method to ensure the assessment installments are substantially equal over the life of the assessment collection period.

Furthermore, if the County Commission decides to continue its current practices, a written legal opinion supporting its action should be obtained from the Prosecuting Attorney and the county should seek legislative approval for any continued collections which are not allowed under current NID statutes.

AUDITEE'S RESPONSE

The County Commission responded:

- A. *We do not agree with this recommendation and do not plan to discontinue the collection of maintenance levies. We will ask for a legal opinion that provides documentation for our past actions.*
- B. *We have now changed our methodology of setting each levy so that the assessments will be collected in substantially equal installments over the remainder of the life of each NID.*

2. County Bidding Procedures

Bids were not always solicited or advertised by the county nor was the selection process always documented for various purchases made by the county during the two years ended December 31, 2000. The County Commission minutes did not always document the circumstances involved when a purchase was considered sole source or when information was solicited by methods other than publication in a newspaper. Examples of items purchased for which adequate bid documentation could not be located are as follows:

Item	Cost
NID Construction Projects (1)	\$ 286,408
3 Sheriff's Vehicles (2)	62,496
Road Striping (3)	21,576
Plat Books and Maps (4)	18,400

- (1) The county could only locate copies of the winning bids and bid tabulation sheets.
- (2) The purchase was not advertised for bid, instead the Sheriff indicated he posted a public notice in the courthouse and the post office. Copies of all bids obtained were not retained.
- (3) The county did not bid this purchase.
- (4) The county believes this is a sole source purchase.

Section 50.660, RSMo 2000, requires advertisement of bids for all purchases of \$4,500 or more. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence the county's established purchasing procedures, as well as statutory requirements, are followed.

WE RECOMMEND the County Commission solicit bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If

bids cannot be obtained or sole source procurement is necessary, the County Commission or County Clerk should retain documentation of these circumstances.

AUDITEE'S RESPONSE

The County Commission responded:

We agree with this recommendation. We regularly bid these types of items; however, we will ensure that we retain documentation of advertising and bidding activity in the future.

3. Officials' Salaries

During our audit we noted the following conditions related to various elected officials' salaries:

- A. The 1997 salary commission voted to set salaries for all county officials, effective January 1, 1998, at 100% of the statutory salary tables newly established that year by the legislature. As a result, each elected official received raises within their term of office. Similar to the action noted in part B below, this appears to violate Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This condition was noted in our prior audit report; however, the county has not obtained a legal opinion regarding the legality of their decision and no salary adjustments have been made to recover the amounts paid in excess of the amounts allowed by law.
- B. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1998 Morgan County's Associate County Commissioners salaries were each increased approximately \$6,390 yearly, according to information from the Presiding Commissioner.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the three Associate County Commissioners who held office during the three years ended December 31, 2000 should be repaid. Excess raises totaled approximately \$6,390, \$12,780, and \$19,170 for the Associate County Commissioners who served one, two, and three years, respectively. In addition, in light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- C. The County Collector and County Assessor received raises, effective January 1, 2001, due to a change in the assessed valuation of the county. However, Section 50.333.8 states that the elected officials' salaries shall be adjusted each year on the official's year of incumbency for any increase in the maximum allowable salary caused by a change in the last completed assessment. The County Collector and County Assessor received these raises prior to their dates of incumbency which are March 1 and September 1, respectively.

WE RECOMMEND the County Commission and the salary commission:

- A&C. Request a written opinion from the Prosecuting Attorney as to the legality of the salary increases that went into effect on January 1, 1998, and January 1, 2001, and obtain repayment of any raises determined to be unallowable.
- B. Review the impact of the Supreme Court decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission responded:

- A. *We had obtained a legal opinion prior to granting the raises that indicated these raises could be considered appropriate under an interpretation of the statute. We believe that raises given to county officials effective January 1, 1998 were appropriate and do not plan to obtain refunds from elected officials.*
- B. *We will request a legal opinion on these matters from our attorney. We feel that it would be a hardship on the officials involved to request a repayment of salary increases that were given in accordance with statutes in effect at the time the salary increases were implemented.*
- C. *We have ordered the County Clerk to deduct overpayments made to the County Collector and County Assessor since January 2001.*

AUDITOR'S COMMENT

- A. The legal opinion referred to in the response above did not appear to clearly conclude that these raises were allowable. In light of the recent Supreme Court decision, the county should consider obtaining another opinion on the legality of these raises.

4. Published Financial Statements
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The annual published financial statements of the county did not include financial activity of the Circuit Clerk Interest Fund, Associate Circuit Court Interest Fund, or the Jury Scrip Fund and included only those amounts that passed through the County Treasurer for the Health Center Fund, Senate Bill 40 Fund, and the Senior Citizens Service Fund. In addition, the amounts of bonded debt and other related bond information for the Justice Center bonds or

for the bonds issued for the neighborhood improvement district projects were not included. Section 50.800, RSMo 2000, requires published financial statements to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. In addition, it requires the presentation of bonded debt of the county and other information related to bond activity.

For the published financial statements to adequately inform the citizens of the county's financial activity, all monies received and disbursed by the county and all other required information should be included in the level of detail required by law.

WE RECOMMEND the County Commission ensure all required financial information for all county funds is properly reported in the published financial statements.

AUDITEE'S RESPONSE

The County Commission responded:

We will comply with this recommendation starting with the next required publication of the financial statements.

5. Apportionment of Railroad and Utility Taxes

The County Clerk did not correctly apportion 1999 or 2000 railroad and utility taxes to the school districts. The County Clerk used incorrect assessed valuation totals while calculating the apportionments. As a result, the various school districts were over or (under) paid as follows:

<u>School District</u>	<u>Amount Over (Under) Paid</u>
Camden County R-3	\$ 7,582
Cooper County R-6	28,857
Miller County R-1	(21,091)
Miller County R-2	(7,446)
Morgan County R-1	(14,569)
Pettis County R-6	6,667

WE RECOMMEND the County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

AUDITEE'S RESPONSE

The County Clerk responded:

I agree and have already notified the school districts that have been overpaid and will work with those districts to obtain refunds. Monies refunded will be distributed to school districts that were underpaid.

6.

County Sales Tax

The county has not sufficiently reduced its general revenue property tax levy to reduce property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by the Morgan County voters under the provisions of Section 67.505, RSMo 2000.

Following are the calculations of the property tax rollback and sales tax collections for the two years ended December 31, 2000, and excess property taxes of prior years:

	<u>Tax Year Ended December 31,</u>	
	<u>2000</u>	<u>1999</u>
ACTUAL SALES TAX REVENUES	\$ 833,588	774,238
Required percentage of revenue reduction	X <u>50%</u>	<u>50%</u>
Required property tax revenue reduction	<u>416,794</u>	<u>387,119</u>
Assessed Valuation	261,499,619	247,933,720
General Revenue Fund tax levy reduction (per \$100 of assessed valuation)	X <u>0.1600</u>	<u>0.1400</u>
Actual property tax revenue reduction	<u>418,399</u>	<u>347,107</u>
EXCESS (SURPLUS) PROPERTY TAX REVENUES COLLECTED	(1,605)	40,012
Excess property tax revenue collections from prior years	<u>53,029</u>	<u>13,017</u>
NET EXCESS	\$ <u><u>51,424</u></u>	<u><u>53,029</u></u>

The county's actual sales tax revenues significantly exceeded the preliminary estimate in 1999 and, as a result, the county's net excess collections increased significantly. In addition, the county only included the excess or surplus tax collections from the two previous years in the calculations used to establish the required tax rate reduction. Finally, the county chose not to reduce the 2000 property tax levy far enough to offset excess collections from 1999 and prior years. The County Clerk indicated the County Commission believed the economy would not sustain the rate of growth predicted by the 2000 calculation of estimated sales tax receipts. The county's assumption was not accurate and, as a result, the property tax levy set for 2000 failed to reduce property tax collections to the level required by law. These three conditions have resulted in the county having collected excess property tax revenues of approximately \$51,424. The County Commission calculated the General Revenue tax levy in August 2001 for the current tax year and the calculations properly included adjustments for all prior years' excess property tax collections.

WE RECOMMEND the County Commission continue to ensure in subsequent years that appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

AUDITEE'S RESPONSE

The County Commission responded:

We agree and, as noted above, we have calculated and certified the 2001 general revenue levy at an amount sufficient to adjust for prior excess collections.

7. Fixed Assets

The County Commission or its designee is responsible for maintaining a complete, detailed record of county property. In the past, the County Clerk has been primarily responsible for these records. The County Clerk indicated she printed asset listings during September 1999 for each of the county officials from the historical records maintained by her office. She indicated the computerized listing was provided to each officeholder, who was then responsible for conducting the physical inventory in his/her own office. The County Assessor has submitted an annual listing of property in his office to the County Clerk; however, none of the other elected officials have submitted the required reports. In addition, the County Clerk indicated that she has communicated to the various officeholders the need to obtain property tags for new assets from her office and affix those tags to the new property; however, the County Clerk indicated the officials have not requested property tags for use on any new assets since August 1999.

Adequate fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all

fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipt.

AUDITEE'S RESPONSE

The County Commission responded:

We will implement this recommendation and will have procedures in place and operating by the end of 2001.

8. Collector's Collateral Security

The collateral securities pledged by the County Collector's depository bank to cover deposits were insufficient during December 2000 and January 2001 by as much as \$3.8 million dollars. The County Collector apparently did not monitor collateral securities pledged against bank account balances. Monitoring Federal Deposit Insurance Corporation (FDIC) coverage and collateral securities pledged becomes even more critical if the Collector's receipts continue to increase as they have in recent years.

Section 110.020, RSMo 2000, provides the value of collateral securities pledged to secure county funds shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation. Inadequate collateral securities leave the County Collector's funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Collector monitor the bank balance and ensure adequate securities are pledged for all funds on deposit in excess of FDIC coverage.

AUDITEE'S RESPONSE

The County Collector responded:

I will better monitor to make sure that pledged securities are sufficient to cover cash balances.

9. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney's Office collects court-ordered restitution, bad check restitution, and bad check collection fees totaling approximately \$76,000 annually. Our review of the Prosecuting Attorney's records and procedures revealed the following concerns:

- A. Duties are not adequately segregated. One individual is responsible for receiving, recording, depositing and transmitting monies, initiating correspondence for collection of amounts due, and following up on unpaid amounts. While an independent person prepares the monthly bank reconciliations; there is no

independent reconciliation of monies received to bank deposits and transmittals, nor is there a review of information posted to case files. To ensure proper accountability, the duties of receiving and recording complaints and payments should be segregated from the duties of disbursing/depositing monies and following-up on amounts due. If the duties cannot be adequately segregated, at a minimum, someone independent should periodically review the bad check records and compare records of monies received with deposits and documentation of disbursement to the victims, as well as ensuring recorded dispositions appear proper. Failure to adequately segregate duties or provide supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.

- B. The Prosecuting Attorney requires bad check and court ordered restitution to be submitted by defendants in the form of money orders made payable to the victim. Bad check fees are also paid by money order made payable to the Prosecuting Attorney. The Prosecuting Attorney forwards the victim money orders to the victims by mail. The bad check fee money orders are deposited to the official bank account and disbursements are made by official check. During our audit we noted the following concerns:

1. Receipts are not deposited timely. For example, monies received during January 1999 were deposited on only seven different days ranging from \$137 to \$1,686. Monies received during November 2000 were deposited on only four different days ranging from \$305 to \$1,993. In addition, checks and money orders are not restrictively endorsed until the deposit is prepared.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, checks and money orders should be endorsed immediately upon receipt and monies deposited intact daily or when accumulated receipts exceed \$100.

2. The Prosecuting Attorney records all monies received on a one-write receipt ledger. The ledger is set up to document the ultimate disposition of the monies received and to separately account for monies remitted directly to victims from monies deposited in the official bank account. During our review, we noted that the ledger entries were not always recorded accurately. In addition, the Prosecuting Attorney did not reconcile the receipt ledger's deposit column activity to the bank information. During our review, we noted that actual deposits exceeded the receipt ledger's deposit column totals by approximately \$5,800 for the period of January 1, 1999 through June 21, 2001.

To ensure that the receipt ledger is prepared accurately and that transactions are properly recorded, the Prosecuting Attorney should review the accuracy of the receipt ledger entries and ensure that the deposit column activity is reconciled to the bank information.

3. The Prosecuting Attorney requires bad check and court ordered restitution to be submitted in the form of money orders made payable to the victim. The office forwards the money orders to the victims by mail; however, the office does not obtain documentation from the victim when the restitution money orders are turned over.

To reduce the risk of loss, theft or misuse of funds, the Prosecuting Attorney should obtain documentation from the victim when money orders are turned over.

4. Monthly listings of open items (liabilities) are not prepared and, consequently, open items are not reconciled to cash balances. At our request, an open items listing was prepared as of December 31, 2000. The reconciled cash balance at December 31, 2000 exceeded identified open items on the listing by approximately \$2,800. Errors in recording transactions on the receipt ledger, as discussed above in part 2, have remained undetected because the Prosecuting Attorney has not properly reconciled open items to the cash balance.

Monthly listings of open items are necessary to ensure the proper disposition of cash balances. The periodic reconciliation of liabilities with the cash balance provides assurance that the records are in balance and that sufficient cash is available for payment of all liabilities. Timely reconciliations are necessary and helpful in the investigation of differences. In addition, differences noted when performing monthly reconciliations should be promptly investigated and resolved. Various statutory provisions provide for the disposition of unclaimed and unidentified monies.

- C. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as the subsequent disposition of these complaints, has not been established. A bad check complaint log is used only to assign a sequential control number to the bad checks as they are submitted by vendors. Neither the control number nor the log is used to track bad check payments or case history.

To help ensure all bad checks turned over to the Prosecuting Attorney are properly handled, a complete log should be maintained. The log should contain additional information such as the merchant, the amount of the check, the amount of the administrative fee, and the disposition of the bad check, including the date payment was received and paid to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.

WE RECOMMEND the Prosecuting Attorney:

- A. Provide for adequate segregation of duties and/or performance of independent reconciliations and reviews of accounting records.

- B.1. Restrictively endorse checks and money orders immediately upon receipt and deposit all monies intact daily or when accumulated receipts exceed \$100.
- 2. Review the information recorded on the receipt ledger for accuracy and ensure that the deposit column activity is reconciled to the bank information.
- 3. Obtain documentation from the victims when restitution money orders are turned over or deposit all receipts and remit restitution by a check issued from the Prosecuting Attorney's bank account.
- 4. Prepare complete and accurate listings of open items and reconcile the listings to the cash balance monthly. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- C. Record additional information on the bad check log to adequately account for bad check complaints received as well as the ultimate disposition of each complaint. The log should include merchant data, amount of the bad check and administrative fee, disposition of the bad check, date restitution and fees were paid, date restitution and fees were remitted to the merchant or County Treasurer, and the criminal case number under which charges were filed, if applicable.

AUDITEE'S RESPONSE

The Prosecuting Attorney responded:

- A. *The duties of receiving and recording complaints regarding bad checks and disbursing of funds remain in one person as the staff capacity here cannot bear this change. However, the duties of reconciling the bank records and receiving and disbursing monies have now been adequately segregated within the office.*
- B.1. *We now deposit daily or when the amount to deposit exceeds \$100. We now also restrictively endorse checks and money orders as they are received.*
- B.2. *We now keep two ledgers on hand, one which is the one-write ledger and another which is in our new Quick Books software. In addition, the Prosecuting Attorney now randomly checks the accuracy of the two ledgers and reconciles the same.*
- B.3. *This office has purchased Quick Books which generates its own checks with secure paper and such. Now, all monies are deposited into the bank and a check is written via Quick Books which allows for control on following the check. We now remit restitution only in the form of checks via Quick Books. We receive monies from those it is due from, deposit them to our official checking account, and disburse the restitution out of our own account.*
- B.4. *Open items (liabilities) are now prepared and reconciled to the account balance. This is a feature of Quick Books.*

- C. *We have implemented a manual log that delineates the check writer, sequential control number, check number, merchant, the date the bad check was received, and the final outcome of the complaint.*

10. Sheriff's Accounting Controls and Procedures

During our audit we noted the following conditions related to the Sheriff's fee, escrow, inmate, and commissary accounts. The Sheriff's office manager is primarily responsible for the fee, escrow, and inmate accounts and a jail deputy is primarily responsible for the commissary account that was established in January 2001.

- A. The duties of cash custody and record keeping are not adequately segregated. The Sheriff's office manager is primarily responsible for collecting, recording, depositing, and disbursing fee, escrow, and inmate monies; however, the Sheriff's deputies and dispatchers may also receipt money. A jail deputy is primarily responsible for collecting, recording, depositing, and disbursing commissary monies; however, the Sheriff's jail deputies may also receipt monies. There are no documented supervisory reviews of the accounting records. In addition there are no independent reconciliations between monies receipted and deposits or between cash balances and inmate balance records.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. As of June 21, 2001, bank reconciliations had not been performed on the commissary account since it was established in January 2001. In addition, deposits have not been recorded, and a balance has not been maintained, in the manual check register since May 2001.

The preparation of monthly bank reconciliations is necessary to ensure that all monies are properly deposited, bank accounts are in agreement with the accounting records, and errors or discrepancies are detected on a timely basis. In addition, a complete and accurate check register should be maintained with a balance to allow for proper reconciliation with the bank statements.

- C. Inmate and commissary monies are typically received at the jail during arrest bookings or during jail visitations. These monies can be receipted by any jail deputy at the time of arrest or during jail visitation hours. Inmates can choose to have monies they are holding at the time of arrest deposited in either the Sheriff's inmate or commissary accounts. However, if an inmate is released prior to the deposit of their funds, the jailer releasing the inmate may return funds in cash to the inmate.

Our review of cash receipting, depositing, and disbursing procedures revealed the following concerns:

1. Receipt slips are not always issued for monies received from or on behalf of inmates. To adequately account for all receipts, receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.
2. Checks and money orders deposited in the commissary account are not endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
3. The inmate and commissary receipts are held in the booking area after receipt and all persons on duty have access to the monies until the monies are remitted to the inmate and commissary account custodians. There is no documentation of the transfer of monies between the jail and the account custodians. In addition, as noted in part A above, there is no independent reconciliation between receipts and deposits.

To adequately safeguard cash receipts, the Sheriff should implement the use of a locked drop box so that access to receipts is restricted after the initial preparation of receipt slips. The account custodians should have sole access to the drop box and they should document the transfer of receipts from the lock box to their custody.

4. If an inmate's funds are to be returned in cash, the deputy releasing the inmate is supposed to obtain a signed receipt from the inmate indicating that cash was returned. However, adequate supporting documentation was not obtained from the inmates or retained for some cash refunds.

To ensure that inmate funds are accounted for properly, the Sheriff should ensure that all inmate funds are deposited to an official bank account and refund residual balances by official check at the time of the inmate's release. If cash refunds continue to be given, adequate supporting documentation should be obtained for all cash refunds. The refund documentation should then be used to facilitate the reconciliation of receipt slips issued to amounts deposited and to ensure all monies are accounted for properly.

During our review we attempted to reconcile inmate account receipts totaling approximately \$35,700 to deposits and recorded cash refunds for the period of January 1, 2000 through June 15, 2001. We also attempted to reconcile commissary receipts totaling approximately \$8,400 to deposits and recorded cash refunds for the period of January 31, 2001 through June 21, 2001. Due to conditions noted above in parts 1 and 4, the department could not account for inmate and commissary receipts totaling approximately \$1,900 and \$1,400, respectively.

5. The jail deputies account for each inmate's money separately using a computerized system. The total inmate and commissary bank account balances have not been reconciled to the individual inmate account balances per the computer system. Such a reconciliation is necessary to ensure that monies held in trust for inmates are sufficient to meet any liabilities.

To ensure that all inmate monies are properly recorded and deposited, the balance of the inmate and commissary bank accounts should be reconciled monthly to the computerized individual inmate account balances. Any monies remaining unclaimed should be disposed of in accordance with state law.

- D. Escrow account checks totaling at least \$8,000 have been outstanding since the prior audit and are still carried on the Sheriff's books at December 31, 2000. In addition, the Sheriff is holding over \$6,800 on deposit in the escrow account that was confiscated during various investigations, some of which date back to 1994. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Prepare monthly bank reconciliations and maintain a complete and accurate check register with a running balance.
- C.1. Issue prenumbered receipt slips for commissary monies immediately upon receipt and account for their numerical sequence.
 2. Restrictively endorse checks and money orders immediately upon receipt.
 3. Implement the use of a locked drop box for inmate and commissary receipts and ensure that the transfer of receipts between the jail and the account custodians is documented.
 4. Deposit all inmate funds in an official bank account and issue refunds to inmate by official check or obtain adequate supporting documentation for any refunds not made by check and reconcile monies received to monies deposited and documentation of monies refunded in cash.
5. Reconcile the inmate and commissary bank account balances to the computerized individual inmate balance records at least monthly and investigate any difference. Any monies remaining unclaimed should be disposed of in accordance with state law.

- D. Attempt to resolve the old outstanding checks and confiscated monies on deposit and establish routine procedures to investigate outstanding checks and monies on deposit which have remained on the accounting records for a considerable time.

AUDITEE'S RESPONSE

The following responses were provided by Rick Bias, Interim Sheriff:

- A. *The clerks responsible for maintaining bank accounts will review each other's bank reconciliations and will periodically reconcile receipt slips to deposits. We will ensure that these reviews are implemented by the end of September 2001.*
- B., C.1.
& C.2. *We have already implemented these recommendations.*
- C.3. *A locked drop box is now used and the access is limited to the commissary account custodian and the Sheriff. The monthly review of these records will include a comparison of receipt slips to deposits.*
- C.4. *Cash refunds are no longer made. All refunds are now made by official commissary account checks only.*
- C.5. *We are currently working on this reconciliation and will try to have it resolved by the end of September 2001.*
- D. *We have resolved the outstanding checks and we have reissued the \$8,000 check. We will defer any decisions regarding the confiscated monies to the new Sheriff to be selected during the special election in October 2001.*

11. Health Center Accounting Controls and Procedures

- A. During our audit we noted the following conditions regarding the Health Center's receipts and deposits:
1. While prenumbered receipt slips are issued for some monies received, receipt slips are not written for monies received in the mail and for some donation or service receipts when paid by check. To adequately account for monies received, prenumbered receipt slips should be issued for all monies received, the receipt slips should note the method of payment and the numerical sequence should be accounted for properly. In addition, the composition of receipts slips should be reconciled to the composition of deposits.
 2. Checks are not endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks should be restrictively endorsed immediately upon receipt.

3. A donation jar is maintained at the reception window in the waiting room of the Health Center. The donation jar is not emptied nightly and the Health Center has not established a regular time frame for emptying the jar and depositing the monies along with other receipts. To ensure that donations are accounted for properly, the donation jar should be emptied daily, the donation monies should be receipted, and the monies should be deposited along with other receipts.
- B. During our audit we noted that the Health Center Board did not maintain worker's compensation insurance. Health Center personnel were unaware that the coverage had lapsed on December 3, 1998. The Board obtained coverage on May 10, 2001 when we brought this situation to their attention.

WE RECOMMEND the Health Center Board:

- A.1. Issue prenumbered receipt slips for all monies received, note the method of payment on the receipt slips and account for the numerical sequence of those receipt slips. In addition, an independent person should periodically reconcile the composition of receipt slips to the composition of deposits.
2. Restrictively endorse checks immediately upon receipt.
3. Empty the donation jar daily, record the receipts on a receipt slip, and deposit the receipts along with other receipts.
- B. Monitor insurance policies to ensure adequate coverages are maintained.

AUDITEE'S RESPONSE

The Health Center Administrator responded:

- A.1. *We have now begun issuing prenumbered receipt slips for all monies received. Either myself or another independent party periodically accounts for the numerical sequence of the receipt slips and reconciles the composition to the deposits.*
- A.2. *Checks are now restrictively endorsed as soon as they are received.*
- A.3. *The donation jar is now emptied daily and deposits of all monies are being made daily.*
- B. *We are now better monitoring our insurance policies to ensure no lapses in coverage occur.*

12. Senior Citizens Service Board Controls and Procedures
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The Senior Citizens Service Board received approximately \$118,000 in property taxes during the year ended December 31, 2000, its first full year in operation. The Board arranged for

various not-for-profit (NFP) organizations to provide services to county residents. Our review noted the following concerns:

- A. Collateral securities were not pledged by the Senior Citizens Service Board's depository bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. The Boards' deposits exceeded the FDIC coverage by approximately \$25,600 and \$8,800 at January 16, 2001 and January 21, 2000, respectively. The Board was not aware that they should monitor bank account balances and ensure collateral securities are pledged for deposits in excess of FDIC coverage. Section 110.020, RSMo 2000, requires the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave Board funds unsecured and subject to loss in the event of bank failure.
- B. The Board does not develop formal contracts with the NFP organizations. Instead, the NFPs submit annual funding requests to the Board and the Board approves funding levels on the basis of the information provided in the requests and verbal feed back from the NFP staff. In addition, the Board has not developed an effective method of monitoring the services provided by several of the NFP service providers. The NFP service providers attend the Board's meetings and provide verbal feed back regarding their operations and several nutrition centers are monitored on-site by Board members who also serve as a nutrition center board member. The following conditions each contribute to the difficulty the Board experiences in accomplishing appropriate monitoring:
 - 1. The Board considers the approved annual funding requests submitted by the NFP organizations to be the NFPs' contracts for the year. However, the requests do not always provide sufficient detail regarding the specific types or levels of service to be provided, the number of clients to be served, or an other measurable basis for determining if the funding requested is reasonable in relationship to the services the NFP plans to provide and are not an adequate basis for a formal contract.
 - 2. Some NFPs do not submit monthly or quarterly reports that detail the number of clients served or levels of service provided. Some of the NFPs did provide reports containing limited service information; however, the Board did not retain copies of the reports due to the lack of detail provided in the reports. In addition, the Board does not provide for periodic on-site monitoring by an independent party. As noted above, some Board members conduct on-site monitoring of nutrition centers; however, the Board members are also members of the nutrition center boards and are not an independent party.
 - 3. The Board makes semi-annual payments to each NFP based on the funding amount approved for the year. These payments are not based on reimbursement for actual services provided and the NFPs are not required to provide such documentation to be eligible for additional payments. Also, while the Board does require the NFPs to provide a cash balance schedule of

Board monies periodically throughout the year; we noted each NFP received additional payments even when they had significant cash balances on hand. For example, on January 17, 2001, the Board issued a semi-annual payment of \$10,000 to one NFP even though the NFP's cash balance was approximately \$5,400. The Board indicated that this agency required the distribution due to unusual circumstances; however, it does not appear that the distribution occurred when the NFP's cash balance was nearing depletion.

The lack of formal contracts, inadequate monitoring efforts, and informal payment methods used by the Senior Citizens Service Board do not provide adequate assurance as to how monies are being spent. At a minimum, formal written contracts should be prepared documenting the provision of specific services to residents of Morgan County or the number of clients to be served in exchange for funding provided by the Senior Citizens Service Board.

- C. As noted above, three Senior Citizen Service Board members also served on the boards of the Versailles or Laurie Nutrition Centers at the time those entities received funding from the Senior Citizen Service Board. These positions are strictly voluntary and no payment is provided for services rendered by the Board members. The Senior Citizen Service Board members indicated that they abstain from voting on issues related to the NFP's they serve; however, these abstentions are not documented in the Senior Citizen's Service Board minutes. This situation results in a potential conflict of interest.

To provide maximum assurance the Senior Citizen Service Board is acting independently and in the best interest of the taxpayers, no administrative or financial ties should exist between members of the Board and its funding recipients. Any abstentions should be clearly documented in the Board minutes.

WE RECOMMEND the Senior Citizens Service Board:

- A. Monitor the bank balance and ensure adequate securities are pledged for all funds on deposit in excess of FDIC coverage.
- B. Enter into written contracts which specify the amounts to be paid, the services to be provided, and the time period covered by the contracts and ensure payments made to NFPs are made in relationship to the levels of services provided and/or the number of clients served. In addition, the Board should provide for independent monitoring of NFP activities.
- C. Ensure members do not have administrative or financial ties with its funding recipients. Senior Citizens Service Board members who serve on the service providers' boards should either remove themselves from one of the boards or ensure that minutes of board meetings clearly indicate that they are abstaining from voting on funding requests and have no involvement in monitoring their NFP board's activities on behalf of the Senior Citizen Service Board.

AUDITEE'S RESPONSE

The Senior Citizens Service Board Chairman provided the following responses:

- A. This issue has now been corrected.*
- B. I will ask the Missouri Division of Aging to sign off on service referrals that are funded by the Morgan County Senior Citizens Service Board. The Board is also currently receiving monthly reports of the number of meals served to Morgan County residents by the nutrition centers. I believe that the current level of contract detail is sufficient due to the level of monitoring provided by the Missouri Division of Aging and the types of services provided by the various contractors.*
- C. Two of the Board members have resigned their positions on the nutrition center boards. The remaining Board member has retained his position on both boards; however, he ensures that he abstains from votes on issues concerning his nutrition center board and the Senior Citizens Service Board minutes clearly reflect those actions.*

This report is intended for the information of the management of Morgan County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

MORGAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Morgan County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Neighborhood Improvement Districts

- A. The county included a maintenance levy in the special assessments levied to landowners of the Neighborhood Improvement Districts (NIDs).
- B. The County Collector withheld \$7,210 from special assessment collections for distribution to the Assessment Fund.
- C. The special assessments levied on property owners were not based on the final costs of the improvements for the NIDs, but also included estimated maintenance costs.
- D. The County Commission changed the special assessments for each NID annually based on changes in the assessed valuation or parcel counts.

Recommendation:

The County Commission:

- A. Discontinue the maintenance levy on all NIDs and refund all maintenance monies previously collected to the affected property owners. In addition, if the assessment of a maintenance levy is determined to be necessary, appropriate district petitions should be obtained or elections held authorizing such an assessment. If approved, any maintenance assessments should be levied and collected according to law after the applicable bonds have been paid in full.
- B. Review the issue of withholding assessment funding from special assessment collections and consider discontinuing any future assessment withholdings and refunding those amounts already withheld. If actual incremental assessment costs were incurred related to applicable NID projects it may be appropriate to include those costs in the special assessments apportioned to the landowners.
- C. Ensure special assessments are based on actual, documented costs in accordance with statutory provisions. In addition, the county should determine if any adjustments to

special assessment amounts for these NID projects are necessary when considering actual costs as compared to the costs included in the original assessments.

- D. Ensure special assessments are assessed to property owners in accordance with state law. This would require the commission to revise the assessment method to ensure the assessments are substantially equal.

Furthermore, if the County Commission decides to continue its current practices, a written legal opinion supporting its action should be obtained from the Prosecuting Attorney.

Status:

A&D. Not implemented. See MAR No. 1.

B. Implemented.

- C. Partially implemented. The County Commission calculated special assessments on three new NID's developed during the two years ended December 31, 2000. Those new special assessments appeared to be based on actual project costs and did not appear to include any maintenance costs in the project costs to be allocated to property owners within the NID boundaries. However, the County Commission did not make any adjustments to the special assessments of prior projects to remove the effects of maintenance costs included in the prior projects' special assessments. Although not repeated in the current report, our recommendation remains as stated above.

2. Budgetary Procedures

See our audit report on Morgan County, Missouri, for the two years ended December 31, 1998 (report number 99-108).

3. County Expenditures

- A. The County did not purchase patrol cars off of state contract, did not advertise for bids for the patrol cars and did not document efforts to obtain best price.
- B. The County purchased a used truck for an amount above NADA guide value and did not maintain documentation of all efforts to ensure pricing was fair.
- C. The County purchased land without an appraisal or an independent real estate agent's opinion as to the value of the land.

Recommendation:

The County Commission:

- A&B. Solicit and award bids for purchases in accordance with Section 50.660, RSMo Supp. 1997. Documentation of bids solicited and the county's justification for bid awards should be retained. If bids are not considered feasible, all efforts made to ensure the reasonableness and fairness of the price paid should be documented.
- C. Obtain an independent appraisal or opinion from an independent real estate agent as to the value of property acquisitions.

Status:

- A&B. Not implemented. See MAR No. 2.
- C. Partially implemented. While the County Commission did not obtain an independent appraisal or opinion from an independent real estate agent as to the value of a piece of property purchased during 1999, the commission did obtain the market valuation from the County Assessor, which approximated the \$84,000 purchase price. Although not repeated in the current report, our recommendation remains as stated above.

4. County Officials' Compensation

The salary commission raised all officials' salaries effective January 1, 1998, which resulted in several officials receiving a change in their salary rate during their term of office.

Recommendation:

The salary commission request a written legal opinion from the Prosecuting Attorney as to the legality of the salary increases that went into effect on January 1, 1998.

Status:

Not implemented. See MAR No. 3.

5. Associate Circuit Division's Accounting Controls and Procedures

- A. Accounting duties were not properly segregated.
- B. Open items listings were not always prepared for the civil and criminal accounts and consequently, liabilities were not reconciled with the book and reconciled bank balances.

- C. A reserve bond account was opened in January 1994 for bond monies received prior to 1990. No effort was made to determine the disposition of the funds, therefore, no bond monies had been distributed from this account.

Recommendation:

The Associate Circuit Judge:

- A. Ensure receipting and accounting duties are adequately segregated. If adequate segregation is not possible, at a minimum, independent reviews should be performed and documented as necessary.
- B. Prepare monthly listings of open items and reconcile the listings to the cash balance. An attempt should be made to investigate the differences noted between the open items listings and cash balances.
- C. Ensure all monies in the reserve bond account are distributed to the appropriate funds or parties. For any amounts that remain unclaimed or unidentified, the monies should be disposed of through the applicable statutory provisions.

Status:

- A. Implemented.
- B. Partially implemented. Open items listings were not prepared during the audit period; however, the Associate Division began preparing open items lists subsequent to December 31, 2000. As of April 2001, open items lists were not yet completed for current months and a significant unreconciled cash balance remained on the civil account open items reconciliation. Although not repeated in the current report, our recommendation remains as stated above.
- C. Partially implemented. The reserve bond account was not reviewed by the court during the audit period. The Associate Clerk is now currently reviewing this account for case statuses so that the funds may be properly distributed. Although not repeated in the current report, our recommendation remains as stated above.

6. Health Center Depositing Procedures

The Health Center did not deposit monies on a timely basis or intact, and did not keep deposit records in sufficient detail to allow the reconciliation of receipts to specific deposits.

Recommendation:

The Health Center Board ensure deposits are made intact daily or when accumulated receipts exceed \$100 and the deposit records contain sufficient information to reconcile receipts to deposits.

Status:

Partially implemented. The Health Center now deposits approximately twice a week as needed based on monies received. However, receipt and deposit records still do not contain enough information to allow reconciliation of receipts to deposits. See MAR No. 11.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MORGAN COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Morgan was named after General Daniel Morgan, a Revolutionary War hero. Morgan county is a county-organized, third-class county and is part of the 26th Judicial Circuit. The county seat is Versailles.

Morgan County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Morgan County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 550,391	17	531,050	16
Sales taxes	996,209	31	948,842	29
Federal and state aid	966,827	31	1,216,050	37
Fees, interest, and other	655,687	21	604,515	18
Total	\$ 3,169,114	100	3,300,457	100

The following chart shows how Morgan County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 1,266,062	42	988,565	37
Public safety	291,795	10	428,378	16
Highways and roads	1,453,519	48	1,247,096	47
Total	\$ 3,011,376	100	2,664,039	100

In addition, Morgan County received \$1,363,436 and \$1,078,281 of revenues in the Law Enforcement Sales Tax Fund including transfers from General Revenue Fund totaling \$358,061 and \$9,269, respectively and expended \$1,537,746 and \$1,022,762 from this fund for the purpose of law enforcement in the years 2000 and 1999, respectively.

The county maintains approximately 35 county bridges and 750 miles of county roads.

The county's population was 10,068 in 1970 and 15,574 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	184.2	178.2	106.8	30.7	17.6
Personal property		51.2	45.6	12.6	7.5	5.6
Railroad and utilities		26.1	24.1	20.8	14.5	7.3
Total	\$	261.5	247.9	140.2	52.7	30.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Morgan County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
General Revenue Fund	\$	.09	.11
Special Road and Bridge Fund*		.19	.19
Health Center Fund		.09	.09
Senate Bill 40 Board Fund		.05	.05
Senior Citizens Service Board Fund		.05	.05
Johnson Grass Fund		.00	.00

* The county retains all tax proceeds from areas not within road districts. The county has 5 road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),	
	2001	2000
State of Missouri	\$ 77,564	74,864
General Revenue Fund	306,156	360,669
Special Road and Bridge Fund and special road districts	575,144	556,208
Assessment Fund	110,716	104,813
Health Center Fund	460,732	445,812
Senate Bill 40 Board Fund	127,930	123,551
School districts	7,401,905	7,034,018
Library district	227,003	173,982
Ambulance districts	436,519	423,550
Fire protection districts	675,522	594,275
Nursing home districts	230,754	222,724
Johnson Grass Fund	273	399
Junior College	23,855	22,623
Senior Citizens Service Board Fund	124,228	112,492
Late assessment charge	8,791	5,154
Neighborhood Improvement Districts	377,722	389,782
Cities	28,787	29,408
Commissions and fees:		
General Revenue Fund	219,373	211,405
Total	\$ <u>11,412,974</u>	<u>10,885,729</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),	
	2001	2000
Real estate	90 %	91 %
Personal property	92	94
Railroad and utilities	100	100

Morgan County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0500	N/A	50 %
Law Enforcement	.0500	N/A	N/A

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Rodney Schad, Presiding Commissioner	\$	29,390	29,390
Bill Arment, Associate Commissioner		27,390	27,390
Alvin Nolting, Associate Commissioner		27,390	27,390
Donna Chasteen, County Clerk		41,500	41,500
Steve Concannon, Prosecuting Attorney		51,000	51,000
L.M. Earnest, Sheriff		46,000	46,000
Debbie Hutchison, County Treasurer		30,710	30,710
Gary Garber, County Coroner		14,000	14,000
Carmen Hayden, Public Administrator *		23,244	34,086
Clark Hunter, County Collector, year ended February 28 (29),	41,750	41,500	
Robert Raines, County Assessor **, year ended August 31,		42,400	42,400

* Salary paid in 1999 includes \$14,000 salary for 1998 paid in January 1999, \$14,000 salary for 1999 also paid in 1999, and fees received from probate cases. Salary paid in 2000 includes \$14,000 salary and fees received from probate cases.

** Includes \$900 annual compensation received from the state.

State-Paid Officials:

Barbara Barnard, Circuit Clerk and Ex Officio Recorder of Deeds	46,127	44,292
Patricia F. Scott, Associate Circuit Judge	97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000 is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds*	3	3
County Clerk*	3	0
Prosecuting Attorney*	4	0
Sheriff**	37	0
County Treasurer*	1	0
County Coroner	0	0
Public Administrator*	1	0
County Collector	2	0
County Assessor***	10	0
Associate Division	1	2
Probate Division	0	1
Road and Bridge	18	0
Health Center	15	0
Building & Grounds	2	0
911****	16	0
Total	<u>114</u>	<u>6</u>

* Includes one part time employee.

** Includes three part time employees.

*** Includes two part time employees.

**** Includes five part time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Morgan County's share of the 26th Judicial Circuit's expenses is 15 percent.

The county has established thirteen neighborhood improvement districts. During the two years ended December 31, 2000, the county issued temporary notes to finance the construction of the three newest districts' infrastructure. In addition, general obligation bonds which were issued to finance projects completed prior to December 31, 2000 had remaining principal and interest due at December 31, 2000 of \$3,425,000 and \$1,945,650, respectively. Although these are general obligation bonds of the county, special assessments will be levied on the property located in the districts to pay the debt principal and interest.

The county entered into a lease agreement with a not-for-profit corporation (NFP) on September 1, 1998. The terms of the agreement called for the NFP to issue bonds for the purpose of constructing a new justice center and for the NFP to lease the justice center back to the county for payments totaling the principal and interest due on the outstanding bonds. The bonds are scheduled to be paid off in 2014. The remaining principal and interest due on the bonds at December 31, 2000 was \$4,600,000 and \$1,959,819, respectively.



**RANDOLPH COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-104
September 28, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Randolph, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Randolph County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As noted in two prior audit reports, the county's General Revenue Fund is in poor financial condition. The cash balance has been negative since 1997, declining from (\$10,440) at December 31, 1997, to (\$144,636) at December 31, 2000. Increases in receipts have not kept pace with increases in disbursements and the county incurred some large, one-time public safety costs during 2000. In addition, the county salary commission approved salary increases totaling approximately \$98,000 for county elected officials paid from the General Revenue Fund.
- The county has not sufficiently reduced its property tax revenues. For 1999 and 2000, the county set the property tax rate without calculating the required rollback. As a result, actual property tax collections were not sufficiently offset by 50 percent of sales taxes collected, resulting in excess collections of approximately \$78,011 at December 31, 2000.
- Salaries for elected county officials increased significantly in January 1999. Our review of the county salary commission minutes and related Prosecuting Attorney legal opinions identified several concerns, including insufficient documentation of salary commission decisions and salaries to be paid, inconsistent application of actions among officials, and the approval of mid-term raises for some officials. Although the legal opinions indicated that previous salary commission actions did not comply with statutory guidelines and made recommendations regarding salaries which should be paid to various county officials, the salary commission did not reconvene to consider these opinions. Salaries, however, were paid at the amounts recommended by the Prosecuting Attorney.

(over)

YELLOW SHEET

- The county does not have adequate procedures in place to track federal financial assistance for preparation of the schedule of expenditures of federal awards. The county's schedules for 1999 and 2000 contained numerous errors and omissions. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements, which could result in future reductions of federal funds.
- Throughout much of the audit period, the Prosecuting Attorney's staff did not prepare bank reconciliations, maintain a check register balance, or prepare listings of open items. In February 2001, the Prosecuting Attorney paid a Certified Public Accountant \$1,050 to review the records of the official bank account, determine the check register balance, prepare an open items listing, and reconcile the check register balance to the open items.

Bad check fees totaling \$3,141 collected by the Prosecuting Attorney's Office in June 2000, appear to be missing. There is no evidence that these fees were ever transmitted to the County Treasurer for deposit. Because the Prosecuting Attorney's office did not reconcile receipt slips issued by the County Treasurer to their receipt records, they were unaware that these monies were not received by the County Treasurer.

- Bond processing fees totaling approximately \$10,400 were collected by the Sheriff's department during the two years ended December 31, 2000, although the state law authorizing the fee had been repealed.
- Because the County Clerk and Sheriff's department each submitted a claim to the Missouri Sheriff's Association, the county was improperly reimbursed twice for the same expenses totaling approximately \$1,200.

Also included in the audit are recommendations related to budgetary practices, published financial statements, personnel policies, computer controls, and a rental agreement. The audit also suggested improvements in the accounting controls and procedures of the Juvenile Office, County Clerk and the County Health Center. Several of these issues have been mentioned in prior audits.

All reports are available on our website: www.auditor.state.mo.us

RANDOLPH COUNTY, MISSOURI

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RANDOLPH COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Randolph County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Randolph County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Randolph County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Randolph County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Randolph County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 26, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Randolph County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

June 26, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Cheryl Colter, CPA
Audit Staff:	Brian Benter
	Ayanna Merchant



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Randolph County, Missouri

We have audited the special-purpose financial statements of various funds of Randolph County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 26, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Randolph County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Randolph County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Randolph County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 26, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ (66,073)	2,765,101	2,843,664	(144,636)
Special Road and Bridge	1,208,175	1,625,811	1,635,216	1,198,770
Assessment	196,007	280,991	265,573	211,425
Law Enforcement Training	18,358	9,353	9,571	18,140
Prosecuting Attorney Training	1,421	1,684	3,023	82
Recorder's User Fee	18,034	10,425	7,251	21,208
Domestic Abuse	940	985	0	1,925
Sheriff	8,077	68,446	72,238	4,285
Local Emergency Planning Commission	9,413	5,611	9,670	5,354
Circuit Clerk Interest	12,162	4,995	10,654	6,503
Associate Circuit Division Interest	1,818	314	913	1,219
Cemetery Trust	29,989	1,246	1,461	29,774
Law Library	7,407	6,682	6,230	7,859
Juvenile Officer Tutoring	859	1,000	1,321	538
Prosecuting Attorney Bad Check	5,354	48,278	35,955	17,677
Parenting Class	1,590	4,620	3,280	2,930
Family Access	50	0	50	0
Sheriff Donation	23,927	2,802	22,396	4,333
Election Service	279	3,689	968	3,000
Health Center	61,374	2,237,538	1,958,862	340,050
Prosecuting Attorney Delinquent Tax	1,052	379	0	1,431
Ferguson Scholarship	5,135	246	0	5,381
Total	\$ 1,545,348	7,080,196	6,888,296	1,737,248

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

RANDOLPH COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ (88,344)	2,690,320	2,668,049	(66,073)
Special Road and Bridge	1,173,822	1,673,287	1,638,934	1,208,175
Assessment	184,585	299,440	288,018	196,007
Law Enforcement Training	12,762	12,465	6,869	18,358
Prosecuting Attorney Training	2,370	2,702	3,651	1,421
Recorder's User Fee	17,297	12,014	11,277	18,034
Domestic Abuse	690	1,250	1,000	940
Sheriff	16,198	63,230	71,351	8,077
Local Emergency Planning Commission	11,900	3,880	6,367	9,413
Circuit Clerk Interest	12,587	7,048	7,473	12,162
Associate Circuit Division Interest	2,551	299	1,032	1,818
Cemetery Trust	29,582	1,437	1,030	29,989
Law Library	3,942	6,782	3,317	7,407
Juvenile Officer Tutoring	611	1,000	752	859
Prosecuting Attorney Bad Check	12,045	42,936	49,627	5,354
Parenting Class	245	5,530	4,185	1,590
Family Access	0	90	40	50
Sheriff Donation	0	28,247	4,320	23,927
Election Service	0	279	0	279
Health Center	18,294	1,991,268	1,948,188	61,374
Prosecuting Attorney Delinquent Tax	1,793	2,205	2,946	1,052
Ferguson Scholarship	5,159	226	250	5,135
Total	\$ 1,418,089	6,845,935	6,718,676	1,545,348

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

RANDOLPH COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 4,731,130	4,793,755	62,625	4,779,327	4,823,411	44,084
DISBURSEMENTS	5,640,343	4,893,479	746,864	5,343,956	4,761,940	582,016
RECEIPTS OVER (UNDER) DISBURSEMENTS	(909,213)	(99,724)	809,489	(564,629)	61,471	626,100
CASH, JANUARY 1	1,472,433	1,472,433	0	1,389,894	1,390,292	398
CASH, DECEMBER 31	563,220	1,372,709	809,489	825,265	1,451,763	626,498
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	458,200	468,865	10,665	446,200	475,215	29,015
Sales taxes	1,100,000	1,105,993	5,993	980,000	1,046,671	66,671
Intergovernmental	503,200	549,605	46,405	572,368	507,322	(65,046)
Charges for services	507,200	513,506	6,306	535,000	570,657	35,657
Interest	16,000	23,030	7,030	16,000	16,389	389
Other	20,900	34,615	13,715	26,300	27,066	766
Transfers in	65,700	69,487	3,787	60,000	47,000	(13,000)
Total Receipts	2,671,200	2,765,101	93,901	2,635,868	2,690,320	54,452
DISBURSEMENTS						
County Commission	99,116	99,997	(881)	96,436	98,970	(2,534)
County Clerk	99,760	96,173	3,587	95,030	90,421	4,609
Elections	34,100	48,650	(14,550)	26,500	10,248	16,252
Buildings and grounds	75,500	108,298	(32,798)	64,300	59,902	4,398
Employee fringe benefits	355,500	329,788	25,712	326,400	314,642	11,758
County Treasurer	35,270	34,788	482	33,370	33,177	193
County Collector	95,410	95,454	(44)	93,977	94,700	(723)
Ex Officio Recorder of Deeds	81,550	80,679	871	76,275	76,183	92
Circuit Clerk	32,500	17,139	15,361	35,000	25,720	9,280
Associate Circuit Court	69,320	19,353	49,967	63,820	22,222	41,598
Associate Circuit (Probate)	23,900	4,773	19,127	23,832	4,552	19,280
Court administration	18,100	7,990	10,110	17,895	9,216	8,679
Public Administrator	46,400	40,972	5,428	44,450	64,534	(20,084)
Sheriff	540,450	568,709	(28,259)	510,490	516,193	(5,703)
Jail	424,410	587,631	(163,221)	402,800	468,873	(66,073)
Prosecuting Attorney	248,100	249,294	(1,194)	255,768	232,086	23,682
Juvenile Officer	361,520	288,881	72,639	396,870	325,957	70,913
County Coroner	19,105	18,808	297	20,173	18,208	1,965
Other	185,350	138,315	47,035	194,750	194,064	686
Public Defender	6,255	6,044	211	6,255	6,040	215
Jury Commission	3,800	1,928	1,872	3,800	2,141	1,659
Emergency Fund	80,100	0	80,100	84,000	0	84,000
Total Disbursements	2,935,516	2,843,664	91,852	2,872,191	2,668,049	204,142
RECEIPTS OVER (UNDER) DISBURSEMENTS	(264,316)	(78,563)	185,753	(236,323)	22,271	258,594
CASH, JANUARY 1	(66,073)	(66,073)	0	(88,344)	(88,344)	0
CASH, DECEMBER 31	(330,389)	(144,636)	185,753	(324,667)	(66,073)	258,594

Exhibit B

RANDOLPH COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	621,600	663,810	42,210	596,000	640,757	44,757
Intergovernmental	950,000	872,938	(77,062)	945,000	936,191	(8,809)
Charges for services	500	355	(145)	500	385	(115)
Interest	72,000	76,507	4,507	75,000	71,315	(3,685)
Other	10,550	12,201	1,651	133,050	24,639	(108,411)
Total Receipts	1,654,650	1,625,811	(28,839)	1,749,550	1,673,287	(76,263)
DISBURSEMENTS						
Salaries	405,000	412,281	(7,281)	390,000	392,147	(2,147)
Employee fringe benefits	131,100	125,175	5,925	120,800	114,864	5,936
Supplies	40,000	26,492	13,508	35,000	29,139	5,861
Insurance	33,000	32,189	811	37,000	29,867	7,133
Road and bridge materials	299,000	228,180	70,820	282,000	238,773	43,227
Equipment repairs	77,500	64,719	12,781	77,500	44,185	33,315
Rentals	25,000	8,070	16,930	50,000	55,358	(5,358)
Equipment purchases	500,000	359,410	140,590	500,000	234,063	265,937
Construction, repair, and maintenance	520,000	225,199	294,801	420,000	376,349	43,651
Other	109,400	105,501	3,899	83,700	77,189	6,511
Transfers out	65,700	48,000	17,700	60,000	47,000	13,000
Total Disbursements	2,205,700	1,635,216	570,484	2,056,000	1,638,934	417,066
RECEIPTS OVER (UNDER) DISBURSEMENTS	(551,050)	(9,405)	541,645	(306,450)	34,353	340,803
CASH, JANUARY 1	1,208,175	1,208,175	0	1,173,822	1,173,822	0
CASH, DECEMBER 31	657,125	1,198,770	541,645	867,372	1,208,175	340,803
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	266,800	263,702	(3,098)	226,356	283,103	56,747
Charges for services	2,000	1,950	(50)	2,000	2,214	214
Interest	14,000	15,267	1,267	14,000	14,015	15
Other	100	72	(28)	0	108	108
Total Receipts	282,900	280,991	(1,909)	242,356	299,440	57,084
DISBURSEMENTS						
Assessor	346,200	265,573	80,627	304,200	288,018	16,182
Total Disbursements	346,200	265,573	80,627	304,200	288,018	16,182
RECEIPTS OVER (UNDER) DISBURSEMENTS	(63,300)	15,418	78,718	(61,844)	11,422	73,266
CASH, JANUARY 1	196,007	196,007	0	184,585	184,585	0
CASH, DECEMBER 31	132,707	211,425	78,718	122,741	196,007	73,266
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	10,000	9,353	(647)	7,500	12,465	4,965
Total Receipts	10,000	9,353	(647)	7,500	12,465	4,965
DISBURSEMENTS						
Sheriff	9,050	9,571	(521)	7,550	6,869	681
Total Disbursements	9,050	9,571	(521)	7,550	6,869	681
RECEIPTS OVER (UNDER) DISBURSEMENTS	950	(218)	(1,168)	(50)	5,596	5,646
CASH, JANUARY 1	18,358	18,358	0	12,762	12,762	0
CASH, DECEMBER 31	19,308	18,140	(1,168)	12,712	18,358	5,646

Exhibit B

RANDOLPH COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	3,000	1,684	(1,316)	3,500	2,702	(798)
Total Receipts	3,000	1,684	(1,316)	3,500	2,702	(798)
DISBURSEMENTS						
Prosecuting Attorney	3,550	3,023	527	2,855	3,651	(796)
Total Disbursements	3,550	3,023	527	2,855	3,651	(796)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(550)	(1,339)	(789)	645	(949)	(1,594)
CASH, JANUARY 1	1,421	1,421	0	2,370	2,370	0
CASH, DECEMBER 31	871	82	(789)	3,015	1,421	(1,594)
<u>RECORDER'S USER FEE FUND</u>						
RECEIPTS						
Charges for services	12,000	9,467	(2,533)	12,500	11,036	(1,464)
Interest	1,000	958	(42)	1,000	978	(22)
Total Receipts	13,000	10,425	(2,575)	13,500	12,014	(1,486)
DISBURSEMENTS						
Recorder of Deeds	10,575	7,251	3,324	12,000	11,277	723
Total Disbursements	10,575	7,251	3,324	12,000	11,277	723
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,425	3,174	749	1,500	737	(763)
CASH, JANUARY 1	18,034	18,034	0	17,297	17,297	0
CASH, DECEMBER 31	20,459	21,208	749	18,797	18,034	(763)
<u>DOMESTIC ABUSE FUND</u>						
RECEIPTS						
Charges for services	1,300	985	(315)	1,000	1,250	250
Total Receipts	1,300	985	(315)	1,000	1,250	250
DISBURSEMENTS						
Shelter	1,000	0	1,000	1,050	1,000	50
Total Disbursements	1,000	0	1,000	1,050	1,000	50
RECEIPTS OVER (UNDER) DISBURSEMENTS	300	985	685	(50)	250	300
CASH, JANUARY 1	940	940	0	690	690	0
CASH, DECEMBER 31	1,240	1,925	685	640	940	300
<u>SHERIFF FUND</u>						
RECEIPTS						
Intergovernmental	8,600	1,799	(6,801)	9,000	4,900	(4,100)
Charges for services	57,500	65,699	8,199	52,500	57,608	5,108
Interest	750	948	198	600	722	122
Total Receipts	66,850	68,446	1,596	62,100	63,230	1,130
DISBURSEMENTS						
Equipment	58,000	56,764	1,236	55,000	66,886	(11,886)
Other	4,500	445	4,055	0	4,465	(4,465)
Transfers out	0	15,029	(15,029)	0	0	0
Total Disbursements	62,500	72,238	(9,738)	55,000	71,351	(16,351)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,350	(3,792)	(8,142)	7,100	(8,121)	(15,221)
CASH, JANUARY 1	8,077	8,077	0	16,198	16,198	0
CASH, DECEMBER 31	12,427	4,285	(8,142)	23,298	8,077	(15,221)

Exhibit B

RANDOLPH COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	12,000	5,339	(6,661)	4,500	3,503	(997)
Interest	500	272	(228)	468	377	(91)
Total Receipts	12,500	5,611	(6,889)	4,968	3,880	(1,088)
DISBURSEMENTS						
Equipment	7,500	7,181	319	1,250	2,704	(1,454)
Training and preparedness	3,750	2,395	1,355	4,250	2,708	1,542
Other	900	94	806	50	955	(905)
Total Disbursements	12,150	9,670	2,480	5,550	6,367	(817)
RECEIPTS OVER (UNDER) DISBURSEMENTS	350	(4,059)	(4,409)	(582)	(2,487)	(1,905)
CASH, JANUARY 1	9,413	9,413	0	11,900	11,900	0
CASH, DECEMBER 31	9,763	5,354	(4,409)	11,318	9,413	(1,905)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	3,000	4,995	1,995	4,900	7,048	2,148
Total Receipts	3,000	4,995	1,995	4,900	7,048	2,148
DISBURSEMENTS						
Circuit Clerk	14,500	10,654	3,846	16,410	7,473	8,937
Total Disbursements	14,500	10,654	3,846	16,410	7,473	8,937
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,500)	(5,659)	5,841	(11,510)	(425)	11,085
CASH, JANUARY 1	12,162	12,162	0	12,179	12,587	408
CASH, DECEMBER 31	662	6,503	5,841	669	12,162	11,493
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	360	314	(46)			
Total Receipts	360	314	(46)			
DISBURSEMENTS						
Associate Circuit Division	300	913	(613)			
Total Disbursements	300	913	(613)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	60	(599)	(659)			
CASH, JANUARY 1	1,818	1,818	0			
CASH, DECEMBER 31	1,878	1,219	(659)			
<u>CEMETERY TRUST FUND</u>						
RECEIPTS						
Interest	1,450	1,246	(204)	1,335	1,437	102
Total Receipts	1,450	1,246	(204)	1,335	1,437	102
DISBURSEMENTS						
Mowing	1,600	1,461	139	1,650	1,030	620
Total Disbursements	1,600	1,461	139	1,650	1,030	620
RECEIPTS OVER (UNDER) DISBURSEMENTS	(150)	(215)	(65)	(315)	407	722
CASH, JANUARY 1	29,989	29,989	0	29,582	29,582	0
CASH, DECEMBER 31	29,839	29,774	(65)	29,267	29,989	722

Exhibit B

RANDOLPH COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	4,000	6,682	2,682	4,000	6,782	2,782
Total Receipts	4,000	6,682	2,682	4,000	6,782	2,782
DISBURSEMENTS						
Law Library	9,000	6,230	2,770	7,000	3,317	3,683
Total Disbursements	9,000	6,230	2,770	7,000	3,317	3,683
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,000)	452	5,452	(3,000)	3,465	6,465
CASH, JANUARY 1	7,407	7,407	0	3,942	3,942	0
CASH, DECEMBER 31	2,407	7,859	5,452	942	7,407	6,465
<u>JUVENILE OFFICER TUTORING FUND</u>						
RECEIPTS						
Donations	1,000	0	(1,000)	500	1,000	500
Other	0	1,000	1,000	0	0	0
Total Receipts	1,000	1,000	0	500	1,000	500
DISBURSEMENTS						
Juvenile Officer	752	1,321	(569)	0	752	(752)
Total Disbursements	752	1,321	(569)	0	752	(752)
RECEIPTS OVER (UNDER) DISBURSEMENTS	248	(321)	(569)	500	248	(252)
CASH, JANUARY 1	859	859	0	611	611	0
CASH, DECEMBER 31	1,107	538	(569)	1,111	859	(252)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Intergovernmental				0	13,243	13,243
Charges for services				45,000	27,079	(17,921)
Interest				650	412	(238)
Other				0	2,202	2,202
Total Receipts				45,650	42,936	(2,714)
DISBURSEMENTS						
Prosecuting Attorney				0	49,627	(49,627)
Total Disbursements				0	49,627	(49,627)
RECEIPTS OVER (UNDER) DISBURSEMENTS				45,650	(6,691)	(52,341)
CASH, JANUARY 1				12,055	12,045	(10)
CASH, DECEMBER 31				57,705	5,354	(52,351)
<u>PARENTING CLASS FUND</u>						
RECEIPTS						
Charges for services	4,400	4,620	220	2,500	5,530	3,030
Total Receipts	4,400	4,620	220	2,500	5,530	3,030
DISBURSEMENTS						
Parenting classes	3,200	3,280	(80)	2,500	4,185	(1,685)
Total Disbursements	3,200	3,280	(80)	2,500	4,185	(1,685)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,200	1,340	140	0	1,345	1,345
CASH, JANUARY 1	1,590	1,590	0	245	245	0
CASH, DECEMBER 31	2,790	2,930	140	245	1,590	1,345

Exhibit B

RANDOLPH COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FAMILY ACCESS FUND</u>						
RECEIPTS						
Charges for services	0	0	0	100	90	(10)
Total Receipts	0	0	0	100	90	(10)
DISBURSEMENTS						
Book	50	50	0	0	40	(40)
Total Disbursements	50	50	0	0	40	(40)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50)	(50)	0	100	50	(50)
CASH, JANUARY 1	50	50	0	0	0	0
CASH, DECEMBER 31	0	0	0	100	50	(50)
<u>SHERIFF DONATION FUND</u>						
RECEIPTS						
Donations	0	2,802	2,802			
Total Receipts	0	2,802	2,802			
DISBURSEMENTS						
Equipment	23,000	22,396	604			
Total Disbursements	23,000	22,396	604			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(23,000)	(19,594)	3,406			
CASH, JANUARY 1	23,927	23,927	0			
CASH, DECEMBER 31	927	4,333	3,406			
<u>ELECTION SERVICE FUND</u>						
RECEIPTS						
Charges for services	1,500	3,606	2,106			
Interest	20	83	63			
Total Receipts	1,520	3,689	2,169			
DISBURSEMENTS						
Equipment	1,000	968	32			
Training	500	0	500			
Other	200	0	200			
Total Disbursements	1,700	968	732			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(180)	2,721	2,901			
CASH, JANUARY 1	279	279	0			
CASH, DECEMBER 31	99	3,000	2,901			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

RANDOLPH COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Randolph County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Associate Circuit Division Interest Fund	1999
Prosecuting Attorney Bad Check Fund	2000
Sheriff Donation Fund	1999
Election Service Fund	1999
Ferguson Scholarship Fund	2000 and 1999

Because the Health Center prepares its budgets on the accrual basis of accounting, which recognizes revenues when earned and expenditures when the related liability is incurred, the comparison of budget and actual information for the Health Center Fund is not included in Exhibit B. This information is provided below:

Health Center Fund						
Year Ended December 31,						
2000				1999		
		Variance Favorable (Unfavorable)				Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
REVENUES						
Property taxes	\$ 408,000	422,200	14,200	397,596	464,347	66,751
Intergovernmental	448,502	495,033	46,531	368,845	406,355	37,510
Charges for services	1,033,110	989,325	(43,785)	896,404	907,271	10,867
Interest	7,115	11,432	4,317	2,250	7,041	4,791
Estate donation	0	266,707	266,707	0	0	0
Other	79,557	84,006	4,449	67,275	91,257	23,982
Total Revenues	<u>1,976,284</u>	<u>2,268,703</u>	<u>292,419</u>	<u>1,732,370</u>	<u>1,876,271</u>	<u>143,901</u>
EXPENDITURES						
Salaries	1,330,988	1,288,884	42,104	1,106,833	1,225,250	(118,417)
Office expenditures	171,629	186,504	(14,875)	181,371	174,466	6,905
Equipment	24,396	51,843	(27,447)	25,900	23,608	2,292
Mileage and training	48,942	45,541	3,401	40,214	41,426	(1,212)
Fringe benefits	260,702	240,634	20,068	209,847	230,340	(20,493)
Contract labor	119,118	157,807	(38,689)	101,686	117,454	(15,768)
Interest expense	1,000	0	1,000	9,818	1,429	8,389
Other	16,598	10,639	5,959	2,600	5,996	(3,396)
Total Expenditures \$	<u>1,973,373</u>	<u>1,981,852</u>	<u>(8,479)</u>	<u>1,678,269</u>	<u>1,819,969</u>	<u>(141,700)</u>

Exhibit A presents total receipts and disbursements of the Health Center Fund on the cash basis of accounting. Reconciliations of Exhibit A data to the actual revenues and expenditures recorded in the Health Center's financial records are presented below.

Reconciliation of Receipts to Revenues

Receipts on Exhibit A reconcile to revenues as follows:

		<u>Health Center Fund</u>	
		<u>Year Ended December 31,</u>	
		<u>2000</u>	<u>1999</u>
RECEIPTS PER EXHIBIT A	\$	2,237,538	1,991,268
Increase (Decrease) in accounts receivable		59,920	(105,078)
(Increase) Decrease in unearned revenue		<u>(28,755)</u>	<u>(9,919)</u>
REVENUES PER BUDGET	\$	<u>2,268,703</u>	<u>1,876,271</u>

Reconciliation of Disbursements to Expenditures

Disbursements on Exhibit A reconcile to expenditures as follows:

		<u>Health Center Fund</u>	
		<u>Year Ended December 31,</u>	
		<u>2000</u>	<u>1999</u>
DISBURSEMENTS PER EXHIBIT A	\$	1,958,862	1,948,188
Increase (Decrease) in salaries and fringe benefits payable		1,327	(2,657)
(Increase) Decrease in inventory and fixed assets		(228)	1,156
Increase (Decrease) in accounts payable		21,891	154
Increase (Decrease) in bank debt		<u>0</u>	<u>(126,872)</u>
EXPENDITURES PER BUDGET	\$	<u>1,981,852</u>	<u>1,819,969</u>

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2000
Prosecuting Attorney Training Fund	1999
Sheriff Fund	2000 and 1999
Local Emergency Planning Commission Fund	1999
Associate Circuit Division Interest Fund	2000
Juvenile Officer Tutoring Fund	2000 and 1999
Prosecuting Attorney Bad Check Fund	1999
Parenting Class Fund	2000 and 1999
Family Access Fund	1999
Health Center Fund	2000 and 1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

A deficit budget balance is presented for the General Revenue Fund for the years ended December 31, 2000 and 1999.

However, the budgets of that fund also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	2000 and 1999
Associate Circuit Division Interest Fund	2000 and 1999
Cemetery Trust Fund	2000 and 1999
Law Library Fund	2000 and 1999
Juvenile Officer Tutoring Fund	2000 and 1999
Prosecuting Attorney Bad Check Fund	2000 and 1999
Parenting Class Fund	2000 and 1999
Family Access Fund	2000 and 1999
Prosecuting Attorney Delinquent Tax Fund	2000 and 1999
Ferguson Scholarship Fund	2000 and 1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase

agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

At December 31, 2000, the reported amount of the county's deposits was \$6,281,846 and the bank balance was \$6,432,233. Of the bank balance, \$2,204,448 was covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name, and \$4,227,785 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

At December 31, 1999, the reported amount of the county's deposits was \$5,852,514 and the bank balance was \$6,142,524. Of the bank balance, \$1,620,226 was covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name, and \$4,522,298 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

The Health Center Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depository insurance or by collateral securities held by the Health Center Board's custodial bank in the Health Center Board's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances for the Health Center Board existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The only investment of the various funds at December 31, 2000 and 1999, was a repurchase agreement with a reported amount of \$900,000 and \$1,500,000, respectively (which approximated fair value).

This investment represents uninsured and unregistered investments for which the securities were held by the dealer bank's trust department or agent in the county's name.

3. Property Taxes

Through December 31, 2000, Randolph County collected \$78,011 in excess property taxes. Section 67.505, RSMo 2000, requires the county to reduce property taxes for a percentage of sales taxes collected. Randolph County voters enacted a one-half cent sales tax with a provision to reduce property taxes by fifty percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

4. Prior Period Adjustment

The Ferguson Scholarship Fund's cash balance of \$5,159 at January 1, 1999, was not previously reported, but has been added so the county's financial statements will include this fund.

Supplementary Schedule

Schedule

RANDOLPH COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health:				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-1188W ERS045-0188W ER0045-9188	\$ 27,020 72,739 0	0 28,012 72,040
	Program Total		<u>99,759</u>	<u>100,052</u>
10.559	Summer Food Service Program for Children	ERS046-0188I	57	0
10.561	State Administrative Matching Grants for Food Stamp Program	SDA42300007	28,273	0
10.574	Team Nutrition Grants	N/A	117	0
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety-				
16.579	Byrne Formula Grant Program	96 NCD-15B-129	0	4,900
16.588	Violence Against Women Formula Grants	99-VAWA-0046 98-VAWA-0056	53,445 0	0 61,446
	Program Total		<u>53,445</u>	<u>61,446</u>
16.592	Local Law Enforcement Block Grants Program	99-LGB-078	1,800	0
Missouri Sheriff's Association-				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,100	1,093
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission-				
20.205	Highway Planning and Construction	BRO-088(20)	32,500	0
20.600	State and Community Highway Safety	00-SA-09-4 99-SA-09-4	41,512 0	15,371 63,675
	Program Total		<u>41,512</u>	<u>79,046</u>
Department of Public Safety-				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	1,845	0

Schedule

RANDOLPH COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration:				
39.003	Donation of Federal Surplus Personal Property	N/A	626	80
U.S. DEPARTMENT OF EDUCATION				
Passed through state Department of Elementary and Secondary Education:				
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	N/A	52	114
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health-				
93.268	Immunization Grants	PG0064-0188IAP	0	2,880
		PG0064-9188IAP	23,768	26,973
	Program Total		23,768	29,853
93.283	Centers for Disease Control and Prevention- Investigations and Technical Assistance	N/A	810	0
Department of Social Services-				
93.563	Child Support Enforcement	N/A	4,588	2,727
Department of Health-				
93.575	Child Care and Development Block Grant	PGA067-0188S	2,825	0
		PGA067-0188C	16,898	0
		PGA0067-9188	0	3,250
		ER0146-9188	0	12,666
	Program Total		19,723	15,916
Passed through state:				
Department of Social Services-				
93.658	Foster Care Title IV-E	SMSPY315-01	11,556	8,873
93.667	Social Services Block Grant	ER0172035	11,488	31,272
		ER0172009	437	7,815
	Program Total		11,925	39,087

Schedule

RANDOLPH COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
Department of Health-				
93.991	Preventive Health and Health Services Block Grant	AOC00380173	25,931	0
		AOC9000099	0	29,433
		C000126001	1,747	0
		C904233001	0	2,000
		C100010001	5,000	0
		N/A	274	309
	Program Total		<u>32,952</u>	<u>31,742</u>
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-1188M	2,943	0
		ERS146-0188M	13,726	5,290
		ERO146-9188	0	14,069
		AOC00380169	24,080	0
		AOC01380105	0	23,802
		ERS175-1188F	2,622	0
		ERS175-0188F	11,385	2,346
		ER0175-9188FP	0	9,177
		C1000190001	7,500	0
	Program Total	N/A	<u>1,372</u>	<u>1,543</u>
			<u>63,628</u>	<u>56,227</u>
SOCIAL SECURITY ADMINISTRATION				
Passed through state Department of Elementary and Secondary Education:				
96.001	Social Security Disability Insurance	N/A	51	0
	Total Expenditures of Federal Awards		\$ <u>430,087</u>	<u>431,156</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

RANDOLPH COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Randolph County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$23,768 and \$26,973 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$274 and \$309 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,372 and \$1,543 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$41,512 and \$79,046 to a subrecipient under the State and Community Highway Safety Program (CFDA number 20.600) during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Randolph County, Missouri

Compliance

We have audited the compliance of Randolph County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Randolph County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

Internal Control Over Compliance

The management of Randolph County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Randolph County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 26, 2001 (fieldwork completion date)

Schedule

RANDOLPH COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major program(s):

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
20.600	State and Community Highway Safety

93.994

Maternal and Child Health Services Block Grant to the States

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1.	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ERS045-1188W, ERS045-0188W, and ERS045-9188
Award Years:	2000 and 1999
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.600
Program Title:	State and Community Highway Safety
Pass-Through Entity	
Identifying Number:	00-SA-09-4 and 99-SA-09-4
Award Years:	2000 and 1999
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	93.994
Program Title:	Maternal and Child Health Services Block Grant to the States
Pass-Through Entity	
Identifying Number:	ERS146-1188M, ERS146-0188M, ERS146-9188, AOC00380169, AOC01380105, ERS175-1188F, ERS175-

0188F, ER075-9188FP, and C1000190001
Award Years: 2000 and 1999
Questioned Costs: Not applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as part of the annual budget.

The county does not have adequate procedures in place to track federal financial assistance for the preparation of the SEFA. The county's SEFA schedule contained numerous errors and omissions. For example, expenditures from nine federal programs totaling approximately \$164,000 were omitted from the schedule. In addition, some grants that were partially federally funded, were recorded on the schedule as being fully federally funded. Some information provided to the County Clerk by the Health Center and Juvenile Office was inaccurate and/or incomplete.

Without an accurate and complete SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

Similar conditions were noted in our prior report.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk will attempt to prepare a complete and accurate schedule of expenditures of federal awards within his ability and within the scope of information provided to him by various county entities.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RANDOLPH COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RANDOLPH COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

RANDOLPH COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Randolph County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 26, 2001. We also have audited the compliance of Randolph County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 26, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the special-purpose financial statements of Randolph County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in

accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Financial Condition and County Sales Tax
--

- A. As noted in our two prior audit reports, the county's General Revenue Fund is in poor financial condition. The cash balance has been negative since 1997, declining from (\$10,440) at December 31, 1997, to (\$144,636) at December 31, 2000. In addition, the County Commission has budgeted significant deficit ending cash balances every year since 1996. The following chart shows the General Revenue Fund receipts, disbursements, and cash balances for the two years ended December 31, 2000.

Cash balance, January 1, 1999	\$	(88,344)
Receipts		2,690,320
Disbursements		<u>(2,668,049)</u>
Cash balance, December 31, 1999		(66,073)
Receipts		2,765,101
Disbursements		<u>(2,843,664)</u>
Cash balance, December 31, 2000	\$	<u>(144,636)</u>

Increases in receipts have not kept pace with increases in disbursements. As discussed later in the report, the salary commission (which is composed of the county's elected officials) approved salary increases totaling approximately \$98,000 for county elected officials paid from the General Revenue Fund. These increases took effect in 1999. In addition, the county incurred some large, one-time public safety costs during 2000. All county prisoners were boarded in other counties while the jail was remodeled after a shooting incident. In addition, the jail was renovated to add eight beds to reduce the number of prisoners boarded outside the county jail. These costs contributed to an \$86,000 increase in prisoner board disbursements and a \$34,000 increase in jail repair disbursements during 2000.

As discussed later in this MAR, the county did not adequately roll back its General Revenue Fund property tax levy for sales taxes collected. As a result of this non-compliance, the county collected \$78,011 in excess property taxes which improved the General Revenue Fund's cash flow. County voters rejected additional sales taxes in April 1997 and November 1999. Therefore, the county is now faced with some very difficult decisions to stabilize the financial condition of the General Revenue Fund.

The County Commission should review discretionary disbursements and evaluate management practices to ensure efficient use of resources available to the county and to determine if long-term reductions in discretionary disbursements are possible. In

addition, the County Commission should attempt to maximize receipts from all sources. As a final option, the county could seek voter approval to increase the General Revenue Fund property tax or impose additional sales taxes.

- B. The county has not sufficiently reduced its property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by the Randolph County voters under the provisions of Section 67.505, RSMo 2000.

Following are the calculations used in determining excess property tax revenues collected as of December 31, 2000 and 1999.

		Tax Year Ended December 31,	
		2000	1999
ACTUAL SALES TAX REVENUES	\$	1,105,993	1,046,671
Required percentage of revenue reduction	X	50%	50%
Required property tax revenue reduction		552,997	523,336
Assessed Valuation		286,191,443	278,957,942
General Revenue Fund tax levy reduction (per \$100 of assessed valuation)	X	0.18	0.18
Actual property tax revenue reduction		515,145	502,124
EXCESS PROPERTY TAX REVENUES COLLECTED		37,852	21,211
Excess property tax revenue collections from prior years		40,159	18,948
NET EXCESS	\$	78,011	40,159

For 1999 and 2000, the county set the property tax rate without calculating the required rollback. As a result, actual property tax collections were not sufficiently offset by 50 percent of sales taxes collected, resulting in excess collections of approximately \$78,011 at December 31, 2000. The county should consider this \$78,011 in excess collections when computing future property tax rollbacks. Based on the estimated assessed valuation and estimated sales tax revenues on the 2001 budget, and prior years' excess property tax collections, the County Commission should reduce the 2001 general revenue tax levy by approximately twenty-two cents.

WE RECOMMEND the County Commission:

- A. Consider various alternatives of increasing receipts and/or reducing disbursements to ensure that the General Revenue Fund's financial condition improves and is able to maintain an adequate operating cash reserve.

- B. Reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in 2000 and prior years, and ensure that supporting documentation is maintained to support future calculations.

AUDITEE'S RESPONSE

- A. *The County Commission attempted to increase revenues by placing two sales tax issues on the ballot in recent years; however, both have failed to pass. The County Commission has considered various alternatives to increasing revenues for the General Revenue Fund and the subsequent increase in the costs of law enforcement by placing on the November 2001, ballot an issue that includes monies for operations of law enforcement and construction for law enforcement. The failure to maintain a balanced budget in Randolph County is both related to increased costs of law enforcement and the stagnant level of property tax revenues.*
- B. *The County Commission has reduced the General Revenue tax levy for the next fiscal year to meet the current sales tax reduction requirements and partially offset the amount of excess property taxes collected in 2000 and prior years.*

2.	Budgetary Practices and Published Financial Statements
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- A. Actual disbursements exceeded approved budgeted amounts in several county funds for the years ended December 31, 2000 and 1999, as follows:

Fund	2000	1999
Law Enforcement Training	\$ 521	N/A
Prosecuting Attorney Training	N/A	796
Sheriff	9,738	16,351
Local Emergency Planning Commission	N/A	817
Association Circuit Division Interest	613	N/A
Juvenile Officer Tutoring	569	752
Prosecuting Attorney Bad Check	N/A	49,627
Parenting Class	80	1,685
Family Access	N/A	40
Health Center	8,479	141,700

The Sheriff Fund budget was overspent in 2000, because the Sheriff did not budget for the \$15,029 transfer to the General Revenue Fund. In 1999, equipment purchases and other disbursements of the Sheriff Fund were not adequately monitored for compliance with the budget. The Prosecuting Attorney Bad Check Fund budget for 1999 did not include estimated disbursements. The Health Center Fund budget was

overspent in 1999, because salary disbursements were not adequately monitored for compliance with the budget.

Quarterly reports comparing budgeted and actual receipts and disbursements are available for the first four funds listed, but are not regularly requested by the officials or boards responsible for disbursement decisions for these funds. Prosecuting Attorney Bad Check Fund disbursement information is not entered into the county's computer system, so periodic reports are not generated. As already mentioned, the other funds listed are in the custody of other officials or departments which administer the transactions of those funds. As a result, the county's overall monitoring of disbursements is not adequate.

It was ruled in State ex rel. Strong v. Cribb 364 Mo. 1122, 273 SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in the which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

Similar conditions were noted in our two prior reports.

- B. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts or revenues, disbursements or disbursements, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

This condition was noted in our two prior reports.

WE RECOMMEND the County Commission:

- A. And the Health Center Board not authorize disbursements in excess of budgeted amounts. If additional disbursements are necessary, the budgets should be amended and the circumstances adequately documented.
- B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The County Commission is only responsible for the first four listed items which are:*
Law Enforcement Training Fund
Prosecuting Attorney Training Fund
Sheriff Fund
Local Emergency Planning Commission Fund

The Health Center Fund budget is not the responsibility of the County Commission. Also, the County Commission claims limited control by RSMo statutes over the "Sheriff Fund" and the "Prosecuting Attorney Bad Check Fund"; however, the Commission will enter into dialogue with the Sheriff and the Prosecuting Attorney regarding the mentioned accounts and monitor for compliance with the budgeting process.

In the future, budget amendments will be made following the same process by which the annual budget is approved.

- B. *The County Clerk and Commission will endeavor to ensure financial information for all county funds is properly reported in the annual published financial statements.*

The Health Center Administrator provided the following response:

- A. *The health center will make every effort to amend budgets when expenditures exceed budgeted amounts. The health center views a budget as a planning tool and even though an amended budget did not get filed with the State Auditor's office, there was sufficient oversight and review by the health center administrator and board of health trustees. Expenditures exceeded budgeted amounts but so did revenues. Overall, the important thing to remember is the health center spent less than it took in.*

3. Personnel Policies and Procedures

- A. The county sick leave policy needs to be clarified and uniformly applied to all county employees. The county reduces employee sick leave balances by more than the actual number of sick leave hours used. As a result, employees may lose up to eight more hours of sick leave per month than they actually use. This practice is not addressed in the county policy.

In addition, this practice is not being applied consistently to all county employees. The Sheriff's Department is maintaining sick leave records for its employees and is only reducing sick leave balances by the actual number of sick leave hours used. As a result, sick leave records maintained by the County Clerk and the Sheriff do not

agree. In addition, the county continues to pay employees for sick leave hours taken in excess of the employee's sick leave balance.

Clearly written policies are necessary to provide guidance to county employees and provide a basis for proper compensation. In addition, such policies should be uniformly applied and enforced to ensure all employees are treated equitably.

- B. Records of overtime worked and compensatory time balances are not centrally maintained. The County Clerk maintains these records for the Sheriff's Department and the Road and Bridge Supervisor maintains these records for the Road and Bridge Department. The County Clerk indicated all other officials are expected to maintain their own records of overtime and compensatory time balances for their employees. Our review of some of these records noted that the Prosecuting Attorney's office did not keep adequate records of overtime worked and compensatory time balances. As a result, the county does not have adequate records to monitor overtime worked by county employees and its overall liability for compensatory time.

Centralized records help ensure that the employees' overtime records are accurate and comply with county policy, better document compliance with the Fair Labor Standards Act (FLSA), and aid in determining final pay for employees leaving county employment.

WE RECOMMEND the County Commission:

- A. Clarify the sick leave policy. In addition, the County Commission should ensure the policy is uniformly applied to all county employees.
- B. Require the County Clerk to maintain centralized compensatory time records for all county employees.

AUDITEE'S RESPONSE

- A. *The County Commission and County Clerk will review and clarify the sick leave policy.*
- B. *The County Commission will enter into a dialogue with the Prosecuting Attorney's office and other county divisions regarding the maintenance of centralized compensatory time records. The County Clerk will consider maintaining centralized compensatory time records for all county employees.*

4. County Officials' Salaries

Salaries for elected county officials increased significantly in January 1999. To evaluate these changes required reviewing the county's 1995 and 1997 salary commission meeting minutes and related Prosecuting Attorney opinions. This review determined that decisions of

the salary commission were not always clear, the amounts to be paid to each official were not always documented, there was a lack of consistency in applying various actions, and salaries actually paid to the county officials were not always supported by salary commission actions.

Senate Bill No. 11, effective August 28, 1997, amended numerous statutory sections relating to the compensation of county officials, and including increases to the statutory maximum salaries allowed for the various county officials. As a part of this legislation, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

- A. The Associate County Commissioners have considered this Supreme Court decision and do not believe it is applicable to them because Section 50.333.13, RSMo and Associate Commissioners' salaries were not addressed during the 1997 salary commission meeting. They contend that their salaries were addressed during the 1995 salary commission meeting, when a motion was made and passed that "all members' salaries subject to this Salary Commission (Associate Commissioners, Assessor, Coroner, and Sheriff), be set at the salary schedule set by the state legislators and set forth in the Missouri Revised Statutes". However, no percentages or amounts to be paid were specified in the meeting minutes. Except for the Associate Commissioners, the increases approved by the 1995 salary commission were paid beginning in 1997. The Associate Commissioners salaries did not increase until 1999. There is no documentation which explains the timing of raises for the Associate Commissioners.
- B. Salaries paid to elected officials beginning in 1999 were not supported by salary commission actions. The 1997 salary commission set salaries of the officials to be elected in 1998 at 86 percent of the maximum allowable compensation authorized by state law, effective at the beginning of each officials' next term. However, in December 1998 and January 1999, the Prosecuting Attorney issued written legal opinions to the County Commission indicating the salary commission decisions were not in compliance with statutory guidelines. The opinions also indicated that all officials' salaries should be set at 100 percent of the maximum amount allowed by law, based on the most current statutory formulas, except for the Prosecuting Attorney's salary which was set at the 86 percent rate approved by the salary commission. The salary commission did not reconvene to consider the salary recommendations addressed in the legal opinions. Except for the Prosecuting

Attorney, salaries for 1999 were paid at the rates recommended in the legal opinions. As a result, officials with terms that began in 1997 received the increases.

- C. The Prosecuting Attorney's salary paid at 86 percent of the statutory maximum during 1999 was increased to 100 percent of the statutory maximum during 2000. This increase was not supported by salary commission action or a legal opinion.

Because of changes to numerous statutory provisions relating to county officials' compensation, misunderstandings as to the effective dates of the various changes, inconsistent applications among the various officials, the county's poor documentation regarding salary changes, and the failure to reconvene the salary commission to address legal opinions issued subsequent to previous meetings and decisions, there is some doubt as to the propriety of county officials' salaries. Additionally, in light of the abovementioned Supreme Court ruling, raises given to county officials within their term of office should be re-evaluated for propriety.

Section 50.333, RSMo 2000, provides for the salary commission to meet in each odd-numbered year to determine the compensation to be paid to county officials beginning with their next term of office. It also requires the salary commission to issue, no later than December 15 of any year in which it meets, a report to indicate the amounts to be paid to each official.

The County Commission should ensure all future salary commission decisions are thoroughly documented and all future officials' salaries are supported by actions of the salary commission.

WE RECOMMEND the County Commission further review past salary commission actions and legal opinions in order to re-evaluate the propriety of county officials' salaries. In addition, the County Commission should ensure salary commission minutes clearly document all decisions made and all future elected officials' salaries are supported by actions of the salary commission.

AUDITEE'S RESPONSE

The County Commission provided the following response:

The County Commission does not agree with the conclusion drawn by the audit report as to this specific issue because the county adhered to the law, as it was required to do in taking its actions. However, in the interests of good government and accountability to the citizens of Randolph County, the County Commission will continue to carry out its legal responsibilities. In addition, the County Commission will review past actions of the Salary Commission and recommend procedures for the Salary Commission to follow in the future when it meets to carry out the Salary Commission's legal responsibilities.

The County Prosecuting Attorney provided the following response:

In October 1995, third class county officeholders through the state received correspondence from the State Auditor Margaret Kelly concerning the Missouri Salary Commission Statute. Specifically, the Auditor commented on our concerns regarding the many ambiguities of the statute and efforts to seek clarification of the law by opinions through the auditor's office and the attorney general to assist them in following the statute. (We were regularly reminded by auditor employees that they were not attorneys and could not give legal opinions or interpretations of the law.)

Afterwards, the salary commission in Randolph County met and approved a motion "That all members' salaries subject to this Salary Commission (Associate Commissioners, Assessor, Coroner, and Sheriff) be set at the salary schedule set by the state legislators and set forth in the Missouri Revised Statutes."

The officeholders were up for election in the following year, 1996. Thereafter, salaries were adjusted for the schedule in existence when the newly elected officials took office in 1997.

In 1997, the salary commission again met for those offices that were up for election in the year 1998. Two meetings were held pertaining to salaries but no agreement was reached, despite language in the statutes which encourages all officeholders to be at a uniform percentage of the salary schedule. A final meeting was held by telephone through Chairperson Fred Ward which resulted in the approval of a salary for officials elected in 1998 at 86 percent of the schedule. Thereafter, the prosecutor learned of special provisions in statutes governing each of the other officeholders, with the exception of the prosecuting attorney, requiring the salaries of those elected in 1998 to be at 100 percent of the schedule unless a defined percentage of the salary commission voted against the increase. The number of votes for the 86 percent increase was not adequate to overcome the requirements of the statute and, therefore, the language in the statute prevailed. This finding was made after the deadline for the salary commission's meeting in 1997, and no further meeting could be held affecting the salaries for the upcoming four year terms.

After consulting with chairperson, Fred Ward, concerning the voting requirements and passing of the meeting deadline, it was determined that the language of the statute prevailed and that the county must pay 100 percent to be consistent with the revised statutes and the preference for uniform percentages of schedule for all officeholders.

AUDITOR'S COMMENT

Senate Bill No. 11, which revised the statutory salary schedules for the various county officials, was passed in 1997 and effective on August 28, 1997. Considering this fact and the recent Supreme Court decision, the propriety of county officials' salaries needs to be re-evaluated.

5.**Bond Fees and Federal Grant Reimbursements**

Some fees are being collected without statutory authorization and the county claimed and received a federal grant program reimbursement twice.

- A. The Sheriff has continued to collect bond processing fees after the statute authorizing the fee was repealed. During the two years ending December 31, 2000 and 1999, the Sheriff collected bond processing fees totaling \$4,965 and \$5,465, respectively. As of June 30, 2001, approximately \$2,380 has been collected. These fees were deposited into the General Revenue Fund. Although Section 57.280, RSMo 1994, authorized the Sheriff to collect a \$5 fee for taking and returning every bond required by law, this statute was repealed in 1996 by Senate Bill No. 869, First Regular Session, 89th General Assembly. The new law does not contain a provision to collect bond processing fees. Therefore, it appears the Sheriff does not have authority to continue to collect the fee. The Sheriff should refrain from collecting fees that are not legally authorized.
- B. The county was reimbursed by the Missouri Sheriff's Association (MSA) twice for the same expenses. The County Clerk and the Sheriff's Office each submitted a claim to the MSA for reimbursement of marijuana eradication expenses incurred from June to August of 1999. The MSA paid both claims. As a result, the county was overpaid by approximately \$1,200. The payments were deposited in the Law Enforcement Training Fund. The Sheriff should contact the MSA to resolve the overpayment.

WE RECOMMEND the Sheriff:

- A. Discuss the collection of bond fees with the Circuit Judge and take appropriate action to resolve this issue.
- B. Contact the Missouri Sheriff's Association to resolve the overpayment of marijuana eradication expenses.

AUDITEE'S RESPONSE

- A. *The Sheriff indicated his office stopped collecting these fees effective August 22, 2001. The Circuit Judge was notified of this decision.*
- B. *The Sheriff indicated the county reimbursed the Missouri Sheriff's Association \$1,092 in August 2001.*

6.**Computer Controls**

The offices of the County Assessor and County Collector have access to a computer system that is networked together to maintain assessed valuation and property tax information. In addition, the County Clerk uses a computer system to maintain records of the county's financial transactions and other computerized records. Our review of the computer system controls and procedures indicated the following concerns:

- A. Passwords are used, but are not changed on a periodic basis to ensure confidentiality. In addition, each office has one password for each computer system and all employees of the office share the password. As a result, there is less assurance that passwords effectively limit access to the data files and programs to only those individuals who need access for completion of job responsibilities. Passwords should be unique, changed periodically to reduce the possibility of unauthorized users, and utilized to restrict individuals' access to only those data files and programs they need to accomplish their jobs.
- B. The county does not have a formal emergency contingency plan for its computer systems. As a result, the county has not made a formal arrangement for the use of backup facilities in the event of a disaster.

Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county. Because of the county's degree of reliance on data processing, the need for contingency planning is evident.

These conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission:

- A. Ensure passwords are periodically changed and remain confidential.
- B. Develop a formal contingency plan for the county's computer systems.

AUDITEE'S RESPONSE

- A. *The County Commission has begun discussions with various department heads to formulate a policy regarding passwords and when they should be changed.*

- B. *The County Commission has begun meeting with various officeholders to develop a formal contingency plan for the county's computer system.*

7. Rental Agreement

The county does not have a signed written agreement for rental of the office space occupied by the Prosecuting Attorney's Office. The Prosecuting Attorney owns the building and it is also used in the operation of his private law practice. During 2000 and 1999, the Prosecuting Attorney paid himself rent from the Prosecuting Attorney Bad Check Fund totaling \$12,240, and \$10,500, respectively. The Prosecuting Attorney has drafted written agreements to document the responsibilities of each party and specify how the rent and utility payments are determined, but the County Commission has not signed the agreements. The County Commission should review the current proposed agreement, identify any issues that concern them, and work with the Prosecuting Attorney to resolve these issues.

Once the County Commission has reviewed the proposed agreement and resolved any concerns, it should enter into a specific, written agreement outlining what rent, equipment, and/or personnel will be provided by the county and what will be provided by the private practice. The basis for the arrangement should be documented and maintained. In addition, Section 432.070, RSMo 2000, requires the county to have all contracts in writing.

It is important to document the adequacy of the financial arrangement between the Prosecuting Attorney and the county, as well as the basis for the allocation of resources between county and private use. This is necessary to avoid the appearance of impropriety and alleviate questions regarding possible inappropriate use of public resources.

This condition was noted in our prior report.

WE RECOMMEND the County Commission work with the Prosecuting Attorney to formalize the agreement for this rental arrangement and document the allocation of resources between the county and Prosecuting Attorney's private practice.

AUDITEE'S RESPONSE

The County Commission contracted with a local attorney to review the contract. On September 6, 2001, he returned the contract recanting the obligation of reviewing the agreement because of his professional association with the Prosecuting Attorney. Subsequently, the County Commission retained the services of another attorney who is very knowledgeable of county government. He has reviewed the contract and made suggestions. The Commission has now requested that he draft a new contract with the suggested revisions that will be presented to the Prosecuting Attorney.

The Prosecuting Attorney is responsible for collecting and disbursing bad check restitution and fees, delinquent tax payments for the state, and pre-sentencing court restitution. Bad check and delinquent tax transactions are generally handled with money orders made payable to the merchant or County Treasurer, and checks made payable to the state Department of Revenue, as applicable. An official bank account is maintained for depositing pre-sentencing court restitution receipts, as well as delinquent tax and bad check restitution and fee payments made payable to the Prosecuting Attorney. Our review of the Prosecuting Attorney's records and procedures noted significant concerns.

- A. Accounting duties are not adequately segregated. The office manager records transactions, makes bank deposits, and prepares bank reconciliations. There are no documented reviews of the accounting records performed by the Prosecuting Attorney or other personnel independent of these processes.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Prenumbered receipt slips were not issued for some monies received. To adequately safeguard receipts against loss or misuse, prenumbered receipt slips should be issued for all monies received.
- C. Until May 1999, the Prosecuting Attorney deposited receipts of the Prosecuting Attorney's Office in a bank account maintained for his private practice. Then he opened a separate bank account for his private practice and started using the existing account as the official bank account for the Prosecuting Attorney's Office.

Throughout much of the audit period, the Prosecuting Attorney's staff did not prepare bank reconciliations, maintain a check register balance, or prepare listings of open items (liabilities) for the official bank account. As of February 2001, no bank reconciliation had been prepared since October 1999, no check register balance had been determined since March 2000, and no listing of open items (liabilities) had been prepared for several years.

In February 2001, the Prosecuting Attorney paid a Certified Public Accountant (CPA) \$1,050 from the Prosecuting Attorney Bad Check Fund to review the records of the official bank account, determine the check register balance, prepare an open items listing, and reconcile the check register balance to the open items. The CPA determined the account balance as of December 15, 2000, was \$5,955 and identified

open items totaling \$5,926. The open items listing included some items that have been held more than three years. The Prosecuting Attorney's office manager reviewed the open items listing prepared by the CPA and determined that \$230 of open items pertained to the Prosecuting Attorney's private practice. Had proper reconciliation procedures been performed on a regular basis, such errors could have been detected and corrected on a timely basis. Since completion of the CPA's work, the office manager has been maintaining a check register balance, preparing monthly bank reconciliations, and reviewing the open items listing prepared by the CPA, to determine the proper disposition of these monies.

The Prosecuting Attorney should ensure monthly bank reconciliations and listings of open items are prepared and reconciled to the check register balance on a timely basis to ensure records are in balance, errors are detected and corrected, and sufficient cash is available for the payment of all liabilities. Procedures should be established to routinely investigate and dispose of old open items. In addition, the \$230 of private practice receipts should be withdrawn from the Prosecuting Attorney's official bank account and deposited into the private practice account.

- D. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as the subsequent disposition of these complaints, has not been established. The bad check complaints are not assigned sequential control numbers nor are they recorded on an initial log or listing as they are received. In addition, the Prosecuting Attorney does not obtain documentation from the merchant when the restitution money orders are turned over to them.

To ensure all bad checks turned over to the Prosecuting Attorney are properly handled, a sequential number should be assigned to each bad check complaint received and a log should be maintained listing each complaint and its disposition. The log should contain information such as the complaint number, the merchant's name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including the date restitution was received and disbursed to the merchant, the date and criminal case in which charges were filed, or other disposition. In addition, documentation should be obtained from the merchant to indicate their receipt of the restitution.

This condition was also noted in our prior report.

- E. Bad check fees totaling \$3,141 collected by the Prosecuting Attorney's Office in June 2000, appear to be missing. There is no evidence that these fees were ever transmitted to the County Treasurer for deposit. We detected this problem while reconciling the Prosecuting Attorney's bad check fee receipt records to the receipts of the Prosecuting Attorney Bad Check Fund maintained by the County Treasurer. Because the Prosecuting Attorney's office did not reconcile receipt slips issued by the County Treasurer to their receipt records, they were unaware that these monies were not received by the County Treasurer.

Because we had concerns that the missing transmittal might have been misappropriated, we performed additional follow up procedures for several money orders. By contacting the company which issued the money orders, we determined that three money orders included in the transmittal are still outstanding. In addition, a Sheriff's department check in the transmittal is still outstanding. Given this information, it appears the June 2000 receipts may have been misplaced. The Prosecuting Attorney needs to follow up on the remaining missing receipts.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Issue prenumbered receipt slips for all monies received.
- C.1. Ensure open items listings and bank reconciliations are prepared and reconciled to the check register balance monthly.
 - 2. Establish procedures to routinely follow up on old open items and determine their proper disposition.
 - 3. Deposit the \$230 into the appropriate bank account.
- D. Assign sequential control numbers to bad check complaints and maintain a log to adequately account for bad check complaints as well as the ultimate disposition.
- E.1. Follow up on the June 2000 bad check fee transmittal.
 - 2. Obtain receipt slips for all monies transmitted to the County Treasurer and reconcile them to his receipt records.

AUDITEE'S RESPONSE

- A. *Duties are now segregated to the extent possible and procedures are in place to ensure independent reviews occur.*
- B. *Receipts slips are now being issued for all types of monies received.*
- C.1. *Monthly bank reconciliations are being prepared. The office manager is currently reviewing the open items listing prepared by the CPA to determine the appropriate disposition of these monies. Once this is completed, periodic open items listings will be prepared and reconciled to the check register balance. Efforts will be made to fully implement this recommendation within ninety days.*

2. *Some of the old open items have been disposed of and the office manager is continuing to verify information regarding other open items so that the monies can be disposed of.*
3. *This recommendation has been implemented.*
- D. *We plan to implement procedures to better account for bad check complaints within ninety days.*
- E.1. *To the extent possible, we will continue to try to locate the missing fees. We will re-evaluate the procedures and personnel involved in transmitting monies to the County Treasurer so that improvements in the system can be implemented.*
2. *This recommendation has been implemented. Treasurer's receipt slips are now reconciled to our accounting records.*

9.	Juvenile Office Controls and Procedures
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- A. The Juvenile Office does not have an adequate segregation of duties. The administrative assistant collects monies, records transactions, prepares and makes deposits, and reconciles the bank statement. The Chief Juvenile Officer does not review the work performed by the administrative assistant.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Monthly listings of open items (liabilities) are not prepared and reconciled to the cash balance. At our request, the Juvenile Office prepared an open items listing as of March 31, 2001. During the preparation of this list, it was determined that \$360 was erroneously requisitioned from the county for class fees already reimbursed by juveniles, a \$200 restitution receipt was disbursed twice to the same individual, and \$125 of open items are unidentified. The \$360 receipt is due back to the General Revenue Fund. Juvenile Office efforts to recoup the \$200 overpayment have been unsuccessful. These errors could have been detected and corrected on a timely basis if monthly open items listings had been prepared and reconciled to the cash balance.

Monthly listings of open items should be prepared and reconciled to the cash balance to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available for the payment of all liabilities. Furthermore, the Juvenile Office should attempt to determine the reasons for the difference between the reconciled cash balance and liabilities. If proper disposition of the unidentified

monies cannot be determined, these monies should be disposed of in accordance with state law. In addition, the errors noted above should be corrected.

WE RECOMMEND the Chief Juvenile Officer:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Prepare monthly listings of open items and reconcile the listings to the cash balance. Differences should be investigated and any monies remaining unidentified should be disposed of in accordance with state law. In addition, the \$200 overpayment should be resolved and future requisitions submitted to the county should be reduced by \$360 to correct the class fee requisition error.

AUDITEE'S RESPONSE

- A. *Unscheduled monthly audits of all accounting records will be performed by the Chief Juvenile Officer. Findings of these audits will be documented.*
- B. *Monthly listings of open items will be prepared and reconciled with the bank statement (cash balance). Any discrepancies will be investigated and resolved at that time.*

10.

Health Center

- A. Fixed assets are not being tagged and added to the inventory listing on a timely basis. During our review of disbursements, we discovered five computers purchased in July 1999 and a tractor purchased in September 2000 were not tagged as Health Center property and recorded on the fixed asset inventory listing. In addition, an annual inventory of all general fixed assets is not conducted.

Property control tags should be affixed to all fixed asset items on a timely basis to help improve accountability and to ensure that assets are identified as property of the health center. Adequate general fixed asset records are necessary to meet statutory requirements, secure better internal control over and safeguard assets, and provide a basis for determining proper insurance coverage. Also, if properly performed, an annual inventory could help detect items not recorded on the inventory records.

Similar conditions were noted in our prior report.

- B. The Health Center Board used Health Center monies to finance purchases of computers for employees' personal use. During the year ended December 31, 2000, the Health Center Board budgeted \$5,000 to be used for this computer purchase program, which allowed five employees to purchase computers for home use. The Health Center Administrator indicated the program was established to enable

employees to improve their computer proficiency. However, the Health Center has not established procedures to measure the effectiveness of the program. Reimbursements collected are used to finance additional employee computer purchases. The employees reimburse the health center through payroll deductions over a 36-month period, which does not enable the Health Center to recover the costs on a timely basis. The health center does not charge interest on these employee loans.

The Health Center Board has no statutory authority to make loans and Article VI, Section 23, of the Missouri Constitution, specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

WE RECOMMEND the Health Center Board:

- A.1. Tag all fixed assets immediately upon receipt and record them on the inventory listing on a timely basis.
- 2. Perform an annual physical inventory and reconcile it to the inventory listing.
- B. Discontinue the practice of financing purchases for employees' personal use.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

- A. *We will make sure that all health department property is tagged and logged on the fixed asset inventory listing. It is our intention to do an annual inventory reconciliation compared to the disbursements register so that all items are tagged.*
- B. *The health center employees are the most important assets of the agency. Computerization within the department has been a unique challenge. Many of the employees had not had an opportunity to learn basic computer skills. The employee computer purchase program was an attempt to increase the computer skill level of employees by allowing them to use computers in their homes after hours. The same thing could have been accomplished by the health center loaning equipment to employees to use at home but we felt that ownership of the equipment and the fact that the employee was paying for the computers would encourage more use. The health center would also recoup the purchase price of the equipment in this manner.*

The auditor suggested that perhaps we send employees to training rather than the purchase program. Our response to that is we do send people to training, but they have to have the tools to work with or the training is not effective.

While there has not been a formal evaluation of the success of the program, we feel that employee computer skills have vastly improved since the program was implemented.

Employees are also required to fill out an application for the program that evaluates how much they use the equipment on the job, how many years they have been with the department, and if their supervisor feels the equipment would benefit them on the job.

They are also required to sign a contract to pay for the equipment. The department has initiated interest payments as part of the purchase program equal to what the bank would pay for the same funds put into a savings account.

The health center views this program just as any other continuing education program. We feel that better trained employees provide better service to the county.

Since most employees are now trained in the use of computers, we will discontinue the program in the future with no new purchases to be made.

This report is intended for the information of the management of Randolph County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

RANDOLPH COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Randolph County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Financial Condition

- A. The county's General Revenue Fund cash balance had declined significantly since 1990. This resulted largely from increased public safety disbursements and several unanticipated disbursements. Also, county voters rejected a sales tax for law enforcement purposes in April 1997.
- B. The County Commission budgeted a deficit balance for the General Revenue Fund in 1997.

Recommendation:

- A. Consider the various alternatives of increasing receipts and/or reducing disbursements. In addition, the County Commission needs to review discretionary disbursements and evaluate management practices to more efficiently use the resources available to the county.
- B. Ensure budgeted disbursements do not exceed budgeted receipts plus beginning cash balance and other available resources for any funds.

Status:

- A. Partially implemented. Although the County Commission has made efforts to control discretionary expenditures and attempted to get sales tax issues passed by the county voters, the county's General Revenue Fund is still in poor financial condition. See MAR finding number 1.
- B. Implemented.

2. Budgetary and Reporting Practices

- A. Disbursements were made in excess of the approved budgets for several funds.
- B. Formal budgets were not prepared for various county funds.

- C. The approved budget documents did not adequately project the anticipated financial condition of the Special Road and Bridge Fund because of the County Commission practice of underestimating receipts and overestimating disbursements.
- D. Prior years actual revenues and expenditures and beginning and estimated ending cash balances were not reflected on the Health Center Fund budgets.
- E. The annual published financial statements of the county did not include the financial activity of some county funds.

Recommendation:

- A. The County Commission and the Health Center Board of Trustees keep expenditures within the amounts budgeted. If excess expenditures are necessary, the extenuating circumstances should be fully documented in the County Commissions or board minutes and the budgets properly amended.
- B. The County Commission and County Clerk ensure budgets are prepared and filed for all county funds in accordance with state law.
- C. The County Commission estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that a reasonable estimate of the county's financial position is presented.
- D. The Health Center Board of Trustees reflect prior years revenues and expenditures and beginning and estimated ending fund balances on the budget document.
- E. The County Commission, County Clerk, and Health Center Board of Trustees ensure financial information for all county funds is properly reported in the annual published financial statements in accordance with state law.

Status:

- A&E. Not implemented. See MAR finding number 2.
- B. Partially implemented. Although improvement was noted, budgets were not prepared for two funds in 2000. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.

- D. Partially implemented. Prior years revenues and expenditures were reflected on the budget document, but the beginning and estimated ending fund balances were not documented. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Expenditures

- A. The County Commission disbursed in excess of \$250,000 to not-for-profit corporations (NFPs) and charitable and civic groups operating in the county without complete documentation to support the particular county goods or services provided.
- B. The county overpaid a bill for patrol car gasoline. In addition, the county allowed the Sheriff and deputies to obtain cash from vendors by charging expenses to the county.
- C. The County Commission approved expenditures totaling \$4,040 to a shelter for victims of domestic violence without ensuring the shelter submitted an application for funding or annual reports as required by state law. In addition, the county did not have a written agreement with the shelter.

Recommendation:

- A. Discontinue the practice of granting public funds to not-for-profit corporations or private companies.
- B. Ensure patrol car expenses are necessary and reasonable and adequately reviewed prior to payment. We also recommend the County Commission discontinue allowing employees to obtain cash by charging expenses to the county.
- C. Comply with statutory requirements for monies expended to the shelter for victims of domestic violence. In addition, the County Commission should obtain a written contract with the shelter which specifically states how the funds are to be used.

Status:

A&B. Implemented.

- C. Not implemented. The county did not obtain applications, annual reports, and a written agreement with the shelter. However, the county only disbursed \$1,000 to the shelter during the two years ending December 31, 2000, and the Prosecuting Attorney works with the shelter and monitors the shelter's use of the county's contributions. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Prosecuting Attorney's Accounting Controls and Procedures

- A. The Prosecuting Attorney did not maintain adequate records of the restitution payments remitted directly to merchants.
- B. The Prosecuting Attorney did not establish an adequate system to account for all bad check complaints and their subsequent disposition.

Recommendation:

The Prosecuting Attorney:

- A. Maintain documentation of payments remitted directly to the merchants.
- B. Implement procedures to adequately account for bad check complaints received as well as the ultimate disposition of each complaint through the use of a log to account for the disposition of each complaint.

Status:

.
Not implemented. See MAR finding number 8.

5. Health Centers Accounting Practices

The health center experienced a declining cash balance. Losses incurred from operating a day care program contributed to the problem.

Recommendation:

The Health Center Board of Trustees consider the various alternatives of increasing receipts and/or reducing disbursements, including eliminating services that are not cost effective. In addition, the Board of Trustees needs to review discretionary disbursements and evaluate management practices to more efficiently use the resources available to the Health Center.

Status:

Partially implemented. The Health Center's day care and hospice program were discontinued and the Health Center's financial condition has improved. However, some questionable disbursements were noted. See MAR finding number 10.

6. Juvenile Office Expense Reimbursements

The County Clerk used an incorrect percentage to bill Howard County for its prorated share of juvenile office expenditures.

Recommendation:

The County Clerk use the correct percentage to bill future juvenile office expenditures. In addition, the County Clerk should review prior billings to determine the significance of amounts under billed, and pursue collection of under billed amounts as appropriate.

Status:

Implemented. The county is currently using the correct percentage. Billing errors in 1997 were corrected. The County Clerk indicated a decision was made to forego collection of amounts due from 1996 and prior years.

7. County Leave Policies

A Sheriff's Office employee accumulated and took more vacation leave than allowed by the county policy. In addition, law enforcement employees compensatory hours appeared excessive and were not calculated in accordance with the county policy.

Recommendation:

The County Commission establish procedures to ensure leave transactions are properly calculated and monitored. In addition, the County Commission should recalculate compensatory time balances in accordance with leave policies adopted.

Status:

Partially implemented. The vacation leave policy is being enforced. Compensatory hours for the Sheriff's Department are being calculated in accordance with the county policy, but 1996 and prior years' hours were not recalculated as recommended. Other problems were noted with county leave policies and compensatory time records. See MAR finding number 3.

STATISTICAL SECTION

History, Organization, and
Statistical Information

RANDOLPH COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1829, the county of Randolph was named after John Randolph, of Virginia. Randolph county is a county-organized, third-class county and is part of the Fourteenth Judicial Circuit. The county seat is Huntsville.

Randolph County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Randolph County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 1,132,675	26	1,115,972	26
Sales taxes	1,105,993	45	1,046,671	45
Federal and state aid	1,422,543	12	1,443,513	12
Fees, interest, and other	729,701	17	757,451	17
Total	\$ 4,390,912	100	4,363,607	100

The following chart shows how Randolph County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 1,130,341	25	1,106,732	26
Public safety	1,713,323	38	1,561,317	36
Highways and roads	1,635,216	37	1,638,934	38
Total	\$ 4,478,880	100	4,306,983	100

The county maintains approximately 89 county bridges and 450 miles of county roads.

The county's population was 22,434 in 1970 and 24,370 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	2000	1999	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 188.9	187.1	284.6	48.2	27.6
Personal property	63.0	57.9	47.3	39.2	15.3
Railroad and utilities	34.3	33.9	25.1	14.8	10.5
Total	\$ 286.2	278.9	357.0	102.2	53.4

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Randolph County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	2000	1999
General Revenue Fund	\$.1700	.1700
Special Road and Bridge Fund*	.2700	.2700
Health Center Fund	.1500	.1500

* The county retains all tax proceeds from areas not within road districts. The county has one road district that receives four-fifths of the tax collections from property within this district, and the Special Road and Bridge Fund retains one-fifth. The road district also has an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2001	2000
State of Missouri	\$	85,368	88,852
General Revenue Fund		517,297	492,030
Special Road and Bridge Fund		756,186	741,725
Assessment Fund		189,730	183,243
Health Center Fund		421,061	414,654
Schools Fund		10,738,797	10,134,202
Library Fund		839,541	797,939
Fire Districts Fund		32,805	31,771
Ambulance Districts Fund		505,834	524,573
Moniteau Watershed Fund		3,582	3,504
City of Moberly-TIFs		46,790	62,582
Special Road District Fund		264,205	260,510
Cities		1,123,708	1,091,073
Tax Sale Surplus Fund		145	300
County Clerk		484	723
County Employees' Retirement		69,660	72,234
Other		359	243
Commissions and fees:			
General Revenue Fund		240,968	235,302
Total	\$	<u>15,836,520</u>	<u>15,135,460</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),	
		2001	2000
Real estate	97 %	97 %	
Personal property	90	92	
Railroad and utilities	100	100	

Randolph County also has the following sales tax; the rate is per \$1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	\$	.0050	None	50

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Frederick A. Ward, Presiding Commissioner	\$	30,930	30,380
Jack Franklin, Associate Commissioner		28,930	28,380
Rick Thornburg, Associate Commissioner		28,930	28,380
Mark Price, Recorder of Deeds		43,550	43,000
Jim Sears, County Clerk		43,550	43,000
Michael Fusselman, Prosecuting Attorney		65,500	56,330
Don Ancell, Sheriff		48,550	48,000
Becky Brown, County Treasurer		32,370	31,820
John Gibbs, County Coroner		15,550	15,000
Martha Creed, Public Administrator *		40,625	64,218
Shiela Miller, County Collector, year ended February 28 (29),	43,550	43,092	
Richard Tregnago, County Assessor **, year ended August 31,		44,267	43,900
* Includes fees received from probate cases.			
** Includes \$900 annual compensation received from the state.			
State-Paid Officials:			
Norma Prange, Circuit Clerk		50,593	48,609
James Cooksey, Associate Circuit Judge		97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk	0	6
Recorder of Deeds	2	0
County Clerk	4 *	0
Prosecuting Attorney	10 **	0
Sheriff	34 ***	0
County Collector	3 ***	0
County Assessor	9 ****	0
Associate Division	0	4
Probate Division	0	1
Road and Bridge	19	0
Health Center	64 *****	0
Juvenile Office	3	7
Total	<u>148</u>	<u>18</u>

* Includes two part time employees.

** Includes three part time employees.

*** Includes one part time employee.

**** Includes four part time employees.

***** Includes thirty part time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Randolph County's share of the Fourteenth Judicial Circuit's expenses is 71.67 percent.



**NEWTON COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-103
September 28, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Newton, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Newton County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards. For the years ended December 31, 2000 and 1999, the schedule contained a number of errors and omissions with expenditures overstated by approximately \$72,555 and \$43,092 for 2000 and 1999, respectively.
- Several concerns were noted related to the county budget documents, including unreasonable estimates of receipts and disbursements, overspending budgeted amounts, and not preparing budgets for several county funds.
- The county paid \$44,000 to a not-for-profit corporation for a downtown revitalization project and \$23,128 to the City of Neosho for a paving project without entering into written contracts for the related projects.
- The county does not have an official policy for cellular phone usage. During the year ended December 31, 2000, over \$13,700 was spent for phone charges for 40 cellular telephones assigned to various county employees. Billing statements submitted to the County Commission provide no detail of the actual usage. Procedures are not in place to provide a documented review of the actual phone usage to determine whether the cellular phones are being used for official county business.

(over)

YELLOW SHEET

- Computer controls are in need of improvement, including the processing of changes to assessment data, passwords, log-on procedures, and a formal contingency plan.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Newton County's Associate County Commissioners salaries were each increased approximately \$10,000 yearly, according to information from the county clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to the Associate County Commissioners (the two elected and one appointed), totaling approximately \$40,000, for the two years ended December 31, 2000, should be repaid.

- Accounting controls and procedures including segregation of duties, follow-up on old bond monies and outstanding checks, and depositing procedures are in need of improvement in the sheriff's office. Additionally a reserve deputy collects and transports bonds at a local truck weight scale and is compensated on a fee basis per individual ticketed, rather than by salary, contrary to state law. The reserve officer was paid fees totaling \$32,670 and \$36,105 for 2000 and 1999, respectively.

Also included in the audit are recommendations related to bidding procedures, personnel policies, closed meeting minutes, fixed assets, and vehicle procedures. The audit also suggested improvements in the procedures of the Collector, Prosecuting Attorney, Circuit Clerk, Ex-Officio Recorder of Deeds, and the Health Center. Several of these issues have been mentioned in prior audits.

All reports are available on our website: www.auditor.state.mo.us

NEWTON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Newton County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Newton County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Newton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Newton County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Newton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 9, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Newton County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

August 9, 2001(fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	David Holtmann, CPA
In-Charge Auditor:	April McHaffie Lathrom, CPA
Audit Staff:	Jay Ross
	Troy Royer
	Susan Schmidt



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Newton County, Missouri

We have audited the special-purpose financial statements of various funds of Newton County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 9, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Newton County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Newton County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Newton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

August 9, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

NEWTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 2,817,189	6,090,606	6,936,331	1,971,464
Special Road and Bridge	21,964	2,727,240	2,523,620	225,584
Assessment	85,669	449,902	391,882	143,689
Law Enforcement Training	28,539	23,867	22,590	29,816
Prosecuting Attorney Training	6,553	4,451	5,599	5,405
Prosecuting Attorney Administrative Fees	57,916	47,154	23,505	81,565
Emergency 911	75,673	738,080	761,276	52,477
Sheriff's Criminal Activity Forfeiture Account	10,161	6,108	6,227	10,042
Recorder's User Fees	64,076	29,153	0	93,229
Local Emergency Planning Council	7,140	7,509	3,427	11,222
Mental Health	81,067	346,327	365,500	61,894
County Fair	6,184	48,351	46,108	8,427
Sheriff's Civil Fees	83,827	34,696	49,924	68,599
Domestic Violence	3,452	4,588	5,390	2,650
DARE	635	220	0	855
Emergency Shelter	0	617	617	0
Local Records Grant	6,528	1,349	7,877	0
Family Access	350	0	0	350
Election	0	1,397	0	1,397
Prosecuting Attorney Delinquent Sales Tax	10,624	1,197	0	11,821
Health Center	225,892	664,547	664,603	225,836
Law Library	29,624	22,369	9,809	42,184
Circuit Clerk Interest	9,476	7,964	2,966	14,474
Associate Circuit Division Interest	21,925	6,831	519	28,237
Total	\$ 3,654,464	11,264,523	11,827,770	3,091,217

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

NEWTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 2,412,096	5,585,485	5,180,392	2,817,189
Special Road and Bridge	767,807	1,705,522	2,451,365	21,964
Assessment	18,582	421,503	354,416	85,669
Law Enforcement Training	24,996	24,935	21,392	28,539
Prosecuting Attorney Training	5,232	4,552	3,231	6,553
Prosecuting Attorney Administrative Fees	71,677	41,873	55,634	57,916
Emergency 911	17,450	662,779	604,556	75,673
Sheriff's Criminal Activity Forfeiture Account	12,481	3,988	6,308	10,161
Recorder's User Fees	54,102	29,488	19,514	64,076
Local Emergency Planning Council	8,318	5,113	6,291	7,140
Mental Health	80,538	330,529	330,000	81,067
County Fair	4,319	46,420	44,555	6,184
Sheriff's Civil Fees	54,951	37,245	8,369	83,827
Domestic Violence	3,920	7,209	7,677	3,452
DARE	741	1,349	1,455	635
Emergency Shelter	0	6,683	6,683	0
Local Records Grant	4,111	6,528	4,111	6,528
Family Access	75	275	0	350
Prosecuting Attorney Delinquent Sales Tax	10,277	347	0	10,624
Health Center	219,416	665,558	659,082	225,892
Law Library	19,342	19,476	9,194	29,624
Circuit Clerk Interest	9,441	4,433	4,398	9,476
Associate Circuit Division Interest	18,352	5,373	1,800	21,925
Total	\$ 3,818,224	9,616,663	9,780,423	3,654,464

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B
 NEWTON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 11,407,043	11,263,326	(143,717)	9,022,659	9,601,481	578,822
DISBURSEMENTS	13,743,144	11,827,770	1,915,374	11,672,700	9,768,174	1,904,526
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,336,101)	(564,444)	1,771,657	(2,650,041)	(166,693)	2,483,348
CASH, JANUARY 1	3,643,449	3,643,840	391	3,803,020	3,803,020	0
CASH, DECEMBER 31	1,307,348	3,079,396	1,772,048	1,152,979	3,636,327	2,483,348
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	22,000	26,305	4,305	21,000	22,332	1,332
Sales taxes	4,300,000	4,346,593	46,593	3,700,000	3,995,051	295,051
Intergovernmental	534,991	565,478	30,487	524,390	486,630	(37,760)
Charges for services	717,300	713,125	(4,175)	696,000	716,174	20,174
Interest	146,300	216,446	70,146	142,000	137,204	(4,796)
Other	179,965	219,721	39,756	175,690	199,310	23,620
Transfers in	2,938	2,938	0	26,875	28,784	1,909
Total Receipts	5,903,494	6,090,606	187,112	5,285,955	5,585,485	299,530
DISBURSEMENTS						
County Commission	126,922	126,027	895	114,498	109,759	4,739
County Clerk	135,545	124,323	11,222	130,389	127,281	3,108
Elections	70,400	50,231	20,169	14,700	6,498	8,202
Buildings and grounds	531,500	477,719	53,781	452,067	417,312	34,755
Employee fringe benefits	675,940	583,747	92,193	570,800	563,192	7,608
County Treasurer	35,266	35,064	202	34,800	34,516	284
County Collector	149,528	142,017	7,511	143,259	135,912	7,347
Ex Officio Recorder of Deeds	130,821	120,140	10,681	124,059	118,961	5,098
Circuit Clerk	25,014	22,155	2,859	25,004	19,249	5,755
Associate Circuit Court	25,775	25,707	68	60,361	48,789	11,572
Probate Court	22,840	12,528	10,312	44,067	26,385	17,682
Court administration	57,208	56,049	1,159	67,852	44,499	23,353
Public Administrator	17,732	21,583	(3,851)	17,245	17,317	(72)
Sheriff	1,706,835	1,689,221	17,614	1,196,115	1,177,748	18,367
Jail	694,147	680,196	13,951	619,782	585,141	34,641
Prosecuting Attorney	458,061	463,145	(5,084)	395,519	400,355	(4,836)
Juvenile Officer	160,201	164,268	(4,067)	143,003	143,436	(433)
County Coroner	46,489	45,713	776	43,325	40,709	2,616
Data processing	95,284	65,166	30,118	95,279	78,370	16,909
Contingency costs	204,500	64,290	140,210	204,500	34,889	169,611
Capital improvements	300,000	115,342	184,658	500,000	63,562	436,438
Grants	264,936	196,089	68,847	198,894	165,171	33,723
Public health and welfare services	17,400	10,215	7,185	17,000	11,230	5,770
Postage	75,000	52,452	22,548	75,000	72,994	2,006
Insurance premiums	70,000	78,046	(8,046)	120,000	100,484	19,516
Emergency management	108,655	110,622	(1,967)	109,376	109,060	316
Other	457,307	406,976	50,331	259,777	286,503	(26,726)
Transfers out	997,300	997,300	0	197,765	172,765	25,000
Emergency Fund	500,000	0	500,000	1,000,000	68,305	931,695
Total Disbursements	8,160,606	6,936,331	1,224,275	6,974,436	5,180,392	1,794,044
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,257,112)	(845,725)	1,411,387	(1,688,481)	405,093	2,093,574
CASH, JANUARY 1	2,817,189	2,817,189	0	2,412,096	2,412,096	0
CASH, DECEMBER 31	560,077	1,971,464	1,411,387	723,615	2,817,189	2,093,574

Exhibit B
 NEWTON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	314,000	341,819	27,819	282,000	321,356	39,356
Intergovernmental	1,881,000	1,470,078	(410,922)	1,088,670	1,246,899	158,229
Interest	25,000	8,150	(16,850)	25,000	25,059	59
Other	62,000	7,193	(54,807)	24,000	12,208	(11,792)
Transfers in	900,000	900,000	0	100,000	100,000	0
Total Receipts	3,182,000	2,727,240	(454,760)	1,519,670	1,705,522	185,852
DISBURSEMENTS						
Salaries	450,000	432,403	17,597	400,000	416,061	(16,061)
Employee fringe benefits	112,400	111,052	1,348	101,900	95,847	6,053
Supplies	100,000	95,850	4,150	160,000	254,278	(94,278)
Equipment repairs	50,000	49,953	47	60,000	47,643	12,357
Rentals	10,000	5,047	4,953	20,000	20,753	(753)
Equipment purchases	100,000	72,720	27,280	190,000	278,997	(88,997)
Construction, repair, and maintenance	1,570,000	1,229,042	340,958	804,000	868,604	(64,604)
Distribution to special road districts	550,248	481,441	68,807	477,119	429,447	47,672
Other	46,000	46,112	(112)	68,000	39,735	28,265
Total Disbursements	2,988,648	2,523,620	465,028	2,281,019	2,451,365	(170,346)
RECEIPTS OVER (UNDER) DISBURSEMENTS	193,352	203,620	10,268	(761,349)	(745,843)	15,506
CASH, JANUARY 1	21,964	21,964	0	767,807	767,807	0
CASH, DECEMBER 31	215,316	225,584	10,268	6,458	21,964	15,506
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	350,193	366,670	16,477	334,200	341,741	7,541
Charges for services	18,513	7,733	(10,780)	10,100	8,523	(1,577)
Interest	3,500	8,199	4,699	3,700	3,474	(226)
Transfers in	67,300	67,300	0	67,765	67,765	0
Total Receipts	439,506	449,902	10,396	415,765	421,503	5,738
DISBURSEMENTS						
Assessor	439,506	391,882	47,624	408,359	354,416	53,943
Total Disbursements	439,506	391,882	47,624	408,359	354,416	53,943
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	58,020	58,020	7,406	67,087	59,681
CASH, JANUARY 1	85,669	85,669	0	18,582	18,582	0
CASH, DECEMBER 31	85,669	143,689	58,020	25,988	85,669	59,681
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	7,255	7,255	0	8,646	8,646
Charges for services	5,000	16,612	11,612	16,000	16,289	289
Total Receipts	5,000	23,867	18,867	16,000	24,935	8,935
DISBURSEMENTS						
Sheriff	30,000	22,590	7,410	40,996	21,392	19,604
Total Disbursements	30,000	22,590	7,410	40,996	21,392	19,604
RECEIPTS OVER (UNDER) DISBURSEMENTS	(25,000)	1,277	26,277	(24,996)	3,543	28,539
CASH, JANUARY 1	28,539	28,539	0	24,996	24,996	0
CASH, DECEMBER 31	3,539	29,816	26,277	0	28,539	28,539

Exhibit B
 NEWTON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	5,000	4,378	(622)	6,000	4,552	(1,448)
Other	0	73	73	0	0	0
Total Receipts	5,000	4,451	(549)	6,000	4,552	(1,448)
DISBURSEMENTS						
Prosecuting Attorney	3,300	5,599	(2,299)	5,900	3,231	2,669
Total Disbursements	3,300	5,599	(2,299)	5,900	3,231	2,669
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,700	(1,148)	(2,848)	100	1,321	1,221
CASH, JANUARY 1	6,553	6,553	0	5,232	5,232	0
CASH, DECEMBER 31	8,253	5,405	(2,848)	5,332	6,553	1,221
<u>PROSECUTING ATTORNEY ADMINISTRATIVE FEES FUND</u>						
RECEIPTS						
Charges for services	40,000	43,293	3,293	40,000	39,139	(861)
Interest	3,000	3,861	861	1,500	2,734	1,234
Total Receipts	43,000	47,154	4,154	41,500	41,873	373
DISBURSEMENTS						
Prosecuting Attorney	85,000	23,505	61,495	25,000	29,059	(4,059)
Transfers out	0	0	0	35,000	26,575	8,425
Total Disbursements	85,000	23,505	61,495	60,000	55,634	4,366
RECEIPTS OVER (UNDER) DISBURSEMENTS	(42,000)	23,649	65,649	(18,500)	(13,761)	4,739
CASH, JANUARY 1	57,916	57,916	0	71,677	71,677	0
CASH, DECEMBER 31	15,916	81,565	65,649	53,177	57,916	4,739
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for services	681,100	709,013	27,913	635,832	659,215	23,383
Interest	1,500	3,005	1,505	2,500	1,488	(1,012)
Other	650	1,062	412	1,100	2,076	976
Transfers in	25,000	25,000	0	25,000	0	(25,000)
Total Receipts	708,250	738,080	29,830	664,432	662,779	(1,653)
DISBURSEMENTS						
Salaries	508,567	514,393	(5,826)	518,318	465,975	52,343
Office expenditures	8,500	7,431	1,069	9,500	8,142	1,358
Equipment	248,150	224,799	23,351	135,000	112,839	22,161
Mileage and training	13,500	14,041	(541)	11,800	13,244	(1,444)
Other	4,500	612	3,888	7,000	4,356	2,644
Total Disbursements	783,217	761,276	21,941	681,618	604,556	77,062
RECEIPTS OVER (UNDER) DISBURSEMENTS	(74,967)	(23,196)	51,771	(17,186)	58,223	75,409
CASH, JANUARY 1	75,673	75,673	0	17,450	17,450	0
CASH, DECEMBER 31	706	52,477	51,771	264	75,673	75,409

Exhibit B
 NEWTON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S CRIMINAL ACTIVITY FORFEITURE ACCOUNT FUND</u>						
RECEIPTS						
Intergovernmental	2,000	0	(2,000)	0	3,542	3,542
Interest	450	508	58	600	446	(154)
Other	0	5,600	5,600	100	0	(100)
Total Receipts	2,450	6,108	3,658	700	3,988	3,288
DISBURSEMENTS						
Sheriff	5,000	6,227	(1,227)	3,000	6,308	(3,308)
Total Disbursements	5,000	6,227	(1,227)	3,000	6,308	(3,308)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,550)	(119)	2,431	(2,300)	(2,320)	(20)
CASH, JANUARY 1	10,161	10,161	0	12,481	12,481	0
CASH, DECEMBER 31	7,611	10,042	2,431	10,181	10,161	(20)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	28,000	25,124	(2,876)	28,500	27,566	(934)
Interest	2,000	4,029	2,029	1,500	1,922	422
Total Receipts	30,000	29,153	(847)	30,000	29,488	(512)
DISBURSEMENTS						
Recorder of deeds	12,000	0	12,000	54,102	19,514	34,588
Total Disbursements	12,000	0	12,000	54,102	19,514	34,588
RECEIPTS OVER (UNDER) DISBURSEMENTS	18,000	29,153	11,153	(24,102)	9,974	34,076
CASH, JANUARY 1	63,901	64,076	175	54,102	54,102	0
CASH, DECEMBER 31	81,901	93,229	11,328	30,000	64,076	34,076
<u>LOCAL EMERGENCY PLANNING COUNCIL FUND</u>						
RECEIPTS						
Intergovernmental	4,700	6,183	1,483	4,000	4,893	893
Interest	250	422	172	250	220	(30)
Other	0	904	904	0	0	0
Total Receipts	4,950	7,509	2,559	4,250	5,113	863
DISBURSEMENTS						
Local emergency planning	5,525	3,427	2,098	4,000	6,291	(2,291)
Total Disbursements	5,525	3,427	2,098	4,000	6,291	(2,291)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(575)	4,082	4,657	250	(1,178)	(1,428)
CASH, JANUARY 1	7,140	7,140	0	8,318	8,318	0
CASH, DECEMBER 31	6,565	11,222	4,657	8,568	7,140	(1,428)

Exhibit B
 NEWTON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>MENTAL HEALTH FUND</u>						
RECEIPTS						
Property taxes	291,000	335,082	44,082	244,162	323,058	78,896
Intergovernmental	1,002	770	(232)	1,300	1,028	(272)
Interest	6,000	10,475	4,475	4,000	6,443	2,443
Total Receipts	298,002	346,327	48,325	249,462	330,529	81,067
DISBURSEMENTS						
Mental health services	365,500	365,500	0	330,000	330,000	0
Total Disbursements	365,500	365,500	0	330,000	330,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(67,498)	(19,173)	48,325	(80,538)	529	81,067
CASH, JANUARY 1	81,067	81,067	0	80,538	80,538	0
CASH, DECEMBER 31	13,569	61,894	48,325	0	81,067	81,067
<u>COUNTY FAIR FUND</u>						
RECEIPTS						
Property taxes	45,000	47,223	2,223	45,000	45,572	572
Intergovernmental	0	110	110	0	147	147
Interest	750	1,018	268	1,000	701	(299)
Total Receipts	45,750	48,351	2,601	46,000	46,420	420
DISBURSEMENTS						
County fair	45,750	46,108	(358)	49,000	44,555	4,445
Total Disbursements	45,750	46,108	(358)	49,000	44,555	4,445
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,243	2,243	(3,000)	1,865	4,865
CASH, JANUARY 1	6,184	6,184	0	4,319	4,319	0
CASH, DECEMBER 31	6,184	8,427	2,243	1,319	6,184	4,865
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	38,000	34,646	(3,354)	40,000	37,029	(2,971)
Other	0	50	50	0	216	216
Total Receipts	38,000	34,696	(3,304)	40,000	37,245	(2,755)
DISBURSEMENTS						
Sheriff	50,000	49,924	76	50,000	8,369	41,631
Total Disbursements	50,000	49,924	76	50,000	8,369	41,631
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,000)	(15,228)	(3,228)	(10,000)	28,876	38,876
CASH, JANUARY 1	83,827	83,827	0	54,951	54,951	0
CASH, DECEMBER 31	71,827	68,599	(3,228)	44,951	83,827	38,876

Exhibit B
 NEWTON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	7,500	4,588	(2,912)	7,500	7,209	(291)
Total Receipts	7,500	4,588	(2,912)	7,500	7,209	(291)
DISBURSEMENTS						
Domestic violence shelter	7,020	5,390	1,630	7,020	7,677	(657)
Total Disbursements	7,020	5,390	1,630	7,020	7,677	(657)
RECEIPTS OVER (UNDER) DISBURSEMENTS	480	(802)	(1,282)	480	(468)	(948)
CASH, JANUARY 1	3,452	3,452	0	3,920	3,920	0
CASH, DECEMBER 31	3,932	2,650	(1,282)	4,400	3,452	(948)
<u>DARE FUND</u>						
RECEIPTS						
Other	1,000	220	(780)			
Total Receipts	1,000	220	(780)			
DISBURSEMENTS						
Sheriff	900	0	900			
Total Disbursements	900	0	900			
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	220	120			
CASH, JANUARY 1	635	635	0			
CASH, DECEMBER 31	735	855	120			
<u>EMERGENCY SHELTER FUND</u>						
RECEIPTS						
Intergovernmental	7,567	617	(6,950)			
Total Receipts	7,567	617	(6,950)			
DISBURSEMENTS						
Emergency shelter	7,567	617	6,950			
Total Disbursements	7,567	617	6,950			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			
<u>LOCAL RECORDS GRANT FUND</u>						
RECEIPTS						
Intergovernmental	2,797	1,349	(1,448)			
Total Receipts	2,797	1,349	(1,448)			
DISBURSEMENTS						
Local records	9,325	7,877	1,448			
Total Disbursements	9,325	7,877	1,448			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,528)	(6,528)	0			
CASH, JANUARY 1	6,528	6,528	0			
CASH, DECEMBER 31	0	0	0			

Exhibit B
 NEWTON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2000			1999			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<u>FAMILY ACCESS FUND</u>						
RECEIPTS						
Charges for services	0	0	0			
Total Receipts	0	0	0			
DISBURSEMENTS						
Family access	350	0	350			
Total Disbursements	350	0	350			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(350)	0	350			
CASH, JANUARY 1	350	350	0			
CASH, DECEMBER 31	0	350	350			
<u>ELECTION FUND</u>						
RECEIPTS						
Charge for services	500	1,397	897			
Total Receipts	500	1,397	897			
DISBURSEMENTS						
Election services	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,397	897			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	500	1,397	897			
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	236,835	236,711	(124)	223,991	229,238	5,247
Intergovernmental	291,942	279,204	(12,738)	338,834	309,685	(29,149)
Charges for services	96,000	116,225	20,225	80,000	87,834	7,834
Interest	10,500	13,254	2,754	10,500	10,117	(383)
Other	13,000	14,153	1,153	20,000	23,684	3,684
Transfers in	5,000	5,000	0	5,000	5,000	0
Total Receipts	653,277	664,547	11,270	678,325	665,558	(12,767)
DISBURSEMENTS						
Salaries	538,142	507,755	30,387	488,053	485,835	2,218
Office expenditures	31,660	40,162	(8,502)	26,665	40,415	(13,750)
Equipment	12,700	19,128	(6,428)	14,400	8,074	6,326
Mileage and training	16,780	21,005	(4,225)	14,700	18,644	(3,944)
Other	79,548	76,553	2,995	134,410	106,114	28,296
Total Disbursements	678,830	664,603	14,227	678,228	659,082	19,146
RECEIPTS OVER (UNDER) DISBURSEMENTS	(25,553)	(56)	25,497	97	6,476	6,379
CASH, JANUARY 1	225,892	225,892	0	219,416	219,416	0
CASH, DECEMBER 31	200,339	225,836	25,497	219,513	225,892	6,379

Exhibit B
 NEWTON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	19,000	20,448	1,448	10,000	18,425	8,425
Interest	1,000	1,921	921	0	1,051	1,051
Total Receipts	20,000	22,369	2,369	10,000	19,476	9,476
DISBURSEMENTS						
Law library	49,624	9,809	39,815	27,982	9,194	18,788
Total Disbursements	49,624	9,809	39,815	27,982	9,194	18,788
RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,624)	12,560	42,184	(17,982)	10,282	28,264
CASH, JANUARY 1	29,624	29,624	0	19,342	19,342	0
CASH, DECEMBER 31	0	42,184	42,184	1,360	29,624	28,264
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	3,000	6,894	3,894	3,600	2,991	(609)
Other	1,000	1,070	70	0	1,442	1,442
Total Receipts	4,000	7,964	3,964	3,600	4,433	833
DISBURSEMENTS						
Circuit Clerk	13,476	2,966	10,510	13,040	4,398	8,642
Total Disbursements	13,476	2,966	10,510	13,040	4,398	8,642
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,476)	4,998	14,474	(9,440)	35	9,475
CASH, JANUARY 1	9,476	9,476	0	9,441	9,441	0
CASH, DECEMBER 31	0	14,474	14,474	1	9,476	9,475
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	5,000	6,831	1,831	3,500	5,373	1,873
Total Receipts	5,000	6,831	1,831	3,500	5,373	1,873
DISBURSEMENTS						
Associate Circuit Division	2,000	519	1,481	4,000	1,800	2,200
Total Disbursements	2,000	519	1,481	4,000	1,800	2,200
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,000	6,312	3,312	(500)	3,573	4,073
CASH, JANUARY 1	21,709	21,925	216	18,352	18,352	0
CASH, DECEMBER 31	24,709	28,237	3,528	17,852	21,925	4,073

The Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

NEWTON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Newton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Mental Health Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
DARE	1999
Emergency Shelter	1999
Local Records Grant	1999
Family Access	1999
Prosecuting Attorney Delinquent Sales Tax	2000 and 1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Special Road and Bridge Fund	1999
Prosecuting Attorney Training Fund	2000
Sheriff's Criminal Activity Forfeiture Account Fund	2000 and 1999
Local Emergency Planning Council Fund	1999
County Fair Fund	2000
Domestic Violence Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 2000 and 1999, included all funds presented in the accompanying financial statements.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board of Trustee's deposits at December 31, 2000 and 1999 were entirely covered by Federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

NEWTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Social Services -				
10.550	Food Distribution	N/A	\$ 0	10
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9173	0	97,397
		ERO045-0173	100,436	34,505
		ERS0451-173W	31,196	0
	Program total		<u>131,632</u>	<u>131,902</u>
10.559	Summer Food Service Program for Children	ERS046-01731	57	0
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO-1640273	617	6,683
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	96CMWK1006	2,543	7,914
		95CFWX1671	3,792	32,763
	Program total		<u>6,335</u>	<u>40,677</u>
Passed through state:				
Department of Public Safety -				
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	ERO172085	28,721	32,303
		ERO-172202	26,820	0
	Program total		<u>55,541</u>	<u>32,303</u>
16.575	Crime Victim Assistance	97VOCA0132	0	8,160
		97VGX0029	0	3,799
	Program total		<u>0</u>	<u>11,959</u>
16.579	Byrne Formula Grant Program	98NCD2028	0	36,212
		99NCD2028	73,945	64,309
		99NCD2038	59,466	0
	Program total		<u>133,411</u>	<u>100,521</u>

Schedule

NEWTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
16.592	Local Law Enforcement Block Grants Program	98-LBG-067	0	8,163
	Department of Health -			
16.unknown	Weapons of Mass Destruction Survey	N/A	500	0
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	2,955	6,393
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state Highway and Transportation Commission:			
20.205	Highway Planning and Construction	BRO-073-16	335,843	8,773
GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	0	1,863
FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety:			
83.534	Emergency Management - State and Local Assistance	N/A	26,581	18,155
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:			
	Department of Health -			
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERO146-0173	0	5
93.268	Immunization Grants	PGO064-9173	0	7,229
	Program total	N/A	61,572	40,016
			61,572	47,245
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	23,958	27,950
	Department of Health -			
93.575	Child Care and Development Block Grant	PGO067-9173	0	5,683
		ERO146-0173	0	2,320
		PGA067-0173C	0	423
		PGO067-0213S	4,210	980
	Program total	PGA067-1213S	1,115	0
			5,325	9,406
	Department of Health -			
93.917	HIV Care Formula Grants	ERO-178	0	18,230
93.940	HIV Prevention Activities - Health Department Based	N/A	95	92

Schedule

NEWTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
93.991	Preventive Health and Health Services Block Grant	N/A	0	2,071
		N/A	<u>720</u>	<u>472</u>
	Program total		<u>720</u>	<u>2,543</u>
93.994	Maternal and Child Health Services Block Grant to the States	ERO146-9173MCH	0	21,503
		ERS146-0173M	21,124	7,483
		ERS146-1173M	6,850	0
		N/A	<u>3,600</u>	<u>2,361</u>
	Program total		<u>31,574</u>	<u>31,347</u>
	Total Expenditures of Federal Awards		\$ <u>816,716</u>	<u>504,220</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

NEWTON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Newton County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$61,572 and \$40,016 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$720 and \$472 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$3,600 and \$2,361 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for the Immunization Grants, the Preventive Health and Health Services Block Grant and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$133,411 and \$100,521 to a subrecipient under the Byrne Formula Grant Program (CFDA number 16.579) during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Newton County, Missouri

Compliance

We have audited the compliance of Newton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Newton County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

Internal Control Over Compliance

The management of Newton County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Newton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

August 9, 2001 (fieldwork completion date)

Schedule

NEWTON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be a material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program:

. CFDA or
Other Identifying

Number
10.557

Program Title

Special Supplemental Nutrition Program for Women, Infants, and
Children.

16.592	Local Law Enforcement Block Grants Program
20.205	Highway Planning and Construction
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children

Pass-Through Entity	
Identifying Number:	ERO045-9173, ERO045-0173, and ERS0451-173W
Award Year:	1999 and 2000
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	16.592
Program Title:	Local Law Enforcement Block Grants Program
Pass-Through Entity	
Identifying Number:	98-LBG-067
Award Year:	1999
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	

Identifying Number:	BRO-073-16
Award Year:	1999 and 2000
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Social Services
Federal CFDA Number:	93.563
Program Title:	Child Support Enforcement
Pass-Through Entity	
Identifying Number:	N/A
Award Year:	1999 and 2000
Questioned Costs:	Not applicable

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 2000 and 1999, the county's SEFA contained numerous errors and omissions. For example, expenditures relating to several federal grants were not included on the schedules. Other programs reported did not include the required pass-through grantor's number. In addition, some non-federal programs were included and other programs were reported incorrectly. In total, expenditures were overstated by approximately \$72,555 and \$43,092 for 2000 and 1999, respectively.

For the federal financial schedules to adequately reflect the county's federal financial assistance expenditures, it is necessary that all federal financial expenditures be properly reported. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We understand the significance of preparing a complete and accurate SEFA and will take all steps possible to ensure the information being submitted to the county by the various offices is complete and accurate during the next budget process.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

NEWTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

NEWTON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

NEWTON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Newton County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 9, 2001. We also have audited the compliance of Newton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 9, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was made in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Newton County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.	County Expenditures
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During our review of county expenditures, we noted the following concerns:

- A. The county did not maintain documentation to support the reason for not selecting the lowest bid. Examples of items purchased that were not the apparent low bid are as follows:

<u>Item Purchased</u>	<u>Amount</u>
Oil and Asphalt	\$ 32,217
Carpet	20,472

The County Commission indicated the decisions were based on past experience with the vendors and the availability of specific products; however, no documentation of the reasons were noted in the commission minutes. To justify decisions made on awarding contracts where the apparent low bidder was not selected, the County Commission should maintain complete documentation of its reasons for awarding contracts to bidders.

In addition, the County Commission prepared an analysis of ten frequently used vendors for incidental purchases made by various officeholders and found that on numerous occasions the county purchased items exceeding \$4,500 in a ninety-day period. Section 50.660, RSMo 2000, requires the advertisement for bids for all purchases of \$4,500 or more from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. In addition, competitive bidding assures all parties are given an equal opportunity to participate in county business. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper publication notices when applicable, bids received, the basis of justification for awarding bids, and documentation of all discussions with vendors.

- B. The county paid \$44,000 to a not-for-profit corporation for a downtown revitalization project and \$23,128 to the City of Neosho for a paving project without entering into written contracts for the related projects. In addition, the county agreed to pay fifty percent of the cost of a new air truck for the Newton County Fire Chief's Association to be used by area fire departments. Subsequently, the county paid \$10,087 to the Newton County Fire Chief's Association without entering into a written agreement and without obtaining documentation of the actual costs of the vehicle.

If the services provided by these entities are determined to be desirable, county-provided services, the county should obtain written contractual agreements, which specifies services to be provided and provides the county with a mechanism to evaluate and monitor such services. Section 432.070, RSMo 2000, requires contracts of political subdivisions be in writing. Written contracts are necessary to outline the terms of such arrangements, specify services to be provided and the related funding, and help ensure the reasonableness and propriety of such expenditures.

- C. The county contracts with a local law firm to provide guardian ad litem services. The county paid this firm over \$17,300 during the two years ended December 31, 2000. The county indicated that proposals have not been solicited nor has the contract been reviewed for these services since March 1999. Also, when this law firm is unavailable, the county contacts other local firms to provide ad litem services. The other firms provide the service at a lower cost than what the county pays the primary service provider.

Soliciting proposals and entering into a truly competitive process provides the county a means to select the contractor best suited to provide the service required. Soliciting proposals provide the county with a range of possible choices, which should allow for a better-informed decision to be made when acquiring necessary services. Also, the county should evaluate whether these services could be provided by another local firm at a lower cost to the county.

- D. The county expended over \$13,700 for cellular phone charges for 40 cellular telephones assigned to various county employees during the year ended December 31, 2000. Our review of cellular telephone usage and charges noted the following concerns:

- The County Commission has no documentation assessing the need for the cellular phones. Without a documented assessment of the need, there is limited assurance the county is paying for a necessary service.
- Billing statements submitted to the County Commission for payment provide no detail of the actual usage. Procedures are not in place to provide a documented review of the actual phone usage to determine whether the cellular phones are being used for official county business. In June 2001, the

County Commission issued a memo requiring detailed billing statements for all cellular phone services. We noted that the bills appeared to drop after the county directive. In addition, the county does not have an official policy for cellular phone usage.

A policy is needed to ensure that cellular phones are used only for business purposes. Such a policy should address which employees need a cellular phone, proper use of the phone, and a reimbursement policy if the county authorized the phone to be used for personal purposes. Procedures should be implemented to monitor cellular phone usage and review invoices for propriety.

- E. We noted several instances in which duplicate payments had been made totaling approximately \$2,300. Most of these duplicate payments occurred when a payment was initially made based on the original invoice and then subsequently paid again when the charges were included on the vendor's statement.

The county's computer system has the capability to detect duplicate payments; however, the computer system did not catch these duplicate payments because the invoice charges initially paid were combined with other charges on the vendor's statement. To help prevent duplicate payments in the future, payments should only be made from an original vendor invoice, invoices should be thoroughly reviewed, and invoices should be cancelled after payment.

- F. Section 50.333.13 RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Newton County's Associate County Commissioners salaries were each increased approximately \$10,000 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of the statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term in office. This case, *Laclede County v. Douglas et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to the Associate County Commissioners (the two elected and one appointed), totaling approximately \$40,000 for the two years ended December 31, 2000, should be repaid. In addition, in light of the ruling, any raises given to other county officials within their term of office should be re-evaluated for propriety.

WE RECOMMEND the County Commission:

- A. Maintain complete and adequate documentation of reasons for awarding contracts to bidders and develop procedures to ensure bids are solicited for all items in accordance with state law.
- B. Refrain from making contributions of public funds unless it is pursuant to written contracts, which specifically state what services are to be provided to the county and provide a means of monitoring the expenditures.
- C. Review the contract for guardian ad litem services annually and evaluate whether these services could be provided by other law firms at a lower cost to the county.
- D. Develop a policy regarding the use of cellular phones including an assessment of which employees need a cellular phone and the procedures to monitor their use.
- E. Take steps to ensure duplicate payments are not made. Payments to vendors should be made only from original vendor invoices, not from statements.
- F. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A&B. We agree and have implemented.

C. We agree that it may be beneficial to the county to solicit proposals for these services.

D. We agree and will ensure procedures are in place to monitor cellular phone usage.

E. We agree and have taken steps to limit duplicate payments to an absolute minimum. We will stress to all departments the importance of submitting the original invoice and the bill of transmittal at the same time to ensure these duplicate payments do not occur.

F. We have forwarded all available information related to this situation to the former Associate County Commissioners. Since the Missouri Supreme Court did not make a specific point for repayment, we know of no remedy to collect these monies at this time.

2. Budgetary Procedures

- A. The approved budget documents for several county funds (including budgets prepared by elected officials) did not adequately reflect the anticipated financial condition for the two years ended December 31, 2000. Expenditures were

budgeted to use substantially all available resources. For example, the anticipated ending cash balance at December 31, 2000 for the General Revenue Fund was projected at \$560,077, while the actual ending cash balance was \$1,971,464. This significant difference resulted from underestimating receipts and overestimating disbursements. A portion of the overestimated disbursements is the county's practice of estimating a significant "Emergency Fund" disbursement (\$500,000 in 2000 and \$1 million in 1999). This amount is in addition to the estimated "Contingency costs" provided in the budget.

To be of maximum assistance to the county and to adequately inform the public, the budgets should accurately reflect the anticipated receipts, expenditures and ending cash balance. The practice of routinely underestimating receipts and budgeting to spend the majority of all available resources decreases the effectiveness of the budget as a management planning tool and as a control over expenditures.

B. Actual expenditures exceeded budgeted amounts in the following funds:

Fund	Year Ended December 31,	
	2000	1999
Special Road and Bridge Fund	\$ N/A	170,346
Prosecuting Attorney Training Fund	2,299	N/A
Criminal Activity Forfeiture Fund	1,227	3,308
Local Emergency Planning Council Fund	N/A	2,291
County Fair Fund	358	N/A
Domestic Violence Fund	N/A	657
Total	\$ 3,884	176,602

The county did not adequately monitor budgeted amounts to actual results.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

C. The budgets prepared by the county and elected officials were not always accurate and complete. We noted the following concerns:

- Actual receipts and disbursements for 2000 were overstated by \$157,028 for the Special Road and Bridge Fund. The overstatement was caused by an accounting error between two road funds that are part of the Special Road and Bridge Fund.
- Some transfers between funds were not properly classified in the actual receipts and disbursements of both funds. For example, \$26,575 was reported as “Other” receipts on the 2000 budget for the General Revenue Fund when actually this was a transfer from the Prosecuting Attorney Administrative Fees Fund.

It was necessary to make numerous adjustments to the amounts presented in the financial statements. Considering the way the county handled these transactions, the approved budgets did not provide Newton County citizens with accurate information about the county's finances.

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.

Failure to present accurate financial information decreases the effectiveness of the budget as a management tool. To be of maximum benefit to the county and its taxpayers, a complete and accurate budget document should be prepared.

- D. Formal budgets were not prepared for various county funds for the years ended December 31, 2000 and 1999.

Chapter 50, RSMo 2000, requires the preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission would be able to more effectively evaluate all resources.

WE RECOMMEND the County Commission:

- A. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that the budget documents present a reasonable estimate of the county's financial plan and ending cash balances.
- B. Implement procedures to ensure budgets are properly amended if necessary, and expenditures are kept within budgetary limits.
- C. Ensure budget documents contain complete, and accurate information about the county's finances. In addition, the County Commission and the County Clerk

should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.

- D. Ensure financial information for all county funds is included in the annual budgets.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We concur and will implement during this next budget process.*
- B. *We will take appropriate action this next budget process.*
- C. *This is being done; however not as suggested by your audit. The county was instructed by the former commission to disburse the \$157,028 to the County Common Road District and subsequent deposit back into the Special Road and Bridge Fund. This was done to reflect total receipts of the County Common Road Fund. The financial activity was reflected in both funds in our accounting records. We will ensure these transactions are reflected consistently each year.*
- D. *This has been implemented.*

3. Computer Controls and Property Tax System

The county's assessment lists and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering the assessed valuation data. The computer room staff is responsible for entering the tax rates, extending and printing the tax books, and abstracting tax payments. The County Clerk verifies the tax books and the County Collector collects the property taxes. Our review of controls relating to the computer system and other property tax system controls noted the following concerns:

- A. The County Assessor sometimes reviews complaints concerning assessed valuations on real and personal property and changes the assessed valuation of the related account without the involvement of the county Board of Equalization.

Sections 138.060 and 138.070, RSMo 2000, require the county Board of Equalization, composed of the county commission, the assessor, and the county clerk, to hear appeals regarding assessed valuations of property, and to correct and adjust assessments as necessary. The county Board of Equalization (BOE) is to make such changes. The County Assessor has no authority to alter assessments after May 31. The County Assessor is to make adjustments at the direction of the Board of Equalization, and the County Clerk is to make any necessary changes to the tax books.

The procedures currently followed circumvent the statutorily required checks and balances in the assessment adjustment process, and result in a lack of proper segregation of duties.

Assessed valuations are the basis on which tax levies are set. Inaccurate assessed valuations, or valuations which are subject to changes throughout the tax year, can lead to the imposition of tax levies which are greater or less than amounts authorized by statute.

- B. Employees of the County Assessor's office, the County Collector's office and the County Clerk's office have passwords, but these passwords are only changed when an employee terminates employment rather than on a regular basis. A system of passwords and other procedures can be used to properly restrict access. A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.
- C. No security system is in place to detect and stop incorrect log-on attempts after a certain number of tries. An unauthorized individual could try an infinite number of times to log on the system and if successful, have unrestricted access to program and data files.

To help protect computer files, a security system should be implemented to stop incorrect log on attempts after a certain number of tries. Such a system should produce a log of the incorrect attempts, which should be reviewed periodically by an authorized official.

- D. No formal disaster recovery contingency plan has been developed, approved, or documented in case that the system is lost. The only data recovery method is the backup disk run the previous night or a weekly backup disk stored at the bank.

Development of a contingency plan should include plans for a variety of situations, such as short-term and long-term plans for backup hardware, software, facilities, personnel, and power. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefits of thorough contingency planning come from the ability of an organization to recover rapidly from a disaster or an extraordinary situation, which may cause considerable loss or disruption to the organization. Because of the county's degree of reliance on the data processing function, the need for contingency planning is evident.

WE RECOMMEND the County Commission:

- A. Establish proper procedures to ensure the Board of Equalization reviews assessment complaints, orders the Assessor to make any necessary changes to

property assessments, and the County Clerk makes subsequent adjustments to the tax books.

- B. Establish a password system, which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.
- C. Establish a security system to stop and report incorrect log-on attempts after a certain number of tries.
- D. Ensure a formal contingency plan for the county's computer system is developed.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The County Commission, County Assessor, and County Clerk do have procedures in place to handle all formal changes that occur during the BOE process. The County Assessor has taken steps to track informal changes that occur after the Form 11 (the May 31st summary) is turned over until the final summary is completed after the BOE hearings. Although the computer report is not complete showing all of the informal changes, the county will work with the computer programmer to ensure all changes are documented and reviewed by the BOE.*
- B. *The passwords have been recently changed.*
- C. *We will review our current security levels and take appropriate action if warranted.*
- D. *An agreement was established many years ago and we will ensure the plan is still viable.*

4. Personnel Policies and Procedures

- A. The county's personnel policies manual contains some policies that are unclear and/or outdated and are not being followed consistently among the various county departments.
 - Although the County Commission has established a written policy for meal reimbursements, the policy is not followed by all county employees. The county's policy for meal reimbursements states county employees shall be reimbursed a maximum of \$25 per day; however, the Sheriff's Department policy (a separate policy from the county's) allows a maximum of \$30 per day. A written personnel policy for all employees is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings.

- The county allows employees to request travel advances for the purpose of attending training seminars, and conferences; however, the county has no written policy related to cash advances. We noted a \$500 cash advance was provided to a Sheriff's office employee to pay for expenses relating to DARE training; however, \$129 of unused monies was not returned to the County Treasurer until one month after the training.
- The county has not adopted a detailed county-wide overtime and compensatory policy. The county's current policy discourages the use of overtime and does not specify the rate at which overtime and compensatory time will be compensated. The county pays employees time and one-half for overtime and compensatory time. We noted one instance where an employee was paid over \$16,400 in overtime between January 1999 and July 2001.

A current and comprehensive personnel policies manual is necessary to clearly outline the expectations and benefits of employment, and can also help ensure that management's policies are fairly and consistently applied to all county employees. If inconsistent, application of policies or instances of non-compliance with established policies are identified, timely action should be taken to determine the cause and rectify the problem.

- B. Sheriff department employees are required to complete time sheets; however, supervisory approval is not documented on the time sheets.

Employee time sheets should include documentation of supervisory approval to ensure all salary payments are based upon hours actually worked.

WE RECOMMEND the County Commission:

- A. Review and update the county's personnel policy manual. Detailed policies regarding reimbursed travel expenses, overtime and compensatory time should be developed and included. In addition, the County Commission should ensure that the county's personnel policy is followed by all county employees.
- B. Require documentation of supervisory approval on all time sheets.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We intend to update the personnel policy manual to address the applicable issues. We are drafting sections of the manual addressing many of the most critical issues and hope to have the process completed within the next six to nine months.*
- B. *We will require this for all employees.*

5.**Closed Meeting Minutes**

The County Clerk does not prepare minutes for the closed session of meetings of the County Commission. The County Commission held many closed sessions during the two years ended December 31, 2000, and while the regular meeting minutes did appear to disclose the reason for entering into closed session, minutes were not maintained for the closed portion of the meetings. In addition, it is not evident that the final disposition of matters discussed in closed meetings is made public. Section 610.021, RSMo 2000, allows the County Commission to close meetings to the extent the meetings relate to certain subjects, including litigation, real estate transactions, and personnel matters, and requires matters discussed in closed meetings to be made public upon final disposition.

Section 51.120, RSMo, 2000 requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Minutes constitute the official record of proceedings of the County Commission. Without adequate minutes, the County Commission cannot demonstrate that actions taken or business conducted during closed sessions related solely to the specific allowable reason announced for closing the meeting.

WE RECOMMEND the County Commission ensure minutes are prepared, approved, and retained for all closed meetings, and the final disposition of matters discussed in closed meetings is made public as required by state law.

AUDITEE'S RESPONSE

The County Commission provided the following response:

This has been implemented by the current County Commission.

6.**Fixed Assets Records and Vehicle Procedures**

A. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. The county maintains a computerized inventory listing of fixed assets held by county officials. Our review of the fixed asset records and control procedures noted the following concerns:

- Additions are not always recorded in the property records as they occur and fixed asset purchases per the expenditure records are not reconciled to additions per the inventory records. Many of the fixed assets purchased during the two years ended December 31, 2000, were not included on the fixed asset records. Items not recorded in the records included eight Sheriff's vehicles totaling \$142,650, radio equipment for Sheriff's vehicles totaling \$13,091, an air conditioning unit totaling \$29,927, computer equipment totaling \$16,489, and a truck totaling \$8,300.

- Property records do not always include some necessary information, such as acquisition dates, serial numbers, and actual or estimated historical costs.
- Written authorization for disposal of county property is not obtained from the County Commission.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories.

All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

B. The county owns and maintains eighty-nine vehicles assigned to various county departments/officials. During our review of the county-owned vehicles, we noted the following concerns:

- Vehicle logs are maintained by the assessor's office, the juvenile office, and on some sheriff department vehicles. No records are maintained on other county vehicles; therefore, the county cannot effectively monitor and ensure these other vehicles are used for official business. These logs should indicate the date used, mileage driven, destination, and purpose of the trips.
- Some employees/county officials use county-owned vehicles for commuting purposes. The county does not have a written policy on the use of county vehicles for commuting purposes and has not documented an assessment of the need for the vehicles. County officials indicted these employees are on call 24 hours a day due to emergency situations. We noted these employees/county officials do not maintain vehicle logs indicating the amount of business and personal use incurred for these vehicles, nor did the county document the emergency situations responded to by any of the employees/county officials.

Without a documented assessment of the need, there is limited assurance all county vehicles are being used for county business. Also, IRS guidelines indicate personal commuting mileage is a reportable fringe benefit and require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage.

Since procedures have not been established to ensure the IRS regulations are followed, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

WE RECOMMEND the County Commission:

- A. Establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.
- B. Establish procedures for maintaining accurate and complete usage logs for all county-owned vehicles. In addition, the county should establish a written policy for employees/county officials regarding the appropriate use of county vehicles for commuting purposes and ensure records are kept which distinguish commuting and business mileage. Further, the county should comply with IRS guidelines for the reporting of fringe benefits relating to county vehicles utilized for personal use.

AUDI TEE'S RESPONSE

The County Commission provided the following responses:

- A. *This Commission upon taking office reviewed inventories taken by the County Clerk and reviewed all real estate owned by the county and documented our efforts. We will develop a written policy regarding all county-owned property.*
- B. *We will have vehicle logs for all county vehicles. We will also adopt a policy regarding the use of county vehicles and comply with the IRS guidelines regarding personal vehicle use.*

7.

Collector's Procedures

The County Collector's office processed property taxes totaling in excess of \$19 million during each of the years ended February 28, 2001 and 2000.

The County Collector occasionally waives interest and penalties on delinquent taxes. The County Collector indicated he sometimes forgave the entire interest and penalties if the county made an error in assessment or in other circumstances when he felt the delinquency was not the fault of the taxpayer. The County Collector also indicated he will often accept payments received in January that do not include the interest and penalty rather than returning the payment to the taxpayer and risk not receiving the funds at a later date. We noted the interest and penalties on approximately 220 accounts that were waived after the first week in January 2001 (the original tax totaling approximately \$160,000 out of approximately \$740,000 collected for the month). We also noted several other instances throughout the year where the County Collector waived the penalty and interest on delinquent taxes. Section 139.100, RSMo 2000, requires the County Collector to collect penalties on delinquent taxes. The only provision that allows a County Collector to waive penalties appears to be when current taxes are received after January 1, but are postmarked by December 31, or when a taxpayer is delinquent due to being engaged in the military. Furthermore, Section 139.100.3, RSMo 2000, states the collector is liable for failure to collect delinquent penalties.

In addition, documentation was not always retained indicating the reason why a waiver was granted and approval was not obtained by the County Commission.

WE RECOMMEND the Collector not waive interest and penalties on delinquent taxes without written court orders with approval of the County Commission.

AUDITEE'S RESPONSE

The County Collector provided the following response:

Of the 220 accounts noted above, 110 accounts related to mortgage companies that pay thru the Transamerica Real Estate Tax Service Company that erroneously submitted the wrong payment amount for the applicable accounts. We allowed the company to correct the mistake and submit the original tax amount in the month of January. There needs to be some guidelines provided to county collector's for waiving penalties and interest in those cases where errors occur and the taxpayer should not be penalized. This would require legislative action. All of the instances where penalties and interest have been waived were for legitimate reasons.

8. Sheriff's Accounting Controls and Procedures
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The Sheriff collects various criminal and civil fees, bonds, gun permit fees, and reimbursements for boarding and transporting prisoners totaling approximately \$1.1 million annually. In addition, the Sheriff collects personal monies for inmates totaling approximately \$72,000 annually and operates a commissary to purchase food and personal items for prisoners.

- A. Accounting duties are not adequately segregated. The accounting duties are segregated into three separate areas: bonds, fees and reimbursements, and

commissary funds. A separate employee has been designated responsible for each area for receiving, recording, depositing, and disbursing monies, as well as performing monthly bank reconciliations. There is no documented independent review of the accounting records and reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented by the Sheriff or other independent person.

- B. Cash bonds totaling \$127,191 were being held in the Sheriff's bank account at December 31, 2000, several of which had been held for more than one year. The Sheriff's department retains the bond monies for those individuals whose case is pending within the county court system.

The Sheriff's department and the applicable court have not developed adequate procedures to follow-up on these cases. The Sheriff's department and the applicable court should develop procedures to ensure bond monies are processed on a timely basis and follow-up actions are taken when necessary.

- C. Civil process fees are not being recorded and deposited until the related process papers are served. We performed a cash count on May 30, 2001, and noted checks for civil process fees totaling \$12,279 (several checks that had been held for many months), that had not been recorded and deposited.

To ensure that civil process fees are accounted for properly, receipt slips should be issued immediately upon receipt and the monies deposited into the Sheriff's bank account. If it is later determined that the related process papers cannot be served, refund checks should be issued.

- D. The method of payment received (cash, check, or money order) is not always indicated on the receipt slips and reconciled to the composition of the amounts deposited.

To ensure receipts are accounted for properly and deposited intact, the composition of receipts should be indicated on the receipt slips and should be reconciled to the composition of bank deposits.

- E. At December 31, 2000, the Sheriff's bank accounts had \$12,495 in outstanding checks that were over a year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities. Procedures should be adopted to routinely follow up on old outstanding checks. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

- F. The Sheriff's department leases office space in Joplin for a satellite office. The lease payments total \$7,200 per year and the utilities and insurance average approximately \$300 per month. The Sheriff's department allows the Newton County Ambulance District to use a portion of the leased space at no charge in exchange for ambulance services to the county jail at no charge. The Sheriff's department has no written contract for this arrangement. Further, no formal review has been performed to evaluate the cost/benefit of this agreement.

The County Commission and Sheriff should periodically review and formally evaluate the costs of operating the satellite office, including any indirect costs, and the exchange of services.

Section 432.070, RSMo 2000, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents. Additionally, written contracts define the responsibilities of the contracting parties and provide the contract costs and the basis for the costs.

- G. A Newton County reserve deputy collects bonds at a local truck weight scale on behalf of the county and transports the applicable monies to the Sheriff's department. The Sheriff's department has no written contract for this service. During the two years ended December 31, 2000, the reserve deputy was paid a fee of \$15 per individual that was ticketed. This fee was increased to \$20 for 2001. The reserve deputy was paid fees totaling \$32,670 and \$36,105 for 2000 and 1999, respectively.

These payments to the reserve officer represent a fee paid per individual ticketed to transport bonds and, as such are in violation of Article VI, Section 13 of the Missouri Constitution, which requires all officers charged with investigation, arrest, prosecution, custody, etc. of persons accused of or convicted of criminal offense to be compensated for their official services only by salaries. In addition, Section 57.230, RSMo, requires the county to pay the salaries of each deputy in an amount set by the circuit judge of the county.

WE RECOMMEND the Sheriff:

- A. Adequately segregate the responsibility of depositing, distributing, and reconciling the bank accounts or provide for adequate review of the reconciliation of the bank accounts.
- B. And the applicable court develop procedures to ensure bond monies are processed on a timely basis and follow-up actions are taken when necessary.
- C. Issue receipt slips for civil process fees immediately upon receipt and deposit them in the bank account. Any refunds should be made by check.

- D. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- E. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- F. And the County Commission evaluate the costs/benefit of the agreement with the ambulance district. A formal written agreement should be entered into between the County Commission and the ambulance district if the arrangement is determined beneficial to both parties.
- G. Discontinue paying the reserve deputy on a fee basis and set the salary in accordance with state law.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *We will develop procedures to provide a review of each area by a separate individual.*
- B. *We are working with the courts and the Prosecuting Attorney to follow-up on some of the older bond monies. We will continue to work with the court to review these monies.*
- C. *We agree with the recommendation, yet we simply do not have the time to implement.*
- D. *This is being done for the fees. We will implement for the remaining sections.*
- E. *We have been working with the Prosecuting Attorney to dispose of these partition sales monies. We will continue to follow-up and take appropriate action.*
- F. *We have been paying all of the related expenses of the satellite office out of our Sheriff's Civil Fee Fund. We will obtain a written agreement with the ambulance district in the future.*
- G. *We will review the situation with the Prosecuting Attorney and the County Commission and determine how to approach any possible changes. We thought we had addressed the issue when setting up this procedure by seeking advice from a former Prosecuting Attorney and the Attorney General's Office.*

9.	Prosecuting Attorney's Accounting Controls and Procedures
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The Prosecuting Attorney's office collected court-ordered restitution and bad check related restitution and fees in 2000 and 1999 of approximately \$448,800 and \$379,800, respectively. Our review noted the following concerns:

- A. Accounting duties are not adequately segregated. Three clerks collect monies and one of these clerks is also responsible for preparing deposit slips, preparing bank reconciliations, and maintaining the accounting records.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Amounts owed to merchants are not disbursed in a timely manner. On May 23, 2001, we counted over 200 checks made payable to merchants totaling \$13,478, several of which had been held over one month.

The Prosecuting Attorney should ensure monies collected on restitution cases are disbursed to the respective parties on a timely basis. The current situation creates additional and unnecessary record-keeping responsibilities and increases the risk of the loss or misuse of funds.

- C. Bad check fees are not remitted to the County Treasurer in a timely manner. We noted that these fees were held in the bank account for two months before being disbursed to the county.

Section 56.340, RSMo 1994, requires that the Prosecuting Attorney turn over all fees collected to the County Treasurer monthly.

- D. At December 31, 2000, the bank account had \$5,823 in outstanding checks that were over a year old. Some of these checks dated back prior to 1994. These old outstanding checks create additional and unnecessary record-keeping responsibilities. Procedures should be adopted to routinely follow up on old outstanding checks. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

- E. Receipt slips are not always issued when money is received. For example, a cash count on May 23, 2001, noted two money orders totaling \$50 for which receipt slips had not been issued. To reduce the risk of loss or misuse of funds monies should be recorded immediately upon receipt.

- F. Money orders received made payable to the Prosecuting Attorney are not restrictively endorsed immediately upon receipt and receipts are not always deposited in a timely manner. We noted deposits are made approximately 2-3 times a week. To adequately safeguard monies and reduce the risk of loss or misuse of funds, money orders should be restrictively endorsed immediately upon receipt and receipts should be deposited daily or when accumulated receipts exceed \$100.

- G. The December 31, 2000 open items listing included items totaling \$2,928 for cases which date back to 1999 and prior. The status of old open items should be routinely reviewed to determine if any disbursement is necessary. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

WE RECOMMEND the Prosecuting Attorney:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Disburse restitution payments to the various parties to whom the monies are owed in a timely manner.
- C. Turn over all fees to the County Treasurer at least monthly in accordance with Section 56.340, RSMo 2000.
- D. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- E. Issue receipt slips immediately upon receipt for all monies.
- F. Ensure all money orders made payable to the Prosecuting Attorney are restrictively endorsed immediately upon receipt, and deposit all receipts daily or when accumulated receipts exceed \$100.
- G. Establish procedures to routinely review the status of old open items. Any unclaimed monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *The office manager will review receipt records to determine that they reconcile to deposits on a quarterly basis.*
- B. *We have a new software system. All payments are now made directly to the Prosecuting Attorney's office and we subsequently issue a computer generated check within 30 days.*
- C. *This will be done monthly.*
- D. *A list of people for whom we are holding funds will be published, and subsequent to the publication the monies will be deemed abandoned.*
- E. *The new software system will eliminate any money orders being held.*

- F. *We will endorse immediately upon receipt and deposit daily.*
- G. *We have significantly reduced this balance. If payees cannot be located, we will dispose of unclaimed monies according to state statute.*

10. Circuit Clerk and Ex Officio Recorder of Deeds

The Circuit Clerk's office received approximately \$2 million during the year ended December 31, 2000, which was deposited into the fee and child support accounts. During our review, we noted the following concerns:

- A. Thirty-six checks written on the child support account totaling \$1,552 have been outstanding for over one year. These old outstanding checks create additional and unnecessary record-keeping responsibilities. Procedures should be adopted to routinely follow up on old outstanding checks. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.
- B. Monthly listing of open items (liabilities) are not prepared. At our request, a listing of open items was prepared which was \$510 less than the reconciled bank balance at May 31, 2001.

Monthly open items listings should be prepared and reconciled to the cash balances to ensure the accounting records are in balance and sufficient cash is available for the payment of all liabilities. Differences between open items and cash balances should be investigated monthly and resolved.

- C. No formal procedures have been established to ensure all accrued costs are adequately identified and pursued. Summary records are not maintained of accrued cost balances, and the Circuit Clerk does not periodically determine total accrued costs. When costs are initially assessed to a case, the Circuit Clerk prepares and sends a cost bill to the defendant; however, no follow up action is taken.

To ensure that all applicable receipts are received by the court, formal procedures should be established and records of accrued cost balances should be maintained. These records should be periodically reviewed to ensure that accrued costs are identified and followed up in a timely manner.

- D. The Recorder's User Fee Fund balance increased over \$39,100 during the two years ended December 31, 2000. As of December 31, 2000, the balance of the Recorder User Fee Fund totaled \$93,229 while expenditures for 2000 and 1999 totaled only \$19,514. There are no documented plans for the use of this fund. The Circuit Clerk/Ex Officio Recorder of Deeds should work with the County Commission to review the fund balance and develop a plan to utilize the funds as allowed by Section 59.319, RSMo 2000, and reduce the accumulated balance.

WE RECOMMEND the Circuit Clerk:

- A. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- B. Prepare monthly listings of open items and reconcile the listings to cash balance. Unidentified differences should be investigated and resolved.
- C. Establish adequate procedures to follow up and collect costs that accrue to the court.
- D. Work with the County Commission to review the balance of the Recorder's User Fee Fund and prepare a formal plan to utilize the funds and reduce the accumulated balance.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *We do have procedures in place for our outstanding child support checks. Deborah Wilks of my office works on these checks monthly. As you may well be aware, with MACSS (Missouri Automated Child Support System) nothing is done fast. For example, she worked with one check from the time we received the December 31, 2000 bank statement back from the Office of the State Courts Administrator's Office (OSCA) in the latter part of January 2001 until August 15, 2001, when, at last, the check was reissued to a new address. OSCA has requested that we do nothing with checks under the amount of \$5 until after December 31, 2001, or until we are notified that MACSS has software in place to add these small amounts to the payee's next check. OSCA has informed us that by law we are not required to turn anything over to unclaimed funds for five (5) years.*
- B. *In the past, monthly open items have always been prepared and the computer statement was in balance with bank reconciliations. Upon placing the open items on computer and adding the changes to the computer monthly, we did stop adding the fee sheets monthly. After visiting with your office we did begin and have continued adding the fee sheets monthly and are trying to investigate and solve our unidentified differences. By implementing these actions, I feel confident that in the near future these problems will be solved. In 1998 we began and continue to pay out the filing fee as they come in and have no open items left. Most all of these open items are from cases prior to 1998, which we are paying out as fast as is feasible. We have also ordered ledger trays to separate the fee sheets with the open items from those with none in order that we will not run the risk of missing an amount when the fee sheets are totaled, as we are checking to find the difference.*
- C. *We are planning to review these quarterly with the judges approval. Uncollectible amounts will be written-off with the judges approval.*

- D. *We are planning to update our computer system and go online by the end of 2002. The projected costs of this undertaking is approximately \$74,000, and we have documented our plans. We will discuss the plans with the County Commission.*

11. Health Center Accounting Controls and Procedures

- A. The Health Center does not have adequate controls in place to ensure the proper safeguarding of receipts from theft, misuse or loss. Monies received are not deposited intact on a timely basis. Also, the composition of receipts is not reconciled to the composition of deposits.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies received should be immediately recorded and deposited intact daily or when accumulated receipts exceed \$100. In addition, the composition of receipts should be reconciled with the composition of the bank deposits.

- B. Health center employees are required to complete time sheets, however, supervisory approval is not documented on the time sheets.

Time sheets should include documentation of supervisory approval to ensure all salary payments are based upon hours actually worked.

- C. The Health Center's budget was not always accurate. Actual expenditures for 2000 were overstated by \$102,331. The overstatement was caused when the health center reported an investment in a certificate of deposit as an expenditure.

As a result of the error, it was necessary to make an adjustment to the amounts presented in the financial statements.

This error could have been detected had a thorough review been performed by the health center and then corrected before the budget was finalized. A thorough review comparing the actual amounts per the budget to the accounting records should be performed each year to ensure the financial activity is being properly presented to the public.

To be of maximum assistance to the board and to adequately inform the public, budgets should accurately reflect the actual beginning cash balances and estimated receipts, disbursements, and ending cash balances. Chapter 50, RSMo, requires the health center to present a complete financial plan for the ensuing year.

- D. The Health Center's funds on deposit were not adequately covered by collateral securities. Coverage was deficient by approximately \$706 during January 2000. The health center board of trustees apparently did not monitor the funds on deposit to ensure adequate collateral securities were pledged. Monitoring FDIC

and collateral securities coverage becomes even more critical if the board's available monies continue to increase as they have in recent years.

Section 110.020, RSMo 2000, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of a bank failure.

E. Our review of the fixed asset records and control procedures noted the following concerns:

1. Additions of fixed assets are not always recorded as they occur and fixed asset purchases per the expenditure records are not reconciled to additions per the inventory records. Also, the property records do not include the health center's land, building, and building improvements.
2. Property records do not always include some necessary information, such as acquisition date or date of disposition.

Adequate general fixed asset records are necessary to safeguard the assets and provide a basis for proper insurance coverage.

F. The Health Center does not maintain computer backup disks of financial and payroll information to provide a means of recreating destroyed information. Backup disks should be maintained and stored off-site to provide increased assurance that any lost data can be recreated.

G. The Health Department board held many closed sessions during the two years ended December 31, 2000, and while the regular meeting minutes did appear to disclose the reason for entering into closed session, minutes were not maintained for the closed portion of the meetings. Section 610.021, RSMo 2000, allows the County Commission to close meetings to the extent the meetings relate to certain subjects, including litigation, real estate transactions, and personnel matters.

Minutes constitute the official record of proceedings of the Health Center Board of Trustees. Without adequate minutes, the board cannot demonstrate that actions taken or business conducted during closed sessions related solely to the specific allowable reason announced for closing the meeting.

WE RECOMMEND the Health Center Board of Trustees:

- A. Ensure all monies are promptly recorded and deposited intact daily or when accumulated receipts exceed \$100. In addition, the composition of the receipts should be reconciled with the composition of the bank deposits.
- B. Require documentation of supervisory approval on all time sheets.

- C. Ensure budget documents contain complete, and accurate information about the health center's finances.
- D. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- E.1. Record all additions of fixed assets as they occur and ensure purchases are reconciled periodically to additions to the property records. In addition, include the cost of land, buildings, and building improvements on the property records.
- 2. Ensure all necessary information is included on the asset records.
- F. Ensure backup disks are prepared and stored in a secure, off-site location.
- G. Ensure minutes are prepared, approved, and retained for all closed meetings

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

- A. *The Health Department has begun this procedure by putting tighter restraints and limiting the number of receipt books available at any one time. We have also begun reconciling receipts to the composition of the bank deposits.*
- B. *Administration will meet with supervisory personnel at a supervisory staff meeting to reinforce their responsibility of approving monthly time sheets by checking and signing with additional measures to catch any oversights.*
- C. *The Health Department will correct the presentation of the investments and continue to maintain accounting procedures for budget items to substantiate accurate information.*
- D. *The Health Department will begin to closely monitor the collateral securities pledged to ensure all funds on deposit are adequately secured.*
- E.1. *The Health Department will include the cost of land, buildings, and building improvements on the property records and will reconcile additions and deletions on a periodic basis.*
- 2. *The Health Department is in the process of correcting oversights and ensuring that asset records are current and complete.*
- F. *The Health Department will update its system for backing up financial and payroll data and proper securing of data at our current off-site location.*
- G. *The Health Department Board of Trustees will be advised in the proper way for recording and retaining minutes of all closed meetings.*

This report is intended for the information of the management of Newton County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

NEWTON COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Newton County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996, and our Special Review of the Newton County Courthouse Renovation Project for the period 1996 - 1998. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary and Reporting Practices

- A. Disbursements were made in excess of the approved budgets.
- B. Formal budgets were not prepared or obtained for various county funds.
- C. The budget documents of some county funds did not include all beginning available resources and did not reasonably estimate the revenues and expenditures.
- D. The annual published financial statements did not include the financial activity of some county funds.

Recommendation:

The County Commission:

- A. And the Mental Health Board keep expenditures within the amounts budgeted. If excess expenditures are necessary, the extenuating circumstances should be fully documented in the commission minutes and the budgets should be properly amended.
- B. Ensure budgets are prepared and filed for all county funds in accordance with state law.
- C. Ensure the amounts presented on the budget documents are reasonable. This would include ensuring all available resources are presented in the budget documents for all applicable funds and that reasonable estimates of revenues and expenditures for each fund are presented.
- D. Ensure all county funds are included in the published financial statements.

Status:

A&D. Implemented.

B&C. Not implemented. See MAR No. 2.

2. County Expenditures

- A. The county failed to bid some purchases and ensure all efforts to obtain bids were adequately documented.
- B. Several instances were noted where the county made duplicate payments to various vendors.
- C. Expenses of the Sheriff's department related to criminal extraditions and criminal transportation were paid from the Prosecuting Attorney Delinquent Tax Fund (PADTF) instead of the General Revenue Fund.
- D. The receipt of goods or services was not always noted on invoices approved for payment and adequate supporting documentation could not be located for several expenditures.

Recommendation:

The County Commission:

- A. Solicit bids for purchases in accordance with Section 50.660, RSMo. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.
- B. Take steps to ensure duplicate payments are not made. Payments to vendors should be made only from original vendor invoices, not from statements.
- C. Ensure all payments for extraditions and criminal transport mileage are paid from the General Revenue Fund instead of the Prosecuting Attorney Delinquent Tax Fund. In addition, any related state reimbursements should be deposited into the General Revenue Fund.
- D. Require that the receipt of goods and/or services be documented on an invoice prior to approving it for payment. In addition, adequate supporting documentation should be maintained for all expenditures made from county funds.

Status:

A&B. Not implemented. See MAR No. 1.

C. Implemented.

D. Partially implemented. Several invoices reviewed did not contain documentation of receipt of goods and/or services. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Federal Financial Assistance

See our audit report on Newton County, Missouri, for the two years ended December 31, 1998 (report number 99-87).

4. Depository Contract

The bank accounts of various county officials earned a substantially lower rate of interest than provided by the depository contract.

Recommendation:

The County Commission ensure the depository bank is provided all necessary information regarding county bank accounts. In addition, the interest revenue credited to the various bank accounts should be monitored to ensure the amounts comply with the provisions of the depository agreement.

Status:

Implemented.

5. Assessment Fund

A. The county did not annually bill the various cities within the county for their share of assessment costs.

B. The county under reported costs incurred from the Assessment Fund on the reimbursement claim forms in 1994.

Recommendation:

The County Commission:

A. Ensure the cities are billed for their share of assessment costs in accordance with Section 137.720, RSMo 1994. In addition, the county should follow up on any instances where a city has not remitted the amount owed.

- B. And County Clerk accurately report to the state all assessment costs incurred to maximize the amounts reimbursed. In addition, the county should determine if any unreported expenditures can still be claimed for reimbursement.

Status:

- A. Partially implemented. The County Clerk notifies the applicable cities each year by a letter that assessment costs should be remitted to the county; however, several cities are delinquent. Although not repeated in the current MAR, our recommendation remains the same.

- B. Implemented.

6. Distributions to Special Road Districts

The county did not consistently follow its written policy regarding the distribution of the County Aid Road Trust (CART) monies.

Recommendation:

The County Commission follow its written policy regarding when payments related to approved CART projects are to be made to the special road districts. In addition, the commission should ensure records are maintained which adequately document the dates a road project is approved and completed.

Status:

Implemented.

7. General Fixed Asset Records and Procedures

- A. The general fixed asset records were not complete.
- B. An annual physical inventory of all fixed asset items was not performed.
- C. Property items sold were not always deleted from the fixed asset records.

Recommendation:

The County Clerk:

- A. Ensure all county-owned land and buildings and items which cost \$250 or more are included in the county's fixed asset records. This would include reconciling property purchases to fixed asset additions.

- B. Perform and document annual inventories of county-owned property in accordance with Section 51.155, RSMo Cum. Supp. 1996.
- C. Ensure that property items sold are deleted from the property records on a timely basis.

Status:

A&B. Not implemented. See MAR No.6.

C. Implemented.

8. Nursing Home Revenue Bonds

The county did not receive any statements detailing bank activity nor receive any confirmation from the trustee bank that the accounts were being maintained in compliance with the bond covenants.

Recommendation:

The County Commission request the trustee bank to deliver statements of the bond accounts to monitor activity in the accounts, ensure compliance with the bond covenants, and ensure adequate collateral is pledged to secure the debt service funds.

Status:

Implemented.

9. Prisoner/Commissary Monies and Telephone Commissions

- A.1. Receipt slips were not issued for all prisoner monies received.
 - 2. Prisoner and commissary monies were held in cash.
 - 3. Unclaimed prisoner monies totaling \$765 remain in a bank account.
 - 4. Records were not maintained to document the activity of the Commissary Fund.
- B.1. Telephone commission revenues received by the sheriff's department were not handled properly.
 - 2. Expenditures paid from telephone commissions were not bid.

Recommendation:

The Sheriff:

- A.1. Issue prenumbered receipt slips for all prisoner monies received.
- 2. Deposit all prisoner monies and commissary funds into an official bank account and ensure the account is reconciled to the individual prisoner ledger balances and commissary balance.
- 3. Attempt to locate and disburse the prisoner monies currently maintained in the bank account to the applicable individuals. Any remaining monies should be appropriately disposed of in accordance with Chapter 447, RSMo 1994.
- 4. Maintain adequate records to document the balance and accumulated profits in the Commissary Fund as well as documentation to support how all the monies of the fund are expended.
- B.1. Continue to turn over all telephone commissions to the County Treasurer for deposit into the General Revenue Fund.
- 2. Ensure expenditures are properly bid as required by Section 50.660, RSMo Cum. Supp. 1996.

Status:

A.1-2,A.4

&B Implemented.

- A.3. Partially implemented. Although the sheriff's department has written checks to dispose of these monies, the checks have not been mailed out. The commissary clerk holds the checks in a file until picked-up by the applicable individual. Although not repeated in the current MAR, our recommendation remains the same.

10. Prosecuting Attorney's Handling of Check Restitution Monies

- A. A log of bad check restitution cases was not maintained.
- B. Money orders received were not restrictively endorsed immediately upon receipt and receipts were not always deposited in a timely manner.
- C. Bad check fees were not remitted to the County Treasurer in a timely manner.
- D. Amounts owed to merchants were not disbursed in a timely manner.

- E. Outstanding checks totaling \$1,448 were at least one year old.

Recommendation:

The Prosecuting Attorney:

- A. Maintain a log of all bad check complaints filed with his office.
- B. Ensure all checks and money orders made payable to the Prosecuting Attorney are restrictively endorsed immediately upon receipt, and deposit all receipts daily or when accumulated receipts exceed \$100.
- C. Turn over all fees to the County Treasurer at least monthly in accordance with Section 56.340, RSMo 1994.
- D. Disburse restitution payments to the various parties to whom the monies are owed in a timely manner.
- E. Attempt to locate the payees of the old outstanding checks and reissue checks, if possible. Any remaining amounts should be disbursed in accordance with state law. In addition, the Prosecuting Attorney should establish procedures to follow up on any checks which have been outstanding for a specified period of time.

Status:

- A. Implemented.
- B-E. Not implemented. See MAR No. 9.

11. Public Administrator

- A. Total fees received were not accurately reported to the county.
- B. Assets were not properly reflected on the settlements.
- C. Professional appraisals were not always obtained to value significant real estate and personal property.

Recommendation:

- A. The Public Administrator include all fees received for each estate on the annual report filed with the County Clerk. In addition, the Public Administrator should pay \$246 to CERF (County Employee Retirement Fund) related to the unreported fees.

The Associate Circuit Judge - Probate Division:

- B. Ensure the Public Administrator includes the following information in the settlements:
 - 1. A detailed listing of all personal property.
 - 2. CDs (certificates of deposit), IRAs (individual retirement accounts) and saving accounts individually listed on the settlements.
 - 3. Any real estate, life insurance policies, burial policies, and promissory notes listed as assets on the settlements.
 - 4. All interest income earned be reflected in the settlement activity and balances.
- C. Consider requiring the Public Administrator to obtain professional appraisals for any significant real estate or personal property owned by an estate or ward. A copy of the professional appraisal should be maintained in the case file and any subsequent settlements should reflect the appraisal amount(s).

Status:

Implemented.

12. Ex Officio Recorder of Deeds' Controls and Procedures

- A. A proper check register was not maintained for the bank account.
- B. Monthly bank reconciliations were not performed.
- C. Receipts were not always deposited intact.
- D. The composition of receipts per the daily report was not reconciled to the composition of the bank deposits.
- E. Fees totaling \$2,448 were mistakenly paid to the General Revenue Fund instead of the County Employees Retirement Fund.

Recommendation:

The Ex Officio Recorder of Deeds:

- A. Maintain a proper check register to which all bank activity is recorded and a running balance is maintained.
- B. Ensure the bank balance is reconciled to the accounting records on a monthly basis. Documentation of these reconciliations should be maintained.

- C. Deposit all monies received intact. Any refunds necessary should be made by check.
- D. Ensure the composition of receipts per the daily report is reconciled to the composition of the bank deposits.
- E. Request the County Commission to direct the County Treasurer to transfer \$2,448 from the General Revenue Fund to the County Employees Retirement Fund or correct this situation on a subsequent turnover(s).

Status:

Implemented.

13. Circuit Clerk's Controls and Procedures

- A. Outstanding checks totaling \$7,779 were at least one year old.
- B. The open-items listings were not adequately reconciled to the reconciled cash balances. Differences existed between the reconciled cash balance and the open-items listing.
- C. Bids were not obtained for certain expenditures made from the interest account.
- D. Copy monies were not recorded and turned over to the County Treasurer.

Recommendation:

The Circuit Clerk:

- A. Attempt to locate the payees of the old outstanding checks and reissue the checks, if possible. Any remaining monies should be disbursed in accordance with state law. In addition, procedures should be established to follow up and resolve outstanding checks on a timely basis.
- B. Attempt to identify the excess cash balance which currently exists in the fee account. Any unidentified amount should be disposed of in accordance with Chapter 447, RSMo 1994 and 50.500, RSMo 1994.
- C. Ensure bids are obtained for expenditures made from her interest account as required by state law.
- D. Maintain a record for all copy monies received and turn these monies over to the County Treasurer on a monthly basis, as required.

Status:

A&B. Not implemented. See MAR No.10.

C. Implemented.

D. Partially implemented. The copy monies are not recorded until the end of the month when they are turned over to the County Treasurer. Although not repeated in the current MAR, our recommendation remains the same.

14. Health Center's Records and Procedures

A. Actual expenditures exceeded budgeted amounts for 1996 and 1994.

B. Accurate cash balances as well as all available resources were not included in the budget documents.

C. A proper cash control ledger was not maintained.

D. Bank reconciliations were not performed.

E. The health center board paid for Christmas parties for employees.

F.1. Some health center employees had accumulated compensatory time in excess of the amounts allowed by the Fair Labor Standards Act (FLSA).

2. Supervisory approval is not required on employee time sheets.

G.1. Equipment purchases were not reconciled with additions to the fixed asset records.

2. Fixed asset items were not always numbered, tagged, or otherwise identified as health center property.

Recommendation:

The Health Center Board:

A. Not authorize expenditures in excess of budgeted amounts. Any extenuating circumstances should be documented in the minutes, and any budget amendments should be filed with the County Clerk and the State Auditor's office.

B. Include all available resources in the budget documents.

C. Require a cash control ledger be maintained which accounts for all receipts, disbursements, and beginning and ending cash balances.

- D. Require the preparation of monthly bank reconciliations and ensure documentation of these reconciliations is maintained.
- E. Ensure expenditures are limited to those necessary to operate the health center.
- F.1. Take steps to address the excess compensatory leave balances and establish procedures to ensure that accumulated compensatory balances do not exceed the limit set by the FLSA.
- 2. Ensure that a supervisor's approval is required on all employee time sheets.
- G.1. Ensure that equipment purchases are reconciled to additions to the property records.
- 2. Ensure that all property items are properly tagged and identified as health center property.

Status:

A-E,
& F.1. Implemented.

F.2.,
& G. Not implemented. See MAR No. 11.

**SPECIAL REVIEW OF
NEWTON COUNTY COURTHOUSE RENOVATION PROJECT
1996 – 1998**

Newton County spent in excess of \$1 million on a courthouse renovation project from 1996-1998, which was poorly planned and managed by the County Commission. The county did not develop any formal plans related to the renovation project. The County Commission entered into a verbal agreement with a local contractor, Roger Hulsey Enterprises, to serve as the general contractor on the project. The county agreed to reimburse the contractor for his materials and labor costs plus a 10 percent commission. The county paid the contractor a total of \$507,192 through September 1998 without requiring the contractor to provide documentation of his actual costs.

- A. Based on our review of the contractor's financial records, it appears the contractor overbilled the county at least \$74,701.
- B.1. The County Commission did not enter into a formal written agreement with the contractor.
- 2. The invoices submitted to the county by the contractor were inadequate, providing little to no detail of the material and labor costs incurred by the contractor.

3. The County Commission did not require the contractor to provide supporting documentation of wages paid by the contractor to ensure that the prevailing wage requirements were met.
- C. The County Commission did not develop any formal plans or solicit the services of a professional engineering firm related to the \$1 million courthouse renovation project.
- D. The county did not solicit bids for some of the courthouse renovation project work.

Recommendation:

The County Commission:

- A. Continue to work with law enforcement officials regarding any criminal prosecution and obtain restitution for over billings.
- B.1. Enter into written agreements for all services which detail all duties to be performed and the compensation to be paid.
2. Ensure adequate supporting documentation is submitted to substantiate amounts claimed for actual costs incurred by the contractor.
3. Ensure prevailing wage is paid on all construction projects as required by law.
- C. Ensure major construction projects are properly planned and monitored.
- D. Solicit bids for purchases in accordance with Section 50.660, RSMo. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

Status:

- A. Criminal charges have been filed and the case is pending trial.
- B.1.,
- &D. Not implemented. See MAR No. 1
- B.2.&
- B.3. Implemented.
- C. The county has not participated in any major construction projects.

STATISTICAL SECTION

History, Organization, and
Statistical Information

NEWTON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1938, the county of Newton was named after Sergeant John Newton, a soldier of the Revolutionary War. Newton County is a county-organized, third-class county (Newton County became a second-class county in January 2001) and is part of the Fortieth Judicial Circuit. The county seat is Neosho.

Newton County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Newton County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 368,124	4	343,688	4
Sales taxes	4,346,593	49	3,995,051	55
Federal and state aid	2,035,556	23	1,733,529	24
Fees, interest, and other	1,167,573	24	1,118,739	17
Total	\$ 7,917,846	100	7,191,007	100

The following chart shows how Newton County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 2,993,788	35	2,733,003	36
Public safety	3,042,543	36	2,347,389	31
Highways and roads	2,523,620	29	2,451,365	33
Total	\$ 8,559,951	100	7,531,757	100

The county maintains approximately 128 county bridges and 949 miles of county roads.

The county's population was 32,981 in 1970 and 44,407 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	301.0	287.8	158.3	54.7	30.4
Personal property		146.0	127.9	35.1	18.9	8.5
Railroad and utilities		50.1	48.8	22.1	21.1	12.4
Total	\$	497.1	464.5	215.5	94.7	51.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Newton County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
Special Road and Bridge Fund*	\$	N/A	N/A
Health Center Fund		.05	.05
Mental Health Fund		.07	.07
County Fair Fund		.01	.01

* All areas of the county are located in one of the county's seven special road districts or the common road district. The countywide road and bridge levy varies in each road district, and 20 percent is distributed to the County Common Road Fund and 80 percent is distributed to the various road districts.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2001	2000
State of Missouri	\$	149,988	144,525
General Revenue Fund		17,355	17,575
Road funds		1,392,299	1,347,718
Assessment Fund		205,792	196,760
Health Center Fund		247,584	238,597
Library Fund		432,150	412,226
College Fund		1,414,851	1,347,686
County Fair Fund		49,410	47,572
School districts		14,491,217	13,802,235
Ambulance district		806,487	770,621
Fire protection district		766,988	735,089
Mental Health Fund		350,185	337,509
Watershed Fund		25,920	25,391
Land Tax Sale Surplus Fund		1,514	511
Cities		66,191	65,819
County Clerk		411	436
County Employees' Retirement		99,759	104,715
Commissions and fees:			
General Revenue Fund		345,201	330,362
Total	\$	<u>20,863,302</u>	<u>19,925,347</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),	
		2001	2000
Real estate		92.9 %	93.8 %
Personal property		89.8	92.0
Railroad and utilities		100.0	99.9

Newton County also has the following sales taxes; rates are per \$1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	\$	.00375	None	50
General		.00500	None	*

* This sales tax, enacted in 1991, repealed the property tax levy of the General Revenue Fund.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Glenn B. Wilson, Presiding Commissioner		32,334	21,133
Edmon L. (Bud) Powell, Presiding Commissioner	\$		9,246
Rebecca Tipton, Associate Commissioner		30,294	17,944
Richard (Mickey) Poor, Associate Commissioner			8,663
Melvin L. Alford, Associate Commissioner		30,294	29,700
Kay Baum, County Clerk		45,900	45,000
R. Scott Watson, Prosecuting Attorney		97,382	87,235
Ronald L. Doerge, Sheriff		43,911	42,025
Betty Wright, County Treasurer		33,966	33,300
Mark Bridges, County Coroner		8,364	8,200
Bill Horton, Public Administrator*		11,254	
Bob Patterson, Public Administrator *		28,908	51,285
Claude Blakeley Jr., County Collector, year ended February 28 (29),	50,184	49,364	
Gloria Gourley, County Assessor **, year ended August 31,		47,947	47,025
Robert M. Lewis, County Surveyor***			

* Includes fees received from probate cases.

** Includes \$900 annual compensation received from the state.

*** Compensation on a fee basis.

State-Paid Officials:

Peggy Spicer, Circuit Clerk and Ex Officio Recorder of Deeds		46,127	44,292
Gregory Stremel, Associate Circuit Judge		97,382	87,235
Don J. Killebrew Jr., Associate Circuit Judge		97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000 is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds	5	8
County Clerk	3	0
Prosecuting Attorney	15	0
Sheriff*	101	0
County Treasurer	0	0
County Coroner**	1	0
Public Administrator**	1	0
County Collector ***	6	0
County Assessor	13	0
County Surveyor	0	0
Associate Division**	1	6
Probate Division**	1	3
Road and Bridge*****	21	0
Emergency 911	21	0
Health Center	14	0
Custodial Staff	4	0
Juvenile Officer	6	4
Total	<u>214</u>	<u>21</u>

* includes 28 part-time employees.

** includes 1 part-time employee

*** includes 2 part-time employees

***** includes 3 part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Newton County's share of the Fortieth Judicial Circuit's expenses is 72.4 percent.



**RAY COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-102
September 27, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Ray, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Ray County was a financial and compliance audit of various county operating funds.

- Child Support Enforcement (Title IV-D) reimbursements claimed by the Prosecuting Attorney were inaccurate and unreasonable. Operating costs claimed for reimbursement in July and August 1999 exceeded actual payments by approximately \$4,300 and \$4,350 for telephone service and utilities, respectively during those months. In addition, the percentages of time spent on IV-D activities were overstated, causing reimbursements for operating costs to be higher than allowed. For March and May 2000, the Prosecuting Attorney reported spending only six hours performing non IV-D duties. These hours appear low in comparison to time reported as spent on IV-D activities. As a result of these various concerns, total questioned costs related to the Title IV-D program were \$10,023.
- The budget documents prepared by the County Clerk for years ended December 31, 2001, 2000, and 1999, contained numerous inaccuracies and misclassifications, resulting in unreliable information about the county's finances.
- The County Commission authorized expenditures totaling \$71,200 from the Special Road and Bridge Fund for the purchase of sheriff patrol cars. State law provides that Special Road and Bridge funds are restricted for "road and bridge purposes and for no other purpose whatever."
- The county does not have a procedure in place to track federal assistance for preparation of the Schedule of Expenditures of Federal Awards. For the years ended December 31, 2000 and 1999, the county's schedule did not include expenditures related to the majority of its federal grants.

- The county incurred engineering costs of \$59,015 related to the county bridge project and \$36,600 related to two Federal Emergency Management Agency projects without considering other engineering firms. In addition, the county claimed and received \$2,920 in reimbursement for engineering costs which was not disbursed.
- Planning and Zoning permit fees were not transmitted to the County Treasurer from October 2000 through April 2001. A cash count found almost \$13,000 was on hand with checks totaling over \$4,000 having been kept at the home of the Planning and Zoning Clerk. Two permit fees, totaling \$180 were not shown on a transmittal report as ever being sent to the County Treasurer.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Ray County's Associate County Commissioners salaries were each increased approximately \$7,000 yearly, according to the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,000 for the two years ended December 31, 2000, should be repaid.

- Prosecuting Attorney employees were paid \$4,650 for unused vacation and sick leave from 1999, while they were not paid for approximately 1,500 hours of overtime reported. It is unclear whether these employees should be exempt from the requirements of the Fair Labor Standards Act (FLSA).

The audit also includes some matters related to budgeting, bidding, county travel policies, subrecipient monitoring, closed meeting minutes, property records, and restricted funds control, upon which the county should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

RAY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Ray County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ray County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding

budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 21, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 21, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Christina Brown
	Danielle Freeman
	Mark Heater



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ray County, Missouri

We have audited the special-purpose financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Ray County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-2. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Ray County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 00-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Ray County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

May 21, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 54,451	2,050,647	2,060,465	44,633
Special Road and Bridge	118,461	1,588,400	1,672,691	34,170
Assessment	133,664	243,004	221,771	154,897
Law Enforcement Training	6,149	3,254	979	8,424
Prosecuting Attorney Training	236	2,785	2,880	141
Special Road and Bridge Sales Tax	372,495	1,164,277	1,296,625	240,147
Noxious Weed	84,319	4,454	22,575	66,198
Recorder's User Fees	18,775	22,758	21,355	20,178
Domestic Violence	2,829	2,051	2,490	2,390
Sheriff's Extradition	4,432	2,762	4,611	2,583
Sheriff's Account	15,871	68,431	67,823	16,479
Emergency Shelter	0	10,952	10,952	0
Sheriff's POST Certification	0	1,722	1,292	430
Prosecuting Attorney Bad Check	854	22,643	18,546	4,951
Focus on Kids	0	897	0	897
Health Center	177,096	588,213	569,595	195,714
Emergency 911	83,806	167,128	151,933	99,001
Senate Bill 40	75,631	343,775	297,236	122,170
Circuit Clerk's Interest	6,040	1,780	2,375	5,445
Associate Circuit Division Interest	5,765	1,087	608	6,244
Total	\$ 1,160,874	6,291,020	6,426,802	1,025,092

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 29,467	2,113,634	2,088,650	54,451
Special Road and Bridge	11,107	1,525,879	1,418,525	118,461
Assessment	111,984	226,000	204,320	133,664
Law Enforcement Training	5,180	3,759	2,790	6,149
Prosecuting Attorney Training	3,435	946	4,145	236
Special Road and Bridge Sales Tax	302,441	655,558	585,504	372,495
Noxious Weed	97,463	3,790	16,934	84,319
Prosecuting Attorney Delinquent Tax	2,858	10	2,868	0
Recorder's User Fees	12,191	17,176	10,592	18,775
Domestic Violence	3,261	2,384	2,816	2,829
Sheriff's Extradition	3,040	4,191	2,799	4,432
Sheriff's Account	10,267	63,931	58,327	15,871
Emergency Shelter	0	15,270	15,270	0
Sheriff's POST Certification	0	2,546	2,546	0
Prosecuting Attorney Bad Check	2,568	6,124	7,838	854
Chemical Emergency Planning	0	951	951	0
Juvenile Home Studies	0	2,560	2,560	0
Missouri Valley Levee	0	8,208	8,208	0
Health Center	295,458	439,399	557,761	177,096
Emergency 911	112,985	231,445	260,624	83,806
Senate Bill 40	59,163	331,796	315,328	75,631
Circuit Clerk's Interest	5,967	1,572	1,499	6,040
Associate Circuit Division Interest	5,074	1,473	782	5,765
Total	\$ 1,073,909	5,658,602	5,571,637	1,160,874

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

RAY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 6,497,846	6,266,393	(231,453)	5,764,641	5,640,759	(123,882)
DISBURSEMENTS	6,547,293	6,407,648	139,645	6,313,681	5,552,080	761,601
RECEIPTS OVER (UNDER) DISBURSEMENTS	(49,447)	(141,255)	(91,808)	(549,040)	88,679	637,719
CASH, JANUARY 1	1,119,088	1,154,255	35,167	1,067,030	1,071,341	4,311
CASH, DECEMBER 31	1,069,641	1,013,000	(56,641)	517,990	1,160,020	642,030
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Sales taxes	1,278,200	1,300,270	22,070	1,198,500	1,228,827	30,327
Intergovernmental	202,494	264,269	61,775	282,121	337,695	55,574
Charges for services	441,877	412,661	(29,216)	440,370	447,530	7,160
Interest	10,000	11,089	1,089	13,800	8,252	(5,548)
Other	76,148	41,238	(34,910)	74,316	48,338	(25,978)
Transfers in	105,656	21,120	(84,536)	87,286	42,992	(44,294)
Total Receipts	2,114,375	2,050,647	(63,728)	2,096,393	2,113,634	17,241
DISBURSEMENTS						
County Commission	134,356	121,421	12,935	133,287	131,151	2,136
County Clerk	116,832	113,682	3,150	110,458	106,837	3,621
Elections	26,090	22,314	3,776	28,095	26,666	1,429
Buildings and grounds	150,797	138,803	11,994	137,177	141,209	(4,032)
County Treasurer	41,100	40,892	208	37,237	38,312	(1,075)
County Collector	122,082	123,162	(1,080)	116,491	115,487	1,004
Recorder of Deeds	99,572	100,249	(677)	95,125	94,380	745
Circuit Clerk	15,928	14,068	1,860	15,254	15,751	(497)
Circuit Judge	5,814	3,837	1,977	5,814	3,141	2,673
Associate Circuit and Probate Court	39,533	38,364	1,169	39,590	35,562	4,028
Court administration	1,960	1,393	567	1,960	3,880	(1,920)
Public Administrator	32,762	51,555	(18,793)	32,094	26,546	5,548
Sheriff	363,093	345,529	17,564	412,897	378,971	33,926
Jail	522,676	486,438	36,238	455,229	497,908	(42,679)
Prosecuting Attorney	234,692	231,370	3,322	191,587	201,144	(9,557)
Juvenile Officer	24,406	14,875	9,531	59,197	55,099	4,098
County Coroner	24,496	20,664	3,832	23,294	21,132	2,162
Planning and Zoning	66,485	61,916	4,569	64,529	62,078	2,451
Law Library	8,750	9,956	(1,206)	7,750	7,372	378
Court Reporter	3,000	2,003	997	3,000	1,429	1,571
Other	120,896	115,924	4,972	98,491	119,090	(20,599)
Transfers out	0	2,050	(2,050)	19,500	5,505	13,995
Total Disbursements	2,155,320	2,060,465	94,855	2,088,056	2,088,650	(594)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(40,945)	(9,818)	31,127	8,337	24,984	16,647
CASH, JANUARY 1	54,451	54,451	0	29,467	29,467	0
CASH, DECEMBER 31	13,506	44,633	31,127	37,804	54,451	16,647

Exhibit B

RAY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	427,150	417,822	(9,328)	397,150	408,949	11,799
Intergovernmental	1,365,700	1,133,917	(231,783)	1,349,300	1,080,695	(268,605)
Interest	22,320	16,726	(5,594)	20,520	8,848	(11,672)
Other	43,170	19,935	(23,235)	21,170	27,387	6,217
Total Receipts	1,858,340	1,588,400	(269,940)	1,788,140	1,525,879	(262,261)
DISBURSEMENTS						
Salaries	379,811	331,402	48,409	363,431	361,851	1,580
Employee fringe benefits	78,591	78,568	23	68,136	62,149	5,987
Supplies	120,000	133,940	(13,940)	112,500	108,093	4,407
Insurance	30,000	45,164	(15,164)	38,000	21,683	16,317
Road and bridge materials	300,000	138,642	161,358	250,000	295,655	(45,655)
Equipment repairs	100,000	95,102	4,898	45,000	87,525	(42,525)
Equipment purchases	175,000	64,295	110,705	175,000	150,064	24,936
Construction, repair, and maintenance	539,794	577,505	(37,711)	529,300	142,011	387,289
Other	202,000	208,073	(6,073)	186,500	170,501	15,999
Transfers out	20,000	0	20,000	0	18,993	(18,993)
Total Disbursements	1,945,196	1,672,691	272,505	1,767,867	1,418,525	349,342
RECEIPTS OVER (UNDER) DISBURSEMENTS	(86,856)	(84,291)	2,565	20,273	107,354	87,081
CASH, JANUARY 1	118,461	118,461	0	11,107	11,107	0
CASH, DECEMBER 31	31,605	34,170	2,565	31,380	118,461	87,081
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	208,761	222,332	13,571	213,270	215,317	2,047
Interest	8,500	12,238	3,738	9,175	8,637	(538)
Other	4,700	8,434	3,734	1,000	2,046	1,046
Total Receipts	221,961	243,004	21,043	223,445	226,000	2,555
DISBURSEMENTS						
Assessor	260,095	221,771	38,324	241,628	204,320	37,308
Total Disbursements	260,095	221,771	38,324	241,628	204,320	37,308
RECEIPTS OVER (UNDER) DISBURSEMENTS	(38,134)	21,233	59,367	(18,183)	21,680	39,863
CASH, JANUARY 1	133,664	133,664	0	111,984	111,984	0
CASH, DECEMBER 31	95,530	154,897	59,367	93,801	133,664	39,863

Exhibit B

RAY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	4,300	2,954	(1,346)	5,000	3,759	(1,241)
Other	0	300	300	0	0	0
Total Receipts	4,300	3,254	(1,046)	5,000	3,759	(1,241)
DISBURSEMENTS						
Sheriff	4,100	979	3,121	5,000	2,790	2,210
Total Disbursements	4,100	979	3,121	5,000	2,790	2,210
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	2,275	2,075	0	969	969
CASH, JANUARY 1	6,149	6,149	0	5,180	5,180	0
CASH, DECEMBER 31	6,349	8,424	2,075	5,180	6,149	969
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	950	735	(215)	1,000	946	(54)
Transfers In	0	2,050	2,050	0	0	0
Total Receipts	950	2,785	1,835	1,000	946	(54)
DISBURSEMENTS						
Prosecuting Attorney	3,000	2,880	120	3,000	4,145	(1,145)
Total Disbursements	3,000	2,880	120	3,000	4,145	(1,145)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,050)	(95)	1,955	(2,000)	(3,199)	(1,199)
CASH, JANUARY 1	236	236	0	3,436	3,435	(1)
CASH, DECEMBER 31	(1,814)	141	1,955	1,436	236	(1,200)
<u>SPECIAL ROAD AND BRIDGE SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	621,000	650,824	29,824	559,600	605,269	45,669
Intergovernmental	450,000	486,570	36,570	0	30,070	30,070
Interest	17,500	26,883	9,383	17,500	20,219	2,719
Other	400	0	(400)	400	0	(400)
Total Receipts	1,088,900	1,164,277	75,377	577,500	655,558	78,058
DISBURSEMENTS						
Road and bridge materials	250,000	246,819	3,181	200,000	223,598	(23,598)
Equipment purchases	75,000	204,089	(129,089)	90,000	26,537	63,463
Construction, repair, and maintenance	265,000	630,681	(365,681)	310,000	97,561	212,439
Other	256,000	215,036	40,964	254,500	237,808	16,692
Total Disbursements	846,000	1,296,625	(450,625)	854,500	585,504	268,996
RECEIPTS OVER (UNDER) DISBURSEMENTS	242,900	(132,348)	(375,248)	(277,000)	70,054	347,054
CASH, JANUARY 1	372,495	372,495	0	302,441	302,441	0
CASH, DECEMBER 31	615,395	240,147	(375,248)	25,441	372,495	347,054

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>NOXIOUS WEED FUND</u>						
RECEIPTS						
Property taxes	32,574	0	(32,574)	0	0	0
Interest	4,400	4,450	50	4,400	3,740	(660)
Other	100	4	(96)	100	50	(50)
Total Receipts	37,074	4,454	(32,620)	4,500	3,790	(710)
DISBURSEMENTS						
Salaries and fringe benefits	13,038	8,917	4,121	13,038	10,104	2,934
Supplies	8,100	7,687	413	7,000	4,285	2,715
Equipment repairs	1,000	775	225	800	875	(75)
Mileage	1,000	946	54	1,000	1,225	(225)
Insurance	2,500	3,500	(1,000)	3,500	445	3,055
Transfers out	750	750	0	750	0	750
Total Disbursements	26,388	22,575	3,813	26,088	16,934	9,154
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,686	(18,121)	(28,807)	(21,588)	(13,144)	8,444
CASH, JANUARY 1	68,579	84,319	15,740	97,463	97,463	0
CASH, DECEMBER 31	79,265	66,198	(13,067)	75,875	84,319	8,444
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental				6,650	0	(6,650)
Interest				150	10	(140)
Total Receipts				6,800	10	(6,790)
DISBURSEMENTS						
Prosecuting Attorney				9,658	0	9,658
Transfers Out				0	2,868	(2,868)
Total Disbursements				9,658	2,868	6,790
RECEIPTS OVER (UNDER) DISBURSEMENTS				(2,858)	(2,858)	0
CASH, JANUARY 1				2,858	2,858	0
CASH, DECEMBER 31				0	0	0
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Intergovernmental	0	5,845	5,845	0	0	0
Charges for services	18,000	16,913	(1,087)	18,000	17,176	(824)
Total Receipts	18,000	22,758	4,758	18,000	17,176	(824)
DISBURSEMENTS						
Recorder of Deeds	16,000	21,355	(5,355)	16,000	10,592	5,408
Total Disbursements	16,000	21,355	(5,355)	16,000	10,592	5,408
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	1,403	(597)	2,000	6,584	4,584
CASH, JANUARY 1		18,775	18,775	12,191	12,191	0
CASH, DECEMBER 31	2,000	20,178	18,178	14,191	18,775	4,584

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	3,160	1,902	(1,258)	3,000	2,251	(749)
Interest	0	149	149	160	133	(27)
Total Receipts	3,160	2,051	(1,109)	3,160	2,384	(776)
DISBURSEMENTS						
Domestic violence shelter	3,000	2,490	510	3,000	2,816	184
Total Disbursements	3,000	2,490	510	3,000	2,816	184
RECEIPTS OVER (UNDER) DISBURSEMENTS	160	(439)	(599)	160	(432)	(592)
CASH, JANUARY 1	2,829	2,829	0	3,261	3,261	0
CASH, DECEMBER 31	2,989	2,390	(599)	3,421	2,829	(592)
<u>SHERIFF'S EXTRADITION FUND</u>						
RECEIPTS						
Intergovernmental	3,000	2,762	(238)	3,000	4,191	1,191
Total Receipts	3,000	2,762	(238)	3,000	4,191	1,191
DISBURSEMENTS						
Sheriff	3,000	3,978	(978)	3,000	2,799	201
Transfers Out	0	633	(633)	0	0	0
Total Disbursements	3,000	4,611	(1,611)	3,000	2,799	201
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(1,849)	(1,849)	0	1,392	1,392
CASH, JANUARY 1	4,432	4,432	0	3,040	3,040	0
CASH, DECEMBER 31	4,432	2,583	(1,849)	3,040	4,432	1,392
<u>SHERIFF'S ACCOUNT FUND</u>						
RECEIPTS						
Intergovernmental	0	6,774	6,774	0	0	0
Charges for services	40,000	36,302	(3,698)	30,000	33,972	3,972
Other	25,000	25,355	355	35,000	29,959	(5,041)
Total Receipts	65,000	68,431	3,431	65,000	63,931	(1,069)
DISBURSEMENTS						
Salaries			0			0
Supplies and equipment	50,000	60,823	(10,823)	50,000	38,327	11,673
Transfers Out	0	7,000	(7,000)	0	20,000	(20,000)
Total Disbursements	50,000	67,823	(17,823)	50,000	58,327	(8,327)
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,000	608	(14,392)	15,000	5,604	(9,396)
CASH, JANUARY 1	15,871	15,871	0	10,267	10,267	0
CASH, DECEMBER 31	30,871	16,479	(14,392)	25,267	15,871	(9,396)

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY SHELTER FUND</u>						
RECEIPTS						
Intergovernmental	12,000	10,952	(1,048)	9,200	15,270	6,070
Total Receipts	12,000	10,952	(1,048)	9,200	15,270	6,070
DISBURSEMENTS						
Emergency shelter	12,000	10,952	1,048	9,200	15,270	(6,070)
Total Disbursements	12,000	10,952	1,048	9,200	15,270	(6,070)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>SHERIFF'S POST CERTIFICATION FUND</u>						
RECEIPTS						
Intergovernmental	1,900	1,722	(178)	1,900	2,546	646
Total Receipts	1,900	1,722	(178)	1,900	2,546	646
DISBURSEMENTS						
Sheriff	1,900	1,292	608	1,900	2,546	(646)
Total Disbursements	1,900	1,292	608	1,900	2,546	(646)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	430	430	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	430	430	0	0	0
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	181,989	184,978	2,989	175,701	184,264	8,563
Intergovernmental	258,547	269,799	11,252	231,275	225,244	(6,031)
Interest	5,200	8,274	3,074	13,740	7,862	(5,878)
Other	119,600	125,162	5,562	12,900	22,029	9,129
Total Receipts	565,336	588,213	22,877	433,616	439,399	5,783
DISBURSEMENTS						
Salaries	331,005	303,069	27,936	329,469	308,082	21,387
Office Expenditures	40,326	47,500	(7,174)	46,858	37,216	9,642
Equipment	7,526	910	6,616	7,260	5,951	1,309
Mileage and Training	15,400	12,610	2,790	17,440	13,515	3,925
Other	220,420	205,506	14,914	197,515	192,997	4,518
Total Disbursements	614,677	569,595	45,082	598,542	557,761	40,781
RECEIPTS OVER (UNDER) DISBURSEMENTS	(49,341)	18,618	67,959	(164,926)	(118,362)	46,564
CASH, JANUARY 1	177,096	177,096	0	295,458	295,458	0
CASH, DECEMBER 31	127,755	195,714	67,959	130,532	177,096	46,564

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
911 phone tax	150,000	149,263	(737)	147,200	149,425	2,225
Intergovernmental	9,100	9,389	289	0	0	0
Interest	2,000	4,762	2,762	1,800	4,469	2,669
Other	40,000	3,714	(36,286)	59,062	77,551	18,489
Total Receipts	201,100	167,128	(33,972)	208,062	231,445	23,383
DISBURSEMENTS						
Salaries and fringe benefits	49,674	41,630	8,044	33,356	34,114	(758)
Office supplies and utilities	12,600	11,680	920	10,500	13,189	(2,689)
Equipment	38,036	32,145	5,891	118,026	213,211	(95,185)
Insurance	1,500	123	1,377	1,250	0	1,250
Building	15,157	13,157	2,000	21,966	0	21,966
Mileage and training	6,500	3,777	2,723	7,500	0	7,500
Data base maintenance	36,000	40,193	(4,193)	36,000	0	36,000
Reserve capitol	79,081	965	78,116	67,288	0	67,288
Other	45,769	8,263	37,506	24,035	110	23,925
Total Disbursements	284,317	151,933	132,384	319,921	260,624	59,297
RECEIPTS OVER (UNDER) DISBURSEMENTS	(83,217)	15,195	98,412	(111,859)	(29,179)	82,680
CASH, JANUARY 1	83,506	83,806	300	112,985	112,985	0
CASH, DECEMBER 31	289	99,001	98,712	1,126	83,806	82,680
<u>SENATE BILL 40 FUND</u>						
RECEIPTS						
Property taxes	295,000	332,037	37,037	280,000	296,995	16,995
Intergovernmental	1,250	1,250	0	15,000	16,250	1,250
Interest	5,000	10,488	5,488	9,000	4,589	(4,411)
Other	0	0	0	11,000	13,962	2,962
Total Receipts	301,250	343,775	42,525	315,000	331,796	16,796
DISBURSEMENTS						
Office expenditures	19,800	1,600	18,200	19,800	1,600	18,200
Equipment	70,000	45,599	24,401	63,200	79,123	(15,923)
Mileage and training	101,100	115,373	(14,273)	106,000	92,586	13,414
Other	131,100	134,664	(3,564)	120,000	142,019	(22,019)
Total Disbursements	322,000	297,236	24,764	309,000	315,328	(6,328)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,750)	46,539	67,289	6,000	16,468	10,468
CASH, JANUARY 1	75,631	75,631	0	59,163	59,163	0
CASH, DECEMBER 31	54,881	122,170	67,289	65,163	75,631	10,468
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	1,200	1,780	580	2,400	1,572	(828)
Total Receipts	1,200	1,780	580	2,400	1,572	(828)
DISBURSEMENTS						
Circuit clerk	300	2,375	(2,075)	1,000	1,499	(499)
Total Disbursements	300	2,375	(2,075)	1,000	1,499	(499)
RECEIPTS OVER (UNDER) DISBURSEMENTS	900	(595)	(1,495)	1,400	73	(1,327)
CASH, JANUARY 1	5,688	6,040	352	2,466	5,967	3,501
CASH, DECEMBER 31	6,588	5,445	(1,143)	3,866	6,040	2,174

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,					
2000			1999		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE DIVISION INTEREST FUND</u>					
RECEIPTS					
Interest			2,525	1,473	(1,052)
Total Receipts			2,525	1,473	(1,052)
DISBURSEMENTS					
Associate division			6,321	782	5,539
Total Disbursements			6,321	782	5,539
RECEIPTS OVER (UNDER) DISBURSEMENTS			(3,796)	691	4,487
CASH, JANUARY 1			4,263	5,074	811
CASH, DECEMBER 31			467	5,765	5,298

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

RAY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, Health Center Board, the Senate Bill 40 Board, or the 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Bad Check Fund	2000 and 1999
Chemical Emergency Planning Fund	1999
Juvenile Home Studies Fund	1999
Missouri Valley Levee Fund	1999
Focus on Kids Fund	2000
Associate Division Interest Fund	2000

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue Fund	1999
Prosecuting Attorney Training Fund	1999
Special Road and Bridge Sales Tax Fund	2000
Recorder's User Fees Fund	2000
Sheriff's Extradition Fund	2000
Sheriff's Account	2000 and 1999
Emergency Shelter	1999
Sheriff's POST Certification	1999
Senate Bill 40	1999
Circuit Clerk Interest	2000 and 1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, a deficit balance was budgeted in the Prosecuting Attorney Training Fund for the year ended December 31, 1999.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Juvenile Home Studies Fund	1999
Missouri Valley Levee Fund	1999
Focus on Kids Fund	1999
Health Center Fund	2000 and 1999
Emergency 911 Fund	2000
Senate Bill 40 Fund	2000 and 1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political

subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 2000, \$2,432,751 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$3,844,687 was covered by collateral held by an independent bank but not in the county's name.

Of the county's bank balance at December 31, 1999, \$3,003,854 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$3,844,687 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

The Health Center Board's and the Senate Bill 40 Board's deposits at December 31, 2000 and 1999, and the Emergency 911 Board's deposits at December 31, 2000 were entirely covered by federal depositary insurance or by collateral securities held by the custodial bank in the board's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed for the Health Center and the Senate Bill 40 Board at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

RAY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Social Services -				
10.550	Food Distribution	N/A	\$ 0	314
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9189 ER0045-0189 ER0045-1189	86,524	91,586
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	94-DR-72	0	8,208
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ER01640264	9,811	15,392
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	96UMWX0491	34,374	92,377
Passed through:				
State Department of Public Safety -				
16.554	National Criminal History Improvement Program	95-RU-RX-K011(452)	7,442	0
16.592	Local Law Enforcement Block Grants Program	99-LBG-079	6,774	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-089(17)	485,974	26,052
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
20.703	Hazardous Material Emergency Preparedness	N/A	1,715	5,979

Schedule

RAY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	2,879	37
FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety:			
83.534	Emergency Management - State and Local Assistance	1253-DR-MO	331,897	180,613
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Direct program -			
93.268	Immunization Grants	N/A	0	1,770
	Passed through state:			
	Department of Health -			
93.268	Immunization Grants	N/A	29,872	34,263
		PG0064-9189IAP	0	3,265
	Program Total		29,872	37,528
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	47,087	62,406
	Department of Health -			
93.575	Child Care and Development Block Grant	PG0067-9189 PG0067-0189 ER0146-9189 ER0146-0189	3,780	3,620
	Department of Social Services -			
93.658	Foster Care - Title IV-E	N/A	0	5,885
	Department of Health -			
93.991	Preventive Health and Health Services Block Grant	N/A	356	408
93.994	Maternal and Child Health Services	N/A	1,778	2,039
	Block Grant to the States	ER0146-9189MCH ER0146-0189MCH	14,712	20,307
	Program Total		16,490	22,346
	Total Expenditures of Federal Awards		\$ 1,064,975	554,521

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

RAY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ray County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus

Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$29,872 and \$34,263 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The Preventive Health and Health Services Block Grant (CFDA number 93.991) represents the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,778 and \$2,039 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

<u>Federal CFDA Number</u>	<u>Program Title</u>	<u>Amount Provided</u>	
		<u>Year Ended December 31,</u> <u>2000</u>	<u>1999</u>
14.228	Community Development Block Grants/State's Program	\$ 0	8,208
14.231	Emergency Shelter Grants Program	9,811	15,392

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Ray County, Missouri

Compliance

We have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Ray County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-3 through 00-6.

Internal Control Over Compliance

The management of Ray County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 00-3, to be a material weakness.

This report is intended for the information of the management of Ray County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 21, 2001 (fieldwork completion date)

Schedule

RAY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? x yes no

Reportable condition identified that is
not considered to be a material weakness? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major programs:

Material weakness identified? x yes no

Reportable condition identified that is
not considered to be a material weakness? yes x none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction
83.534	Emergency Management – State and Local Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

00-1.

Budgetary Practices

Problems were noted with the budgets prepared by the county during the audit period. The budget documents prepared by the County Clerk for the years ended December 31, 2001, 2000, and 1999 contained numerous inaccuracies and misclassifications.

- A. When the ending cash balances for the Special Road and Bridge Fund were reconciled to the Treasurer's records, a difference of approximately \$125,000 was noted. Actual receipts had been overstated by the County Clerk by approximately \$125,000. Rather than determine the cause of the discrepancy, the County Clerk increased disbursements by \$125,000 to reconcile to the Treasurer's cash balance. Additionally, total actual receipts for 2000 presented in the Noxious Weed Fund were shown as \$(702), while the same document showed approximately \$3,500 in interest.
- B. In comparing the 2000 and 2001 budgets, we noted that reporting of the same year's receipts and disbursements differed between years for several funds. For example, 1999 actual receipts for the Special Road and Bridge Fund were shown approximately \$78,000 more on the 2001 budget than on the 2000 budget. The 2000 estimated disbursements for the Special Road and Bridge Sales Tax Fund were shown as approximately \$375,000 higher on the 2001 budget than on the 2000 budget.

These differences were caused by the County Clerk making adjustments to financial records, after year-end and preparation of the budget, causing receipt and disbursement amounts for some funds to change. These errors could have been detected had an adequate review of the amounts presented in the budget been performed by the County Clerk or County Commission.

- C. The county's budgets contained numerous misclassifications of actual receipts and disbursements. For example, all receipts from the state deposited into the General Revenue fund were classified as fees and other.

The county's budgets should include accurate classifications of receipts and disbursements to ensure the county's financial information is more consistently presented, to properly identify receipt and disbursement items, and to increase the effectiveness of the budgets as management tools.

As a result of the errors, it was necessary to make numerous adjustments to the amounts presented in the financial statements. Considering the various errors and omissions noted, the approved budgets did not provide Ray County citizens with reliable information about the county's finances.

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.

Similar conditions were noted in our prior report.

WE AGAIN RECOMMEND the County Commission ensure that budget documents contain complete and accurate information about the county's finances and agree to the County Treasurer's records. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and made public.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We concur. Since May 2001 the Treasurer and the County Clerk's office are on a centralized computer system and have been performing monthly reconciliations. This recommendation will be implemented with the 2002 budget.

00-2. County Expenditures

During the two years ended December 31, 2000, the County Commission authorized expenditures totaling \$71,200 from the Special Road and Bridge Fund for the purchase of sheriff patrol cars. The County Commission indicated they believed this was appropriate because the Sheriff's Deputies patrol the roads and would report any problems noted with the roads.

Section 137.555, RSMo 1994, provides that Special Road and Bridge funds are restricted for "road and bridge purposes and for no other purpose whatever." Thus, it does not appear these expenditures should have been made from the Special Road and Bridge Fund.

WE RECOMMEND the County Commission reimburse the Special Road and Bridge Fund \$71,200 and ensure all future expenditures from the Special Road and Bridge Fund comply with statutes.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We agree and will ensure future expenditures are made in accordance with state statutes. We will discuss the possibility of re-paying Special Road and Bridge Fund at a future date when we feel it is economically feasible.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-3. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-089(17)
Award Year:	1997
Questioned Costs:	N/A
Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	83.534
Program Title:	Emergency Management – State and Local Assistance
Pass-Through Entity	
Identifying Number:	1253-DR-MO
Award Year:	1998
Questioned Costs:	N/A

Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's office as a part of the annual budget.

The county does not have a procedure in place to track federal assistance for preparation of the SEFA. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported. For the years ended December 31, 2000 and 1999, the county's SEFA did not include expenditures related to the majority of its federal grants. The schedules only included eight of the seventeen federal programs the county participated in during the two years ended December 31, 2000. In total, expenditures were understated by approximately \$2,500 and \$125,000 for 2000 and 1999, respectively. However, for 2000, the expenditure amounts for three programs which were included on the

schedule were significantly overstated. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. Considering the overall incompleteness and inaccuracies contained in the SEFA, it appears the County Clerk's efforts to prepare an accurate and complete SEFA were inadequate.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

A similar condition was also noted in our prior audit.

WE AGAIN RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's office as part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk agrees and will ensure the 2001 SEFA, submitted with the 2002 budget, is complete and accurate.

00-4.	Engineering Costs
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Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-089(17)
Award Year:	1997
Questioned Costs:	\$59,015
Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	State Department of Public Safety
Federal CFDA Number:	83.534
Program Title:	Emergency Management – State and Local Assistance
Pass-Through Entity	
Identifying Number:	1253-DR-MO
Award Year:	1998
Questioned Costs:	\$27,450

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Highway Planning and Construction program. These projects are 80 percent federally funded although the county's project was 100 percent federally funded due to in-kind labor matches built up by the county. The county also contracts with the Federal Emergency Management Association for flood repairs. These projects are 75 percent federally funded.

The county incurred engineering costs of \$59,015 related to the county bridge project and \$36,600 related to two FEMA projects during the audit period. There was no documentation to indicate that the County Commission considered other engineering firms when procuring these services. The County Commission indicated they were unaware proposals from other firms were required.

Sections 8.289 and 8.291, RSMo, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based upon specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have presented the \$86,465 as questioned costs, which is the federal share of engineering cost paid during the audit period.

A similar condition was also noted in our prior audit.

WE AGAIN RECOMMEND the County Commission resolve the questioned costs with the grantor agency. For future projects, obtain information as required by law when contracting for professional services.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We will resolve these questioned costs with the grantor agency. For future projects we will follow state statutes.

00-5.	Cash Management
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Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-089(17)
Award Year:	1997
Questioned Costs:	N/A

The county received \$5,840 in reimbursement for engineering costs, which was not disbursed to the engineers. Due to a dispute relating to a waterline, the County Commission did not believe the county should pay the engineers' entire bill. It appears a decision was made by the County Commission not to pay the disputed portion of the bill prior to the final reimbursement claim for this project being submitted in November 2000. The County has recently paid half of the disputed amount, \$2,920, but the remaining amount is still in dispute and has not been paid.

WE RECOMMEND the County Commission repay \$2,920 to the grantor agency and ensure only actual expenses are claimed for reimbursement in the future.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We have paid \$2,920 to the engineer and are working with the Missouri Department of Transportation to resolve the remaining amount.

00-6. Child Support Enforcement
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Federal Grantor:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Department of Social Services
Federal CFDA Number:	93.563
Program Title:	Child Support Enforcement
Pass-Through Entity	
Identifying Number:	N/A
Award Years:	1999 and 2000
Questioned Costs:	\$10,023

Child Support Enforcement (Title IV-D) reimbursements claimed by the Prosecuting Attorney were inaccurate. Reimbursements are made from federal funds passed through the state department of Social Services (DSS) for this program. Personnel and most operating costs are reimbursed at 66 percent of actual expenditures. Operating costs are determined by the percentage of time spent by the office workers and elected official on Title IV-D activities. The county received reimbursements of \$6,113 for 1998, \$60,330 for 1999, \$46,950 for 2000 and \$4,438 for 2001 as of May 24, 2001. We selected seven months claims submitted during 1999 and 2000 for review and found several to be inaccurate and unreasonable.

- A. The claims submitted reporting total hours worked by the employees of the Prosecuting Attorney did not agree to the timesheets submitted by the employees to the county, resulting in excess reimbursement to the county of \$360 for personnel costs.

The total hours reported to the county on monthly timesheets for most Prosecuting Attorney employees were generally higher than the total hours reported as worked to IV-D on the monthly claim forms. For example, one employee's hours were consistently reported approximately 100 hours more on her timesheet than what was reported to IV-D. Most other employees also underreported total hours worked to IV-D. Personnel costs claimed by the Prosecuting Attorney were approximately \$73,000 and \$58,000 for 1999 and 2000, respectively.

By under-reporting total hours worked on the IV-D claims, the percentages of personnel costs were overstated, resulting in questioned costs of \$360.

B. Operating expenses claimed by the Prosecuting Attorney were not supported by adequate documentation and appeared unreasonable. Additionally, as a result of the percentages discussed in part A above, monthly reimbursements were overstated. We noted the following problems with operating cost reimbursements:

1. The Prosecuting Attorney claimed telephone expenses of approximately \$2,900 and \$2,400 in July and August 1999, respectively, which includes cellular phone costs, office phone costs, and long distance charges. In addition, approximately \$1,600 and \$3,100 in utility costs were claimed for July and August 1999, respectively. These amounts claimed exceeded actual payments by approximately \$4,300 for telephone service and by approximately \$4,350 for utilities during those months. Telephone bills paid for the other five test months were also significantly less than the amounts claimed.

The Prosecuting Attorney was unable to provide support for the amounts claimed, and for the seven months reviewed, operating costs claimed exceeded actual payments, resulting in questioned costs of \$3,397.

2. The percentages of time spent on IV-D activities were overstated for all seven months reviewed (see part A) and telephone and utility costs are reimbursed based on that percentage. The percentage of reimbursement used by the Prosecuting Attorney was higher than allowed, resulting in questioned costs of \$540.

C. For the seven months of claim forms reviewed, the Prosecuting Attorney reported that 64 percent of his total hours worked was spent on the Title IV-D program as follows:

Prosecuting Attorney's Time - Average % of Time Spent on IV-D			
	IV-D	Total Hours	%
April '99	71.0	133.5	53%
July '99	85.5	120.0	71%
August '99	110.5	136.0	81%
March '00	90.0	92.5	97%
May '00	64.5	68.5	94%
June '00	24.5	63.0	39%
July '00	5.0	92.0	5%
	451.0	705.5	64%

The number of IV-D hours reported for the Prosecuting Attorney appears high considering the county's assistant Prosecuting Attorney reported that approximately 56% of his time was spent on IV-D activities for the same seven months. Additionally, the IV-D claim reimbursements for 2000 indicated that the total number of IV-D hours claimed by the

Prosecuting Attorney and the assistant Prosecuting Attorney decreased significantly after May 2000 compared to the hours claimed during previous months. While the Prosecuting Attorney is not required to submit a monthly timesheet to the county or track his non-IV-D related time, the total hours worked as reported to IV-D appears low in comparison to time reported as spent on IV-D activities. As the chart indicates, for March and May of 2000, the Prosecuting Attorney spent 6 hours performing non IV-D duties for the county such as prosecuting criminal cases. In addition, a November 30, 1999 letter from the Prosecuting Attorney to the County Commission stated his normal workweek generally involved at least 45 to 55 hours. Had 180 hours been used when calculating monthly salary reimbursements for the Prosecuting Attorney during the seven months reviewed, the reimbursement would have been \$7,456, rather than the \$13,182 received. By not reporting total hours worked, the county received a larger reimbursement for the salary and fringe benefits. As a result of the above estimates, we have questioned costs of \$5,726.

The county is entitled to reimbursement of certain expenses incurred by the Prosecuting Attorney for enforcement of child support obligations. The reimbursement claim forms are prepared and signed by the Child Support Enforcement Investigator and are signed by the Prosecuting Attorney. Timesheets submitted to the county are prepared by each employee and are signed by the Prosecuting Attorney. The Prosecuting Attorney also signs the "Employee's Claim for IV-D Activities" forms which employees fill out to indicate the total hours worked and how many of those hours were spent on IV-D activities. By signing the various employee timesheets and claim forms, the Prosecuting Attorney is certifying, as the supervisor of the office, that the amounts and hours are accurate and reasonable, based on the work performed by the office. Based on our review, claim forms do not appear to be accurate or reasonable, resulting in the county receiving more in reimbursement than they were entitled to receive. While we have questioned costs of \$10,023, that amount would likely be greater had a further review been performed on all claims submitted for reimbursement during the two years ended December 31, 2000.

WE RECOMMEND the County Commission and Prosecuting Attorney work with the grantor agency to resolve the questioned costs. The Prosecuting Attorney should retain all supporting documentation and ensure Title IV-D claim forms are accurate and report all hours worked by the employees of his office.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The Prosecuting Attorney contacted the Division of Child Support Enforcement (DCSE) and requested an audit in July-August 2000 and nothing had been heard regarding possible problems as a result. Consequently, to the extent there were problems, we assume they have been resolved to DCSE's satisfaction. The employee responsible for any questionable documents no longer works for the county. New procedures for submitting claims have been implemented. Prior to taking office the Prosecuting Attorney obtained opinions from Labor attorneys and the responsible State and Federal agencies relating to how to properly create exempt positions under the FLSA and followed those in adoption of his office policy.

The County Commission concurs with the Prosecuting Attorney and if there are any problems we will work with the grantor agency to resolve them.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ray County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1998.

98-1 Budgetary Practices

Formal budgets were not prepared for all funds and those that were submitted were not complete and lacked required information. The budgets prepared for some county funds did not present a summary and cash reconciliation page and actual expenditures for the two preceding years were not presented. In addition, the expenditures portion of the budgets was not properly classified for several county funds.

Recommendation

The County Commission and the County Clerk continue to ensure budgets are complete and accurate and include all required information as provided by state law.

Status

Not implemented. See finding 00-1.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RAY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

98-2. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	N/A
Federal CFDA Number:	16.710
Program Title:	Public Safety Partnership and Community Policing ("Cops") Grants
Pass-Through Entity	
Identifying Number:	N/A
Award Year:	1995
Questioned Costs:	N/A
Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity	
Identifying Number:	BRO-089(10), BRO-089(11), and BRO-89(15)
Award Year:	1998 and 1997
Questioned Costs:	Not applicable

The county did not have a procedure in place to track federal assistance for the preparation of the schedule of expenditures of federal awards (SEFA).

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's office as part of the annual budget.

Status:

Not implemented. See finding number 00-3.

98-3. Federal Bridge Program

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity	
Identifying Number:	BRO-089(10), BRO-089(11), and BRO-089(15)
Award Year:	1998 and 1997
Questioned Costs:	\$22,386

- A. The county had not established cash management procedures to ensure the minimum time elapses between its receipt of federal project monies and the distribution of such monies to contractors. We noted five reimbursements totaling \$261,789 where payment was not made to the contractor on a timely basis.
- B. The county incurred \$22,386 in engineering costs related to the applicable county bridge projects during the audit period. These expenditures were all made to the same engineering firm. There was no documentation to indicate that the County Commission considered other engineering firms when procuring these services.
- C. Ray County received federal bridge monies totaling \$251,763 during the audit period on behalf of the Richmond Special Road District. These monies were initially received by the county and passed on to the road district by endorsing the checks directly over to the district. The county did not perform adequate monitoring procedures related to these grant funds to ensure the monies were administered properly and in compliance with grant requirements.

Recommendation:

- A. Establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

- B. Resolve the questioned costs with the grantor agency. For future projects, a statement of qualifications and performance data should be obtained from at least three engineering firms before contracting for these services.
- C. Ensure grant monies distributed to subrecipients are properly monitored as required by OMB Circular A-133. In addition, grant monies received by the county should be receipted and deposited and disbursed by check to the applicable parties.

Status:

- A. Not implemented. While we did note two instances during the years end December 31, 2000 and 1999 in which payments were not made to contractors on a timely basis, the amounts were immaterial. Although not repeated in the current report our recommendation remains as stated above.
- B. Not implemented. See finding number 00-4.
- C. No monies were received for or distributed to subrecipients under this federal program during the years ended December 31, 2000 and 1999.

SECTION ON OTHER MATTERS

RAY COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 21, 2001. We also have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 21, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Ray County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but does not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Budgetary and Financial Reporting Practices

Disbursements were made in excess of approved budgets for various county funds and budgets were not prepared for some county funds. The annual published financial statements did not include some county funds as required by law.

2. Expenditures

The county did not always advertise and solicit bids, nor was bid documentation always retained for various purchases. The county did not always issue Form 1099's to applicable businesses or individuals.

3. County Policies

The county's travel and reimbursement policy does not include maximum limits for all types of normal travel expenses. Some lodging expenses incurred did not appear reasonable. Amounts claimed for meals sometimes exceeded the \$31 a day maximum limit set by the county's written policy.

The county does not have a policy regarding cellular phone usage.

4. Planning and Zoning

Permit fees were not transmitted to the County Treasurer from October 2000 through April 2001. The State Auditor's Office performed a cash count in April 2001 and found \$12,927, which included 31 checks, totaling \$4,434, the Planning and Zoning Clerk had to retrieve from her home. The next day, the clerk remitted \$13,366 and a transmittal report to the County Treasurer, which included \$439 in cash which had not been made available during the cash count. Rather than having one secure location, the Planning and Zoning Clerk stored permit fees in various different places. Two permit fees for \$30 and \$150 received in March 2001 and August 2000 were not shown on a transmittal report. Receipt slips were not issued for some monies received. Checks were not restrictively endorsed immediately upon receipt. Permits were numbered by hand and, prior to November 2000, receipt slips were not prenumbered. The Planning and Zoning Clerk is not bonded. There were no reconciliations between the transmittal reports and receipt slips and/or permits issued to ensure that all monies are properly recorded and transmitted to the county.

5. Personnel and Payroll Procedures

In 1999, the Prosecuting Attorney presented a letter to the County Commission which was in contradiction to the county's written personnel policies. This letter indicated the employees in the Prosecuting Attorney's office agreed to consider themselves salaried and managerial and therefore exempt from the Fair Labor Standards Act (FLSA) in exchange for being paid for unused leave. Written job descriptions prepared by the Prosecuting Attorney and approved by the County Commission on April 13, 1999, describe each of the positions in the office as supervisory. It is unclear whether these employees should be exempt from the requirements of the FLSA. The four employees received \$4,650 in January 2000 which represents approximately 400 hours of unused vacation and sick leave from 1999. These amounts were not included on the employee's W-2 or reported on separate 1099 forms. Timesheets submitted by the employees indicated approximately 1,500 hours of overtime was worked during 1999, which was not paid by the county. Payments for unused leave were not made for 2000, but significant amounts of overtime were incurred and documented for which the employees were not paid by the county.

6. Subrecipient Monitoring

The county applied for and received a Community Development Block Grant on behalf of a drainage and levee district in the county. The close out reimbursement of \$8,207 on the grant was received and passed through to the drainage and levee district in 1999. The County Commission did not review the expenditure documentation to support the final reimbursement request.

7. Closed Meeting Minutes

While minutes of the regular County Commission meetings generally indicated the reason for entering closed session; minutes were not maintained for closed sessions. In addition, decisions made by the commission in closed session are not subsequently disclosed in open session.

8. Property Records and Procedures

Various county officials do not maintain adequate general fixed assets records or perform annual physical inventories in accordance with Section 49.093, RSMo 2000. Adequate general fixed asset records and inventory procedures are necessary to meet statutory requirements, safeguard county assets, and provide a basis for determining proper insurance coverage.

9. Associate Commissioner Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Ray County's Associate County Commissioners salaries were each increased approximately \$7,000 yearly, according to information from the County Clerk. The County Commission indicated these raises were given in accordance with Section 50.333.13, RSMo.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,000 for the two years ended December 31, 2000, should be repaid.

10. Restricted Funds Controls

Unrestricted monies were deposited in the Sheriff Civil Fees Fund rather than in the General Revenue Fund. Law library fees collected by the courts are deposited into the General Revenue Fund rather than in separate Law Library Fund. No records are maintained to keep track of how the law library fees are spent.

This Letter on Other Matters is intended for the information of the management of Ray County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**DAVIESS COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-101
September 27, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Daviess, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Daviess County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county has not established cash management procedures to ensure the minimum time elapses between its receipt of federal project monies and the distribution of such monies to contractors.
- The Special Road and Bridge Fund budgets do not present a reasonable estimate of the fund's expenditures. Budgeted expenditures exceeded actual expenditures of the Special Road and Bridge Fund during the years ended December 31, 2000 and 1999, by more than \$600,000 and \$450,000, respectively. A more reasonable and accurate estimate would also allow better compliance with the 3% administrative transfer allowed by state law.
- The Central Dispatch for Emergency Services Board (CDES) approved expenditures in excess of the approved budgeted amounts for the years ended December 31, 2000 and 1999. In addition, the CDES budgets were not complete or accurate and did not always agree to accounting records.

The audit also includes some matters related to closed meeting minutes, accounting controls of the Ex-Officio Recorder of Deeds, and Health Center Board procedures, upon which the county should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

DAVIESS COUNTY, MISSOURI

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DAVIESS COUNTY, MISSOURI

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DAVIESS COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Daviess County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Daviess County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Daviess County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Daviess County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Daviess County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 2, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Daviess County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

August 2, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Christina Brown
	Kelly Davis
	Mark Heater
	Nicole Mortensen



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Daviess County, Missouri

We have audited the special-purpose financial statements of various funds of Daviess County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 2, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Daviess County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Daviess County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Daviess County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 2, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 634,860	656,100	592,499	698,461
Special Road and Bridge	923,767	912,055	872,359	963,463
Assessment	9,781	126,094	135,875	0
Law Enforcement Training	9,750	5,446	6,350	8,846
Prosecuting Attorney Training	2,079	1,303	1,928	1,454
Frazier Trust	13,764	991	159	14,596
Law Enforcement Training - POST	1,220	3,081	3,014	1,287
Law Enforcement Sales Tax	66,841	281,857	270,403	78,295
Mays Estate	13,227	658	0	13,885
Domestic Violence	916	352	0	1,268
Prosecuting Attorney Bad Check	1,984	3,396	2,489	2,891
Jackson Township Grant Maintenance	48,817	12,622	649	60,790
Local Emergency Planning Committee	4,384	5,330	3,149	6,565
Sheriff Civil Fees	16,207	9,158	0	25,365
Prosecuting Attorney Forfeitures	267	8	0	275
Sheriff Forfeitures	588	18	0	606
Recorder's User Fees	19,626	5,396	1,693	23,329
Prosecuting Attorney Delinquent Tax	2	0	0	2
Election Services	0	1,862	429	1,433
Jail Capital Improvement	210,199	119,760	0	329,959
Care Center Lease	56,655	103,978	14,987	145,646
Health Care Reserve	133,437	22,669	4,952	151,154
Health Center	161,651	295,948	320,466	137,133
Central Dispatch Emergency Services	243,868	226,002	185,010	284,860
Developmentally Disabled	51,277	70,331	27,410	94,198
Circuit Clerk Interest	1,799	1,242	180	2,861
Associate Circuit Interest	1,442	2,526	1,765	2,203
Law Library	1,024	1,660	1,043	1,641
Total	\$ 2,629,432	2,869,843	2,446,809	3,052,466

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DAVIESS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 565,962	642,209	573,311	634,860
Special Road and Bridge	838,064	921,544	835,841	923,767
Assessment	4,709	127,178	122,106	9,781
Law Enforcement Training	9,664	7,606	7,520	9,750
Prosecuting Attorney Training	1,370	1,850	1,141	2,079
Frazier Trust	13,356	658	250	13,764
Law Enforcement Training - POST	1,161	3,161	3,102	1,220
Law Enforcement Sales Tax	18,313	302,939	254,411	66,841
Mays Estate	12,838	389	0	13,227
Domestic Violence	540	376	0	916
Prosecuting Attorney Bad Check	4,566	2,255	4,837	1,984
Jackson Township Grant Maintenance	40,353	8,464	0	48,817
Local Emergency Planning Committee	2,523	2,687	826	4,384
Sheriff Civil Fees	9,494	6,713	0	16,207
Prosecuting Attorney Forfeitures	486	11	230	267
Sheriff Forfeitures	571	17	0	588
Recorder's User Fees	21,180	5,700	7,254	19,626
Prosecuting Attorney Delinquent Tax	85	0	83	2
Jail Capital Improvement	102,752	107,447	0	210,199
Care Center Lease	0	58,470	1,815	56,655
Health Care Reserve	0	135,205	1,768	133,437
Health Center	178,161	283,176	299,686	161,651
Central Dispatch Emergency Services	199,860	233,304	189,296	243,868
Developmentally Disabled	9,457	62,074	20,254	51,277
Community Development Block Grant	81	50,288	50,369	0
Circuit Clerk Interest	762	1,037	0	1,799
Associate Circuit Interest	1,083	1,260	901	1,442
Law Library	404	2,140	1,520	1,024
Total	\$ 2,037,795	2,968,158	2,376,521	2,629,432

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DAVISS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 3,162,994	2,869,843	(293,151)	2,919,679	2,913,433	(6,246)
DISBURSEMENTS	3,605,789	2,446,809	1,158,980	3,110,329	2,323,731	786,598
RECEIPTS OVER (UNDER) DISBURSEMENTS	(442,795)	423,034	865,829	(190,650)	589,702	780,352
CASH, JANUARY 1	2,629,432	2,629,432	0	2,063,527	2,035,465	(28,062)
CASH, DECEMBER 31	2,186,637	3,052,466	865,829	1,872,877	2,625,167	752,290
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	197,600	202,230	4,630	208,400	191,915	(16,485)
Sales taxes	216,500	210,694	(5,806)	199,000	215,962	16,962
Intergovernmental	35,850	41,489	5,639	32,550	36,295	3,745
Charges for services	112,175	107,946	(4,229)	97,000	115,608	18,608
Interest	28,000	38,779	10,779	27,000	27,038	38
Other	18,000	15,490	(2,510)	18,600	20,182	1,582
Transfers in	40,000	39,472	(528)	33,000	35,209	2,209
Total Receipts	648,125	656,100	7,975	615,550	642,209	26,659
DISBURSEMENTS						
County Commission	63,532	63,172	360	60,448	60,341	107
County Clerk	63,303	61,830	1,473	63,526	62,456	1,070
Elections	42,680	37,789	4,891	25,430	15,075	10,355
Buildings and grounds	130,950	50,443	80,507	94,025	54,175	39,850
Employee fringe benefits	29,000	20,099	8,901	23,000	20,292	2,708
County Treasurer	38,964	35,831	3,133	37,977	34,965	3,012
County Collector	2,710	1,793	917	2,000	1,617	383
Circuit Clerk and Ex Officio Recorder of Deeds	21,756	16,217	5,539	22,685	18,654	4,031
Associate Circuit and Probate Court	19,597	19,031	566	19,200	16,791	2,409
Court administration	22,950	14,469	8,481	14,150	5,643	8,507
Public Administrator	6,253	5,837	416	6,335	5,951	384
Prosecuting Attorney	82,212	78,670	3,542	82,466	72,840	9,626
Juvenile Officer	14,609	6,056	8,553	17,208	12,117	5,091
County Coroner	7,871	9,673	(1,802)	10,773	6,442	4,331
Public health and welfare services	1,000	625	375	1,000	0	1,000
Other	102,600	54,018	48,582	84,826	61,374	23,452
Transfers out	129,575	116,946	12,629	136,250	124,578	11,672
Emergency Fund	30,000	0	30,000	30,000	0	30,000
Total Disbursements	809,562	592,499	217,063	731,299	573,311	157,988
RECEIPTS OVER (UNDER) DISBURSEMENTS	(161,437)	63,601	225,038	(115,749)	68,898	184,647
CASH, JANUARY 1	634,860	634,860	0	565,962	565,962	0
CASH, DECEMBER 31	473,423	698,461	225,038	450,213	634,860	184,647

Exhibit B

DAVISS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Intergovernmental	1,175,000	854,127	(320,873)	1,043,470	811,334	(232,136)
Charges for services	0	0	0	10,000	0	(10,000)
Interest	34,000	51,726	17,726	30,000	35,089	5,089
Other	24,000	6,202	(17,798)	1,500	43,057	41,557
Transfers in	0	0	0	0	32,064	32,064
Total Receipts	1,233,000	912,055	(320,945)	1,084,970	921,544	(163,426)
DISBURSEMENTS						
Salaries	120,000	105,187	14,813	115,700	102,235	13,465
Employee fringe benefits	21,150	11,973	9,177	17,050	11,584	5,466
Supplies	25,500	15,482	10,018	26,800	11,292	15,508
Insurance	8,300	6,037	2,263	8,200	5,486	2,714
Road and bridge materials	407,000	375,186	31,814	405,500	366,348	39,152
Equipment repairs	20,000	14,223	5,777	20,000	9,995	10,005
Rentals	2,000	111	1,889	2,000	135	1,865
Equipment purchases	200,000	39,766	160,234	190,000	69,778	120,222
Construction, repair, and maintenance	630,000	255,440	374,560	464,000	223,808	240,192
Other	13,400	5,114	8,286	13,401	5,180	8,221
Transfers out	43,840	43,840	0	38,193	30,000	8,193
Total Disbursements	1,491,190	872,359	618,831	1,300,844	835,841	465,003
RECEIPTS OVER (UNDER) DISBURSEMENTS	(258,190)	39,696	297,886	(215,874)	85,703	301,577
CASH, JANUARY 1	923,767	923,767	0	838,064	838,064	0
CASH, DECEMBER 31	665,577	963,463	297,886	622,190	923,767	301,577
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	101,186	108,220	7,034	106,600	101,717	(4,883)
Interest	500	615	115	400	526	126
Other	300	313	13	2,050	357	(1,693)
Transfers in	24,700	16,946	(7,754)	21,550	24,578	3,028
Total Receipts	126,686	126,094	(592)	130,600	127,178	(3,422)
DISBURSEMENTS						
Assessor	136,059	135,875	184	135,308	122,106	13,202
Total Disbursements	136,059	135,875	184	135,308	122,106	13,202
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,373)	(9,781)	(408)	(4,708)	5,072	9,780
CASH, JANUARY 1	9,781	9,781	0	4,709	4,709	0
CASH, DECEMBER 31	408	0	(408)	1	9,781	9,780

Exhibit B

DAVIESS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	5,000	5,037	37	5,000	7,205	2,205
Interest	400	409	9	300	401	101
Total Receipts	5,400	5,446	46	5,300	7,606	2,306
DISBURSEMENTS						
Sheriff	5,500	1,878	3,622	7,350	2,311	5,039
Transfers out	5,000	4,472	528	3,000	5,209	(2,209)
Total Disbursements	10,500	6,350	4,150	10,350	7,520	2,830
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,100)	(904)	4,196	(5,050)	86	5,136
CASH, JANUARY 1	9,750	9,750	0	9,664	9,664	0
CASH, DECEMBER 31	4,650	8,846	4,196	4,614	9,750	5,136
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	2,000	1,252	(748)	1,500	1,810	310
Interest	40	51	11	10	40	30
Total Receipts	2,040	1,303	(737)	1,510	1,850	340
DISBURSEMENTS						
Prosecuting Attorney	1,300	1,928	(628)	2,650	1,141	1,509
Total Disbursements	1,300	1,928	(628)	2,650	1,141	1,509
RECEIPTS OVER (UNDER) DISBURSEMENTS	740	(625)	(1,365)	(1,140)	709	1,849
CASH, JANUARY 1	2,079	2,079	0	1,370	1,370	0
CASH, DECEMBER 31	2,819	1,454	(1,365)	230	2,079	1,849
<u>FRAZIER TRUST FUND</u>						
RECEIPTS						
Interest	650	991	341	600	658	58
Total Receipts	650	991	341	600	658	58
DISBURSEMENTS						
School supplies	501	159	342	500	250	250
Total Disbursements	501	159	342	500	250	250
RECEIPTS OVER (UNDER) DISBURSEMENTS	149	832	683	100	408	308
CASH, JANUARY 1	13,764	13,764	0	13,356	13,356	0
CASH, DECEMBER 31	13,913	14,596	683	13,456	13,764	308

Exhibit B

DAVIESS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING-POST</u>						
RECEIPTS						
Intergovernmental	3,000	3,014	14	900	3,102	2,202
Interest		67	67	60	59	(1)
Total Receipts	3,000	3,081	81	960	3,161	2,201
DISBURSEMENTS						
Sheriff	3,000	3,014	(14)	2,000	3,102	(1,102)
Total Disbursements	3,000	3,014	(14)	2,000	3,102	(1,102)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	67	67	(1,040)	59	1,099
CASH, JANUARY 1	1,220	1,220	0	1,161	1,161	0
CASH, DECEMBER 31	1,220	1,287	67	121	1,220	1,099
<u>LAW ENFORCEMENT SALES TAX</u>						
RECEIPTS						
Sales taxes	216,500	210,620	(5,880)	199,000	215,962	16,962
Intergovernmental	48,000	25,147	(22,853)	44,800	50,222	5,422
Charges for services	10,500	9,548	(952)	8,971	10,746	1,775
Interest	1,300	2,723	1,423	906	1,307	401
Other	29,522	33,819	4,297	9,719	24,702	14,983
Transfer in	0	0	0	10,200	0	(10,200)
Total Receipts	305,822	281,857	(23,965)	273,596	302,939	29,343
DISBURSEMENTS						
Salaries	127,232	126,295	937	125,479	123,125	2,354
Office expenses	5,700	2,790	2,910	5,900	4,580	1,320
Equipment	1,200	755	445	1,200	0	1,200
Mileage	35,605	37,633	(2,028)	22,000	17,082	4,918
Other	4,140	4,332	(192)	4,740	4,035	705
Insurance	18,300	14,796	3,504	15,467	14,245	1,222
Prisoner costs	110,000	83,802	26,198	117,100	91,344	25,756
Total Disbursements	302,177	270,403	31,774	291,886	254,411	37,475
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,645	11,454	7,809	(18,290)	48,528	66,818
CASH, JANUARY 1	66,841	66,841	0	18,313	18,313	0
CASH, DECEMBER 31	70,486	78,295	7,809	23	66,841	66,818
<u>MAYS ESTATE</u>						
RECEIPTS						
Interest	400	658	258	0	389	389
Total Receipts	400	658	258	0	389	389
DISBURSEMENTS						
Equipment	13,225	0	13,225	10,000	0	10,000
Total Disbursements	13,225	0	13,225	10,000	0	10,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,825)	658	13,483	(10,000)	389	10,389
CASH, JANUARY 1	13,227	13,227	0	12,838	12,838	0
CASH, DECEMBER 31	402	13,885	13,483	2,838	13,227	10,389

Exhibit B

DAVIESS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE</u>						
RECEIPTS						
Charges for services	355	320	(35)	350	355	5
Interest	25	32	7	10	21	11
Total Receipts	380	352	(28)	360	376	16
DISBURSEMENTS						
Domestic violence shelter	1,296	0	1,296	900	0	900
Total Disbursements	1,296	0	1,296	900	0	900
RECEIPTS OVER (UNDER) DISBURSEMENTS	(916)	352	1,268	(540)	376	916
CASH, JANUARY 1	916	916	0	540	540	0
CASH, DECEMBER 31	0	1,268	1,268	0	916	916
<u>PROSECUTING ATTORNEY BAD CHECK</u>						
RECEIPTS						
Charges for services	3,000	3,396	396	3,700	2,255	(1,445)
Total Receipts	3,000	3,396	396	3,700	2,255	(1,445)
DISBURSEMENTS						
Prosecuting Attorney	4,500	2,489	2,011	8,000	4,837	3,163
Total Disbursements	4,500	2,489	2,011	8,000	4,837	3,163
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,500)	907	2,407	(4,300)	(2,582)	1,718
CASH, JANUARY 1	1,984	1,984	0	4,566	4,566	0
CASH, DECEMBER 31	484	2,891	2,407	266	1,984	1,718
<u>JACKSON TOWNSHIP GRANT MAINTENANCE</u>						
RECEIPTS						
Intergovernmental	500	500	0	500	500	0
Interest	2,500	3,282	782	1,700	1,964	264
Other	6,000	0	(6,000)	6,000	6,000	0
Transfers in	8,840	8,840	0	4,420	0	(4,420)
Total Receipts	17,840	12,622	(5,218)	12,620	8,464	(4,156)
DISBURSEMENTS						
Road maintenance	0	649	(649)	0	0	0
Total Disbursements	0	649	(649)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	17,840	11,973	(5,867)	12,620	8,464	(4,156)
CASH, JANUARY 1	48,817	48,817	0	40,353	40,353	0
CASH, DECEMBER 31	66,657	60,790	(5,867)	52,973	48,817	(4,156)

Exhibit B

DAVIESS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL EMERGENCY PLANNING COMMITTEE</u>						
RECEIPTS						
Intergovernmental	2,500	5,183	2,683	0	2,622	2,622
Interest	80	147	67	40	65	25
Total Receipts	2,580	5,330	2,750	40	2,687	2,647
DISBURSEMENTS						
Training	5,500	3,149	2,351	1,500	826	674
Total Disbursements	5,500	3,149	2,351	1,500	826	674
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,920)	2,181	5,101	(1,460)	1,861	3,321
CASH, JANUARY 1	4,384	4,384	0	2,523	2,523	0
CASH, DECEMBER 31	1,464	6,565	5,101	1,063	4,384	3,321
<u>SHERIFF CIVIL FEE FUND</u>						
RECEIPTS						
Charges for services	6,000	7,965	1,965	7,000	6,265	(735)
Interest	299	1,193	894	200	448	248
Total Receipts	6,299	9,158	2,859	7,200	6,713	(487)
DISBURSEMENTS						
Sheriff	0	0	0	8,000	0	8,000
Total Disbursements	0	0	0	8,000	0	8,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,299	9,158	2,859	(800)	6,713	7,513
CASH, JANUARY 1	16,207	16,207	0	9,494	9,494	0
CASH, DECEMBER 31	22,506	25,365	2,859	8,694	16,207	7,513
<u>PROSECUTING ATTORNEY FORFEITURES</u>						
RECEIPTS						
Interest	10	8	(2)	14	11	(3)
Total Receipts	10	8	(2)	14	11	(3)
DISBURSEMENTS						
Prosecuting Attorney	200	0	200	500	230	270
Total Disbursements	200	0	200	500	230	270
RECEIPTS OVER (UNDER) DISBURSEMENTS	(190)	8	198	(486)	(219)	267
CASH, JANUARY 1	267	267	0	486	486	0
CASH, DECEMBER 31	77	275	198	0	267	267

Exhibit B

DAVIESS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF FORFEITURES</u>						
RECEIPTS						
Interest	17	18	1	9	17	8
Total Receipts	17	18	1	9	17	8
DISBURSEMENTS						
Sheriff	600	0	600	570	0	570
Total Disbursements	600	0	600	570	0	570
RECEIPTS OVER (UNDER) DISBURSEMENTS	(583)	18	601	(561)	17	578
CASH, JANUARY 1	588	588	0	571	571	0
CASH, DECEMBER 31	5	606	601	10	588	578
<u>RECORDER'S USER FEE</u>						
RECEIPTS						
Charges for services	4,000	4,286	286	5,000	4,706	(294)
Interest	800	1,110	310	0	994	994
Total Receipts	4,800	5,396	596	5,000	5,700	700
DISBURSEMENTS						
Ex Officio Recorder of Deeds	20,801	1,693	19,108	21,000	7,254	13,746
Total Disbursements	20,801	1,693	19,108	21,000	7,254	13,746
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,001)	3,703	19,704	(16,000)	(1,554)	14,446
CASH, JANUARY 1	19,626	19,626	0	21,180	21,180	0
CASH, DECEMBER 31	3,625	23,329	19,704	5,180	19,626	14,446
<u>PROSECUTING ATTORNEY DELINQUENT TAX</u>						
RECEIPTS						
Intergovernmental	99	0	(99)	150	0	(150)
Total Receipts	99	0	(99)	150	0	(150)
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	230	83	147
Total Disbursements	0	0	0	230	83	147
RECEIPTS OVER (UNDER) DISBURSEMENTS	99	0	(99)	(80)	(83)	(3)
CASH, JANUARY 1	2	2	0	85	85	0
CASH, DECEMBER 31	101	2	(99)	5	2	(3)

Exhibit B

DAVIESS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES</u>						
RECEIPTS						
Intergovernmental	2,000	1,848	(152)			
Interest	5	14	9			
Total Receipts	2,005	1,862	(143)			
DISBURSEMENTS						
Equipment	500	240	260			
Supplies	500	0	500			
Training and mileage	500	189	311			
Salaries	500	0	500			
Total Disbursements	2,000	429	1,571			
RECEIPTS OVER (UNDER) DISBURSEMENTS	5	1,433	1,428			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	5	1,433	1,428			
<u>JAIL CAPITAL IMPROVEMENT</u>						
RECEIPTS						
Interest	10,000	19,760	9,760	3,500	7,447	3,947
Transfers in	100,000	100,000	0	100,000	100,000	0
Total Receipts	110,000	119,760	9,760	103,500	107,447	3,947
DISBURSEMENTS						
Jail construction	10,000	0	10,000	0	0	0
Total Disbursements	10,000	0	10,000	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	100,000	119,760	19,760	103,500	107,447	3,947
CASH, JANUARY 1	210,199	210,199	0	102,752	102,752	0
CASH, DECEMBER 31	310,199	329,959	19,760	206,252	210,199	3,947
<u>CARE CENTER LEASE</u>						
RECEIPTS						
Interest	500	3,228	2,728	1,500	220	(1,280)
Lease payment	96,000	96,000	0	56,000	56,000	0
Other	0	4,750	4,750	0	2,250	2,250
Total Receipts	96,500	103,978	7,478	57,500	58,470	970
DISBURSEMENTS						
Equipment	35,000	14,987	20,013	21,000	1,815	19,185
Total Disbursements	35,000	14,987	20,013	21,000	1,815	19,185
RECEIPTS OVER (UNDER) DISBURSEMENTS	61,500	88,991	27,491	36,500	56,655	20,155
CASH, JANUARY 1	56,655	56,655	0	0	0	0
CASH, DECEMBER 31	118,155	145,646	27,491	36,500	56,655	20,155

Exhibit B

DAVISS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CARE RESERVE</u>						
RECEIPTS						
Intergovernmental	0	0	0	85,000	134,982	49,982
Interest	200	13,080	12,880	1,500	223	(1,277)
Other	5,540	9,589	4,049	0	0	0
Total Receipts	5,740	22,669	16,929	86,500	135,205	48,705
DISBURSEMENTS						
Health care	120,000	4,952	115,048	20,000	1,768	18,232
Total Disbursements	120,000	4,952	115,048	20,000	1,768	18,232
RECEIPTS OVER (UNDER) DISBURSEMENTS	(114,260)	17,717	131,977	66,500	133,437	66,937
CASH, JANUARY 1	133,437	133,437	0	0	0	0
CASH, DECEMBER 31	19,177	151,154	131,977	66,500	133,437	66,937
<u>HEALTH CENTER</u>						
RECEIPTS						
Property taxes	58,000	69,363	11,363	55,000	63,843	8,843
Intergovernmental	123,074	161,009	37,935	136,250	142,490	6,240
Charges for services	56,600	45,661	(10,939)	56,000	58,052	2,052
Interest	9,700	8,533	(1,167)	9,550	9,585	35
Other	77,057	11,382	(65,675)	9,200	9,206	6
Total Receipts	324,431	295,948	(28,483)	266,000	283,176	17,176
DISBURSEMENTS						
Salaries	233,105	214,879	18,226	221,942	229,918	(7,976)
Office	14,450	7,846	6,604	17,350	13,567	3,783
Mileage	13,800	9,050	4,750	14,216	12,555	1,661
Other	70,267	61,199	9,068	34,664	30,049	4,615
Contracts	24,750	27,492	(2,742)	15,379	13,597	1,782
Total Disbursements	356,372	320,466	35,906	303,551	299,686	3,865
RECEIPTS OVER (UNDER) DISBURSEMENTS	(31,941)	(24,518)	7,423	(37,551)	(16,510)	21,041
CASH, JANUARY 1	161,651	161,651	0	178,161	178,161	0
CASH, DECEMBER 31	129,710	137,133	7,423	140,610	161,651	21,041

Exhibit B

DAVISS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CENTRAL DISPATCH EMERGENCY SERVICES</u>						
RECEIPTS						
Sales taxes	192,000	210,005	18,005	188,000	215,519	27,519
Interest	6,800	12,252	5,452	6,000	7,661	1,661
Other	1,200	3,745	2,545	10,000	10,124	124
Total Receipts	200,000	226,002	26,002	204,000	233,304	29,304
DISBURSEMENTS						
Salaries	98,355	112,351	(13,996)	81,000	91,559	(10,559)
Office	1,600	5,454	(3,854)	1,500	7,664	(6,164)
Equipment	46,840	38,021	8,819	54,775	45,771	9,004
Insurance	17,403	11,463	5,940	11,450	12,475	(1,025)
Consultant	4,200	4,514	(314)	4,450	27,914	(23,464)
Other	5,500	13,207	(7,707)	27,066	3,913	23,153
Total Disbursements	173,898	185,010	(11,112)	180,241	189,296	(9,055)
RECEIPTS OVER (UNDER) DISBURSEMENTS	26,102	40,992	14,890	23,759	44,008	20,249
CASH, JANUARY 1	243,868	243,868	0	227,922	199,860	(28,062)
CASH, DECEMBER 31	269,970	284,860	14,890	251,681	243,868	(7,813)
<u>DEVELOPMENTALLY DISABLED</u>						
RECEIPTS						
Property taxes	60,000	67,079	7,079	60,000	61,083	1,083
Intergovernmental	0	791	791	0	991	991
Interest	0	2,270	2,270	0	0	0
Other	0	191	191	0	0	0
Total Receipts	60,000	70,331	10,331	60,000	62,074	2,074
DISBURSEMENTS						
Proposals	98,857	26,267	72,590	56,199	19,390	36,809
Office	1,801	1,143	658	2,801	864	1,937
Equipment	1,000	0	1,000	0	0	0
Mileage	1,000	0	1,000	1,000	0	1,000
Total Disbursements	102,658	27,410	75,248	60,000	20,254	39,746
RECEIPTS OVER (UNDER) DISBURSEMENTS	(42,658)	42,921	85,579	0	41,820	41,820
CASH, JANUARY 1	51,277	51,277	0	9,457	9,457	0
CASH, DECEMBER 31	8,619	94,198	85,579	9,457	51,277	41,820

Exhibit B

DAVISS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST</u>						
RECEIPTS						
Interest	720	1,242	522			
Total Receipts	720	1,242	522			
DISBURSEMENTS						
Equipment	2,500	180	2,320			
Total Disbursements	2,500	180	2,320			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,780)	1,062	2,842			
CASH, JANUARY 1	1,799	1,799	0			
CASH, DECEMBER 31	19	2,861	2,842			
<u>ASSOCIATE CLERK INTEREST</u>						
RECEIPTS						
Interest	1,400	2,526	1,126			
Total Receipts	1,400	2,526	1,126			
DISBURSEMENTS						
Equipment	650	1,765	(1,115)			
Other	300	0	300			
Total Disbursements	950	1,765	(815)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	450	761	311			
CASH, JANUARY 1	1,442	1,442	0			
CASH, DECEMBER 31	1,892	2,203	311			
<u>LAW LIBRARY</u>						
RECEIPTS						
Charges for services	2,050	1,660	(390)			
Total Receipts	2,050	1,660	(390)			
DISBURSEMENTS						
Library updates	2,000	1,043	957			
Total Disbursements	2,000	1,043	957			
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	617	567			
CASH, JANUARY 1	1,024	1,024	0			
CASH, DECEMBER 31	1,074	1,641	567			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

DAVIESS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Daviess County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Central Dispatch for Emergency Services Board, the Health Center Board, or the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Community Development Block Grant Fund	1999
Circuit Clerk Interest Fund	1999
Associate Circuit Interest Fund	1999
Law Library Fund	1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Training Fund	2000
Law Enforcement Training - POST Fund	2000 and 1999
Jackson Township Grant Maintenance Fund	2000
Central Dispatch Emergency Services Fund	2000 and 1999
Associate Circuit Interest Fund	2000

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	1999
Central Dispatch for Emergency Services	2000 and 1999
Developmentally Disabled Fund	2000 and 1999
Circuit Clerk Interest Fund	2000 and 1999
Associate Circuit Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 2000, \$2,827,761 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and \$73,751 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The county's deposits at December 31, 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's and Developmentally Disabled Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance.

The Central Dispatch for Emergency Services Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the Central Dispatch for Emergency Services Board's custodial bank in the Central Dispatch for Emergency Services Board's name.

3. Subsequent Event

In April 2001, a former employee of the Daviess County Sheriff's department filed a lawsuit in federal court against Daviess County alleging uncompensated overtime and other wages. The plaintiff is asking for damages of approximately \$250,000 from the county. The potential liability to the county cannot be determined at this time.

Supplementary Schedule

Schedule

 DAVIESS COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9130 ER0045-0130 ER0045-1130	\$ 26,495	29,103
10.561	State Administrative Matching Grants for Food Stamp Program	SDA42300006	4,099	0
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	93-PF-10	0	50,288
U.S. DEPARTMENT OF JUSTICE				
Direct program:				
16.unknown	Equitable Sharing of Seized and Forfeited Property	NA	0	230
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-031(14)	0	97,423
		BRO-031(16)	0	65,425
		BRO-031(18)	219,119	15,310
		BRO-031(19)	15,253	0
	Program Total		<u>234,372</u>	<u>178,158</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct program -				
93.268	Immunization Grants	N/A	3,662	2,823

Schedule

DAVISS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
Passed through state:				
Department of Health -				
93.268	Immunization Grants	N/A	18,130	17,784
		PG0064-9130IAP	0	1,085
	Program Total		18,130	18,869
Department of Social Services -				
93.563	Child Support Enforcement	N/A	373	2,121
Department of Health -				
93.575	Child Care and Development Block Grant	ER0146-9130CCH&SCS ER0146-0130CCH&SCS PG0067-9130	1,436	545
93.991	Preventive Health and Health Services Block Grant	N/A	216	212
93.994	Maternal and Child Health Services Block Grant to the States	N/A	1,079	1,059
		ERO146-9130MCH	14,839	16,031
		ERO146-0130MCH		
		ERO146-1130MCH		
	Program Total		15,918	17,090
	Total Expenditures of Federal Awards		\$ 304,701	299,439

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

DAVIESS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Daviess County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

The direct program amounts for Immunization Grants (CFDA number 93.268) represent the original acquisition cost of varicella (chicken pox) vaccine provided to the Health Center through the Centers for Disease Control of the U.S. Department of Health and Human Services. Of the pass-through amounts for that program, \$18,130

and \$17,784 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The Preventive Health and Health Services Block Grant (CFDA number 93.991) represents the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,079 and \$1,059 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Daviess County, Missouri

Compliance

We have audited the compliance of Daviess County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Daviess County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

Internal Control Over Compliance

The management of Daviess County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Daviess County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 2, 2001 (fieldwork completion date)

Schedule

DAVIESS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program:

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1.	Cash Management
--------------	------------------------

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-031(14), BRO-031(16), BRO-031(18)
Award Year:	1998 and 1999
Questioned Costs:	NA

Daviess County has not established cash management procedures to ensure the minimum time elapses between its receipt of federal project monies and the disbursement of such monies to contractors. The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Highway Planning and Construction Program. We noted several reimbursements which were held for various time periods prior to disbursement. Four payments, totaling \$27,629, were held for more than six days before disbursement. Additionally, one payment for \$13,941 was held for more than 30 days and another payment for \$1,316 was held for 14 days.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to the disbursement of those funds.

Non-compliance with the Cash Management Improvement Act with regard to timely disbursement of federal funds could result in future reductions of those funds.

WE RECOMMEND the County Commission establish procedures to minimize the time elapsed between the receipt of federal funds and the disbursement of such funds.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We agree and will ensure these monies are paid out timely, effective immediately.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

DAVIESS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

DAVIESS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

DAVIESS COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Daviess County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 2, 2001. We also have audited the compliance of Daviess County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 2, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the special-purpose financial statements of Daviess County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Special Road and Bridge Fund Administrative Service Fee

The budgets for the Special Road and Bridge Fund did not present a reasonable estimate of the fund's expenditures. As Exhibit B illustrates, budgeted expenditures exceeded actual expenditures of the Special Road and Bridge Fund during the years ended December 31, 2000 and 1999, by \$618,831 and \$465,003, respectively. Additionally, the county budgeted expenditures in excess of revenues by over \$200,000 in each year. Part of the reason for significant differences between budgeted and actual expenditures is bridge projects being budgeted in full even if only a portion of the project will be completed. The uncompleted portion of projects is budgeted again in the subsequent year, causing the total amount budgeted for the project to be inflated.

Such budgeting procedures do not allow for proper monitoring and use of the budget as a management tool. The Special Road and Bridge Fund budgets do not reflect realistic estimates or goals of what the county intends to accomplish during the budget year. Additionally, having a larger budget has allowed the county to transfer \$35,000 and \$30,000 during the years ended December 31, 2000 and 1999, respectively to the General Revenue Fund. Section 50.515, RSMo 2000, allows the County Commission to impose an administrative service fee on the Special Road and Bridge Fund. The fee is statutorily limited to a maximum of 3 percent of the Special Road and Bridge Fund budget. While Daviess County transferred less than 3 percent of budgeted expenditures, had a more reasonable budget estimate been used or actual disbursements, the transfer amounts to the General Revenue Fund would have been approximately \$15,000 less during the audit period.

Budgets that do not reasonably estimate the actual activity of the Special Road and Bridge Fund do not represent an accurate financial position of the fund and result in more monies being transferred to the General Revenue Fund than would otherwise occur. The County Commission needs to review its budgeting procedures for the Special Road and Bridge Fund as well as reevaluate the amounts being transferred annually for the administrative service fee.

WE RECOMMEND the County Commission review procedures used to establish the annual Special Road and Bridge Fund budget and prepare more reasonable budgets. The County Commission should also limit the administrative service fee to 3 percent of actual or reasonable budgeted expenditures of that fund.

AUDITEE'S RESPONSE

We agree and will attempt to make our budgets for Special Road and Bridge Fund as reasonable as possible in the future and ensure the administrative service fee transfer is based upon a reasonable amount.

- A. The Central Dispatch for Emergency Services (CDES) Board approved expenditures in excess of the approved budgeted amounts for the years ended December 31, 2000 and 1999 by \$11,112 and \$9,055, respectively. It appears this occurred at least in part because the treasurer does not present any written financial reports to the board. In addition, no formal budget amendments were filed with the county or the State Auditor's office, although the board minutes indicate the 2000 budget was amended by approximately \$7,800 in January 2001. As a result, the approved 2000 budget amounts reported on the 2001 budget were approximately \$8,800 higher than the approved amounts presented on the 2000 budget. No explanation was given for the additional \$1,000 increase.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W. 2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, written financial reports including actual activity and budgeted amounts would allow the board to monitor the situation during the year.

- B. The CDES Board's budgets are not complete or accurate. The 2001 budget did not include a cash reconciliation for 2000. While the 2000 budget did have a cash reconciliation for 1999, beginning cash was overstated by \$28,063.

Because cash reconciliations were not properly prepared and due to the lack of written financial reports referred to in Part A, there is less assurance that budget data is accurate. Our review indicated that actual cash, receipts, and disbursements as reflected on the budget documents for both 2000 and 1999 did not agree to the accounting records. It was necessary to make adjustments to the financial statements to reflect this information.

These errors could have been detected had an adequate review of the amounts presented in the budget been performed by the CDES Board. In addition, corrections should be made to ensure the actual amounts on the budget agree to the board treasurer's check register and budgeted amounts agree to the budgets that had been approved by the CDES board and presented in public hearings.

Chapter 50, RSM0 2000, requires the budget present a complete financial plan for the ensuing year. Documenting a complete summary of available resources, a cash reconciliation, and accurate actual data from preceding years is necessary to present a complete financial plan.

WE RECOMMEND the Central Dispatch for Emergency Services Board:

- A. Keep expenditures within budgetary limits. Extenuating circumstances should be fully documented and budgets properly revised. In addition, ensure maintenance of accurate accounting records and an effective financial reporting system to accurately monitor budgeted and actual financial activity.
- B. Ensure budgets are accurate and complete.

AUDITEE'S RESPONSE

- A. *We agree and will fully implement this recommendation with the 2002 budget.*
- B. *We agree and will ensure budgets are complete and accurate effective with the 2002 budget.*

3. Closed Meeting Minutes

Section 610.021, RSMo 2000, allows the County Commission to close meetings to the extent the meetings relate to certain subjects, including litigation, real estate transactions, and personnel matters. The County Commission held several closed sessions during the two years ended December 31, 2000, and while the regular meeting minutes did appear to disclose the reason for entering into closed session, minutes were not maintained for the closed portion of the meetings. In addition, the actions taken by the commission in closed meetings are not generally recorded in the regular minutes.

Minutes constitute the official record of proceedings of the County Commission. Failure to maintain accurate minutes results in an inadequate record of the County Commission's actions, proceedings, and decisions. In addition, without adequate minutes, the County Commission cannot demonstrate that actions taken or business conducted during closed sessions related solely to the specific allowable reason announced for closing the meeting.

WE RECOMMEND the County Clerk ensure minutes are prepared, approved, and retained for all closed meetings.

AUDITEE'S RESPONSE

We agree and will ensure this is done, effective immediately.

4. Ex Officio Recorder of Deeds Accounting Controls and Procedures

The Ex Officio Recorder of Deed's office collected approximately \$64,000 and \$69,000 in 2000 and 1999, respectively. We noted the following concerns:

- A. Receipts are not deposited intact. Cash is withheld from deposits to make cash refunds and pay out passport fees to the Ex Officio Recorder of Deeds. Payments requiring a refund are recorded at the net receipt amount on the bank deposit slips with the only indication of the cash withheld from the deposit being a notation off to the side.

To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are properly handled, recorded and deposited, receipts should be deposited intact and all refunds made by check.

- B. Copy monies received are held until the end of the month and put into a change fund to use as a petty cash fund. During the month, the cash is used to purchase postage for the Circuit Clerk's Office and employees are sometimes allowed to cash personal checks. At the end of the month, the amount in excess of \$15 is deposited and included in the monthly abstract of fees reports. A worksheet is maintained that summarizes receipts and disbursements of the petty cash fund. However, the worksheets are not reconciled to the amount of cash deposited at the end of the month and the invoices for purchases.

Depositing all receipts intact is necessary to ensure proper recording and accountability of receipts. If a petty cash fund is determined to be necessary, it should be kept at a constant amount. At a minimum, a reconciliation is necessary to ensure the amount of copy monies received and reported on the worksheet agrees to the amount deposited.

- C. The method of payment received (cash, check, or money order) is not recorded on the Ex Officio Recorder of Deeds' abstract of fees. To ensure receipts are accounted for properly, the method of payment should be entered on receipt records and the composition of payments received should be reconciled to deposits.

WE RECOMMEND the Ex Officio Recorder of Deeds:

- A. Deposit all monies intact and write checks for all disbursements.
- B. Maintain the petty cash fund on an imprest basis. If this is not possible, at a minimum, the amount of copy monies received and reported on the worksheets should be reconciled to deposits.
- C. Record the method of payment on the receipt records and reconcile the cash, checks, and money orders received to the composition of bank deposits.

AUDITEE'S RESPONSE

- A. *All cash and checks received are deposited into the proper accounts in a timely manner. All money is deposited and disbursed to the proper accounts as set out by statute. The only cash withheld is from overpayment of fees, which are returned to the payors. All refunds are noted on the bank deposit slips so these transactions may be easily tracked by the auditors.*

Due to the small dollar amount of these transactions my policy is less costly and time consuming than drawing checks.

- B. All copy money receipts and payments out of said "copy box fund" will be shown on the worksheets and a notation made as to the reason for a disbursement as per recommendation of the audit.*
- C. Cash amounts will be noted on the Abstract of Fee Sheets in addition to the notation on the deposit slips we already do.*

5. Health Center Board

- A. In 1999, the Board gave employee's bonuses, totaling approximately \$4,000. These payments represent additional compensation in the form of a bonus for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution.
- B. The board regularly conducts closed meetings. Minutes were not prepared to document the matters discussed in closed meetings, and board minutes did not always indicate the reasons for closing the meetings. In addition, the actions taken by the board in closed meetings are not generally recorded in the regular minutes.

Section 610.021, RSMo 2000, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and personnel matters. Section 610.022, RSMo 2000, requires a closed meeting, record, or vote be held only for the specific reasons announced publicly at an open session. This law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

Without adequate minutes, the Board cannot demonstrate that actions taken or business conducted during closed sessions related solely to the specific allowable reason announced for closing the meeting.

WE RECOMMEND the Health Center Board:

- A. Discontinue the practice of paying employee bonuses.
- B. Ensure minutes are prepared for all closed meetings. In addition, board minutes should document the reasons for closing the meeting and decisions made in closed session should be disclosed in open session.

AUDITEE'S RESPONSE

- A. *The board agrees and has discontinued to practice of paying bonuses and does not plan to do this in the future.*
- B. *This topic will be discussed at the next full board meeting and every effort will be made to comply with state statute.*

This report is intended for the information of the management of Daviess County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

DAVIESS COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Daviess County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Property Tax System and Computer Controls

- A. The County Clerk did not review the back tax book information or verify totals and documentation of reviews need to be kept.
- B. The County Clerk did not maintain an account book with the Ex Officio Collector (EOC) and did not adequately test information provided on the EOC's annual settlement.
- C. The Assessor and his staff had access to the assessment data at all times.
- D. Passwords and user identifications were not changed periodically by some users of the property tax system and restrictions were not placed on various computer files and programs.
- E. The property tax computer program did not generate tax book page or control totals, only a summary total at the end of each tax book.
- F. Backup tapes of the financial data on the system were not stored off-site.

Recommendation:

The County Commission:

- A. Require the County Clerk to test the back tax book totals and extensions and perform independent, subsequent reviews of any changes made by the EOC. These tests and reviews should be documented.
- B. Require the County Clerk to establish and maintain an account book with the EOC. The County Clerk and County Commission should use the account book to verify the annual settlement filed by the EOC.
- C. Authorize programming changes to lock out unauthorized personnel during periods when they are not statutorily authorized to make changes.

- D. Establish procedures to periodically change passwords and user IDs and restrict access to computer files to only those individuals who need to use the information.
- E. Authorize programming changes to print tax books with the appropriate control totals. This would include page totals, a summary page of all page totals, and a grand total for each tax book.
- F. Require off-site storage of backup tapes.

Status:

A, B,
& F. Implemented.

- C. Not implemented. However, the County Clerk's Office accounts for all changes in the assessed valuation after May 31.
- D. Partially implemented. Passwords are changed monthly in the Assessor's office but not in the County Clerk's office. Although not repeated in the current MAR, our recommendation remains as stated above.
- E. Not implemented. However, the County Clerk's office runs tapes of the tax statements which are agreed to the summary totals for each township in the tax book.

2. Budgetary Practices and Published Financial Statements

- A. Formal budgets were not prepared for some county funds. In addition, the budgets for some funds were not sufficiently detailed.
- B. Actual expenditures exceeded budgeted amounts for some county funds.
- C. Several of the county funds were not presented in the published financial statements.

Recommendation:

The County Commission:

- A. Prepare and/or obtain budgets for all county funds as required by state law. In addition, the county needs to include detailed classifications of receipts and disbursements in the budgets, and report actual receipt and disbursement amounts for the two preceding years for all funds requiring budgets.
- B. Keep expenditures within the budgetary limits. If necessary, extenuating circumstances should be fully documented and budgets properly revised and filed with the State Auditor's office.

- C. Include all county funds in the published financial statements as required by state law.

Status:

- A-C. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Personnel Policies and Procedures

Sheriff's department employees did not prepare time sheets to document time worked. Leave records maintained by the Sheriff's department were not forwarded to the County Clerk's office.

Recommendation:

The County Commission require the Sheriff's Department employees to prepare time sheets and submit them to the County Clerk for the approval and preparation of payroll. In addition, leave records for Sheriff's Department employees should be maintained by the County Clerk.

Status:

Implemented. Effective January 2001, the current Sheriff began requiring all employees in his department to prepare time sheets which are turned over to the County Clerk.

4. Ex Officio Recorder of Deed's Controls and Procedures

- A.1. The Ex Officio Recorder of Deeds maintained custody of the Recorder User Fees Fund.
- 2. The Ex Officio Recorder of Deeds overpaid a vendor, who refused to refund the money, but offered a credit to be applied to future services. Eighteen months later, the vendor was allowed to amend their bid to an amount lower than the other bid received and was awarded the contract. In addition, the Ex Officio Recorder of Deeds purchased two air conditioners without soliciting bids.
- B. Receipts were not deposited timely or when exceeded \$100, refunds were not issued by check, and the change fund was not maintained at a constant amount.

Recommendation:

The Ex Officio Recorder of Deeds:

- A.1. Turn custody of the Recorder's User Fees Fund over to the County Treasurer.

2. Notify the County Commission and Prosecuting Attorney of similar situations in the future so that appropriate actions can be taken. In addition, the Ex Officio should solicit bids for all purchases in accordance with state law and provide all vendors the opportunity to bid again in those cases where original bids received are not accepted, and ensure that purchases made are allowable under the law.
- B. Deposit all monies received intact daily or when accumulated receipts exceed \$100, issue refunds by check, and maintain the change fund at a constant amount.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 1.

5. Sheriff's Receipting Procedures

Two road deputies of the Sheriff's Department collected monies for garnishments and small bonds using a prenumbered receipt book, which was not reviewed or verified to monies collected nor was the numerical sequence accounted for.

Recommendation:

The Sheriff establish procedures to review these receipt slips and ensure their subsequent entry in the receipt records, and account for their numerical sequence periodically.

Status:

Implemented. Road deputies no longer collect monies.

6. Forfeiture Funds

The Sheriff and Prosecuting Attorney maintain custody of the Sheriff Forfeiture and Prosecuting Attorney Forfeiture Funds, respectively.

Recommendation:

The Sheriff and Prosecuting Attorney turn over custody of the Forfeiture Funds to the County Treasurer to be placed in special funds established by the County Commission. Expenditures requested by the Sheriff and/or Prosecuting Attorney should be made by duly authorized warrants. In addition, bids should be solicited as required by state law.

Status:

Implemented.

7. Public Administrator's Fees

The Public Administrator paid herself \$200 more than the \$700 allowed by the Associate Circuit Judge as fees on a case.

Recommendation:

The Associate Circuit Judge require the Public Administrator to make reimbursement to the appropriate party for the overpayment and ensure that all future fees taken are for the authorized amount.

Status:

Implemented.

8. Prosecuting Attorney

There was not a written agreement between Prosecuting Attorney and the county regarding the Prosecuting Attorney use of his office in the courthouse for both county business and his private practice.

Recommendation:

The County Commission and Prosecuting Attorney formalize this arrangement and prepare documentation on the allocation of resources between the county and the Prosecuting Attorney's private practice. The Prosecuting Attorney needs to ensure there is a clear distinction between his county and private practice resources and work.

Status:

This recommendations currently does not apply. The current Prosecuting Attorney does not operate a private law practice from her courthouse office.

9. Health Center

- A. Actual expenditures exceeded budgeted amounts for the Health Center for the year ending December 31, 1996.
- B. The budgets of the Health Center did not contain all required information.
- C. The Health Center entered into an agreement with an employee to pay health insurance costs while she took a leave of absence and returned to school. Since the individual did not return to work for the Health Center after graduation, she was to repay the Health Center for those costs by January 1997. As of June 1997, \$732 remained due.

Recommendation:

The Health Center Board of Trustees:

- A. Keep expenditures within the budgetary limits. If necessary, extenuating circumstances should be fully documented and the budget amended.
- B. Prepare a complete budget document.
- C. Carefully evaluate the reasonableness and benefit to the health center of such arrangements in the future. In addition, the \$732 which remains due should be actively pursued.

Status:

Implemented.

10. Central Dispatch Emergency Services Board

Board did not maintain adequate documentation of the evaluation of bid proposals for mapping/addressing services and the justification for awarding the bid to other than the lowest bidder.

Recommendation:

The Central Dispatch Emergency Services Board ensure the basis and justification for accepting all bids is adequately documented, particularly when the bid selected is not the lowest bid.

Status:

Implemented.

11. Proposition C Calculations

Incorrect unadjusted tax levies were used when computing the Proposition C ratios for some school districts.

Recommendation:

The EOC consider recomputing commissions related to these school districts and making corrections for amounts improperly distributed to the schools, General Revenue Fund, and Assessment Fund. In addition, the EOC needs to ensure future Proposition C commissions are computed correctly.

Status:

Not implemented. While we noted instances of incorrect unadjusted tax levies being used, the actual effect on distributions to schools does not appear to be significant.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DAVIESS COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1836, the county of Daviess was named after Colonel J. H. Daviess of Kentucky. Daviess County is a township-organized, third class county and is part of the Forty-Third Judicial Circuit. The county seat is Gallatin.

Daviess County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Daviess County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 202,230	13	191,915	12
Sales taxes	210,694	13	215,962	14
Federal and state aid	895,616	57	847,629	54
Fees, interest, and other	259,615	17	308,247	20
Total	\$ 1,568,155	100	1,563,753	100

The following chart shows how Daviess County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 498,100	34	481,912	34
Public safety	94,399	6	91,399	7
Highways and roads	872,359	60	835,841	59
Total	\$ 1,464,858	100	1,409,152	100

In addition, Daviess County has a Law Enforcement Sales Tax Fund, with receipts of approximately \$290,000 per year, for the purpose of public safety.

The county maintains approximately 356 county bridges and 703 miles of county roads.

The county's population was 8,420 in 1970 and 7,865 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	45.9	44.4	33.7	23.9	18.8
Personal property		17.9	16.2	8.2	7.9	4.5
Railroad and utilities		6.2	7.1	5.1	4.1	4.2
Total	\$	70.0	67.7	47.0	35.9	27.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Daviess County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
General Revenue Fund	\$	0.29	0.29
Health Center Fund		0.10	0.10
Senate Bill 40 Board Fund		0.10	0.10

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for the county and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2001	2000
State of Missouri	\$	20,982	20,333
General Revenue Fund		205,893	204,582
Assessment Fund		44,411	42,855
Health Center Fund		69,201	67,034
Senate Bill 40 Board Fund		67,885	65,464
School districts		2,968,946	2,867,475
Fire protection district		109,026	102,862
Townships		61,039	58,935
Township Road and Bridge		460,289	431,884
Watershed districts		4,359	4,546
Special Road Bonds		59,231	57,223
Cities		12,405	12,941
Nursing Home Debt Service Fund		31	25
County Employees' Retirement Fund		18,956	18,734
Commissions and fees:			
Township Collectors		40,172	38,660
General Revenue Fund		28,866	29,249
Total	\$	<u>4,171,692</u>	<u>4,022,802</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),	
	2001	2000
Real estate	93.5%	93.4%
Personal property	87.3%	88.2%
Railroad and utilities	100.0%	98.8%

Daviess County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$ 0.005	None	None
Law Enforcement	0.005	None	None
Central Dispatch for Emergency Services Board	0.005	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
David Tolen, Presiding Commissioner	\$	24,972	23,120
David Holcomb, Associate Commissioner		18,530	18,139
Danny Heldenbrand, Associate Commissioner		18,530	18,139
Linda Steward, County Clerk		34,736	32,000
Julia Roselle, Prosecuting Attorney		41,897	37,008
Tom Houghton, Sheriff		37,117	36,312
Wallace Greene, County Coroner		6,004	5,873
Rhea Youtsey, Public Administrator *		12,057	14,615
Judy Carder, Treasurer and Ex Officio County Collector, year ended March 31,	31,483	30,479	
Tom Everly, County Assessor**, year ended August 31,		35,172	33,199

* Includes fees received from probate cases.

** Includes \$900 in annual compensation received from the state.

State-Paid Officials:

Linda Adkins, Circuit Clerk and Ex Officio Recorder of Deeds	46,127	44,292
Daren L. Adkins, Associate Circuit Judge	97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	0	0
Circuit Clerk and Ex Officio Recorder of Deeds*	0	2
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff	4	0
Public Administrator	0	0
Treasurer and Ex Officio County Collector**	2	0
County Assessor	3	0
County Surveyor	0	0
Associate Division	1	1
Probate Division	0	1
Road and Bridge	5	0
Health Center**	9	0
Central Dispatch Emergency Services**	7	0
Total	<u>33</u>	<u>4</u>

* Includes one full-time employee paid 75% by the state and 25% by the county.

** Includes two part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Daviess County's share of the Forty-Third Judicial Circuit's expenses is 13.7 percent.



**LEWIS COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-100
September 27, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Lewis, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Lewis County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Lewis County's Associate County Commissioners salaries were each increased approximately \$5,440 yearly.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,880 for the two years ended December 31, 2000, should be repaid.

- As noted in three prior reports, the County Collector does not perform monthly reconciliations between the bank balance and the monthly statement of collections and other monies which were undistributed. There has been very little action by the County Collector to remedy the condition or implement the prior recommendations.
- The Public Administrator does not perform monthly bank reconciliations. In addition, several instances were noted where amounts due for services or products received by wards were not paid timely by the Public Administrator. Funds were available to pay these bills when they were due.

(over)

YELLOW SHEET

Also included in the audit are recommendations to improve the county's budgetary practices and published financial statements. In addition, the audit recommended improvements in the accounting controls and procedures of the Prosecuting Attorney, Sheriff and the Health Center. Several of these issues had been noted in prior audits.

All reports are available on our website: www.auditor.state.mo.us

LEWIS COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Lewis County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Lewis County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Lewis County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Lewis County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various

funds of Lewis County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 19, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Lewis County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

July 19, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Lewis County, Missouri

We have audited the special-purpose financial statements of various funds of Lewis County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Lewis County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Lewis County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Lewis County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 19, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

LEWIS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 124,178	1,150,556	1,073,571	201,163
Special Road and Bridge	8,401	822,238	796,967	33,672
Assessment	6,081	113,032	114,937	4,176
Road and Bridge Capital Improvement	31,444	254,798	215,097	71,145
Law Enforcement Training	3,135	3,760	3,733	3,162
Prosecuting Attorney Training	1,854	639	53	2,440
County Farm	49,226	39,415	41,371	47,270
Domestic Violence	3,179	688	3,182	685
Prosecuting Attorney Bad Check	1,824	2,340	2,920	1,244
DWI	279	246	189	336
Recorder's User Fee	3,635	3,689	4,744	2,580
Law Enforcement Operating	30,590	452,264	453,509	29,345
Special Projects Law Enforcement	2,608	0	2,608	0
Sheriff Civil Fees	18,179	14,998	19,003	14,174
DARE	840	1,482	1,530	792
Circuit Clerk and Recorder Interest	4,711	2,039	3,146	3,604
Associate Judge Interest	1,632	1,606	2,709	529
Health Center	195,170	608,284	577,475	225,979
Election Services	0	1,892	344	1,548
Local Law Enforcement Block Grant	0	9,082	9,082	0
Clark County Water Supply District #1 - Ramsey Jones	1,000	1,100	1,100	1,000
E-911 Fund	0	147,004	36,156	110,848
Total	\$ 487,966	3,631,152	3,363,426	755,692

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LEWIS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 218,722	975,325	1,069,869	124,178
Special Road and Bridge	45,424	765,953	802,976	8,401
Assessment	11,858	106,088	111,865	6,081
Road and Bridge Capital Improvements	41,078	705,829	715,463	31,444
Law Enforcement Training	2,065	6,711	5,641	3,135
Prosecuting Attorney Training	1,241	669	56	1,854
County Farm	31,805	56,583	39,162	49,226
Domestic Violence	2,140	1,044	5	3,179
Prosecuting Attorney Bad Check Fund	920	1,523	619	1,824
DWI	40	244	5	279
Recorder's User Fee	1,482	4,565	2,412	3,635
Law Enforcement Operating	9,160	433,964	412,534	30,590
Special Projects Law Enforcement	3,123	6,450	6,965	2,608
Sheriff Civil Fees	10,709	15,245	7,775	18,179
DARE	1,502	627	1,289	840
Circuit Clerk and Recorder Interest	1,968	3,092	349	4,711
Associate Judge Interest	767	1,510	645	1,632
Health Center	282,101	514,374	601,305	195,170
Law Enforcement Soccer League	0	4,410	4,410	0
Clark County Water Supply District #1 - Ramsey Jones	0	216,000	215,000	1,000
Total	\$ 666,105	3,820,206	3,998,345	487,966

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

LEWIS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 3,642,644	3,473,966	(168,678)	3,790,589	3,604,206	(186,383)
DISBURSEMENTS	4,126,345	3,317,088	809,257	4,456,417	3,783,345	673,072
RECEIPTS OVER (UNDER) DISBURSEMENTS	(483,701)	156,878	640,579	(665,828)	(179,139)	486,689
CASH, JANUARY 1	485,751	486,966	1,215	665,977	666,105	128
CASH, DECEMBER 31	2,050	643,844	641,794	149	486,966	486,817
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	205,015	223,375	18,360	197,450	147,286	(50,164)
Sales taxes	516,000	514,315	(1,685)	509,600	484,271	(25,329)
Intergovernmental	23,823	26,565	2,742	37,376	32,883	(4,493)
Charges for services	173,070	162,922	(10,148)	158,670	147,092	(11,578)
Interest	10,000	14,305	4,305	7,500	13,292	5,792
Other	160,280	197,274	36,994	156,009	138,644	(17,365)
Transfers in	11,800	11,800	0	11,857	11,857	0
Total Receipts	1,099,988	1,150,556	50,568	1,078,462	975,325	(103,137)
DISBURSEMENTS						
County Commission	74,320	74,380	(60)	74,120	75,082	(962)
County Clerk	54,097	53,664	433	52,423	52,300	123
Elections	25,896	26,068	(172)	16,832	17,566	(734)
Buildings and grounds	32,040	29,171	2,869	40,617	33,758	6,859
Employee fringe benefits	91,781	79,436	12,345	93,540	64,157	29,383
County Treasurer	27,830	26,920	910	27,540	27,342	198
County Collector	62,884	63,274	(390)	59,675	59,837	(162)
Ex Officio Recorder of Deeds	32,148	28,320	3,828	26,106	29,229	(3,123)
Circuit Clerk	14,753	13,000	1,753	13,700	12,341	1,359
Associate Circuit Court	10,420	10,436	(16)	10,850	10,909	(59)
Court Reporter	832	437	395	832	417	415
Court administration	6,570	2,527	4,043	24,476	4,816	19,660
Public Administrator	23,387	21,274	2,113	21,254	21,243	11
Prosecuting Attorney	67,642	66,758	884	67,880	70,400	(2,520)
Juvenile Officer	92,074	66,941	25,133	104,528	83,933	20,595
County Coroner	10,550	9,196	1,354	10,650	8,039	2,611
Other	263,392	263,379	13	260,073	230,400	29,673
Public health and welfare services	35,160	0	35,160	50,348	5,000	45,348
Transfers out	238,390	238,390	0	281,740	241,740	40,000
Emergency Fund	60,000	0	60,000	60,000	21,360	38,640
Total Disbursements	1,224,166	1,073,571	150,595	1,297,184	1,069,869	227,315
RECEIPTS OVER (UNDER) DISBURSEMENTS	(124,178)	76,985	201,163	(218,722)	(94,544)	124,178
CASH, JANUARY 1	124,178	124,178	0	218,722	218,722	0
CASH, DECEMBER 31	0	201,163	201,163	0	124,178	124,178

Exhibit B

LEWIS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	251,000	245,042	(5,958)	232,000	208,664	(23,336)
Intergovernmental	460,345	477,619	17,274	458,100	475,091	16,991
Interest	4,000	2,430	(1,570)	4,500	3,269	(1,231)
Other	32,000	35,147	3,147	40,100	18,929	(21,171)
Transfers in	35,000	62,000	27,000	30,000	60,000	30,000
Total Receipts	782,345	822,238	39,893	764,700	765,953	1,253
DISBURSEMENTS						
Salaries	270,030	255,470	14,560	255,079	254,453	626
Employee fringe benefits	101,143	91,878	9,265	96,410	95,191	1,219
Supplies	64,000	72,717	(8,717)	69,700	64,166	5,534
Insurance	16,000	14,490	1,510	13,999	15,581	(1,582)
Road and bridge materials	190,000	182,156	7,844	199,659	177,465	22,194
Equipment repairs	65,000	72,521	(7,521)	65,000	72,566	(7,566)
Rentals	650	0	650	2,690	0	2,690
Equipment purchases	48,288	48,171	117	61,588	61,522	66
Other	35,635	32,486	3,149	45,999	32,032	13,967
Transfers out	0	27,078	(27,078)	0	30,000	(30,000)
Total Disbursements	790,746	796,967	(6,221)	810,124	802,976	7,148
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,401)	25,271	33,672	(45,424)	(37,023)	8,401
CASH, JANUARY 1	8,401	8,401	0	45,424	45,424	0
CASH, DECEMBER 31	0	33,672	33,672	0	8,401	8,401
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	100,496	92,549	(7,947)	86,415	81,989	(4,426)
Interest	650	716	66	900	652	(248)
Other	300	52	(248)	0	382	382
Transfers in	19,715	19,715	0	23,065	23,065	0
Total Receipts	121,161	113,032	(8,129)	110,380	106,088	(4,292)
DISBURSEMENTS						
Assessor	115,442	103,137	12,305	110,381	100,008	10,373
Transfers out	11,800	11,800	0	11,857	11,857	0
Total Disbursements	127,242	114,937	12,305	122,238	111,865	10,373
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,081)	(1,905)	4,176	(11,858)	(5,777)	6,081
CASH, JANUARY 1	6,081	6,081	0	11,858	11,858	0
CASH, DECEMBER 31	0	4,176	4,176	0	6,081	6,081

Exhibit B

LEWIS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ROAD AND BRIDGE CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales taxes	170,000	165,795	(4,205)	170,000	170,101	101
Intergovernmental	416,807	70,633	(346,174)	545,510	534,785	(10,725)
Interest	1,300	1,078	(222)	1,700	943	(757)
Other	0	264	264	0	0	0
Transfers in	0	17,028	17,028	0	0	0
Total Receipts	588,107	254,798	(333,309)	717,210	705,829	(11,381)
DISBURSEMENTS						
Contract labor	22,735	6,905	15,830	33,307	20,428	12,879
Road and bridge materials	125,184	83,547	41,637	246,000	223,629	22,371
Equipment	74,132	60,276	13,856	56,867	61,236	(4,369)
Bridge construction	360,000	10,736	349,264	352,000	380,171	(28,171)
Other	1,500	1,633	(133)	40,115	0	40,115
Transfers out	35,000	52,000	(17,000)	30,000	30,000	0
Total Disbursements	618,551	215,097	403,454	758,288	715,463	42,825
RECEIPTS OVER (UNDER) DISBURSEMENTS	(30,444)	39,701	70,145	(41,078)	(9,634)	31,444
CASH, JANUARY 1	30,444	31,444	1,000	41,078	41,078	0
CASH, DECEMBER 31	0	71,145	71,145	0	31,444	31,444
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,500	1,202	(298)	600	1,411	811
Charges for services	2,450	2,558	108	3,098	2,676	(422)
Other	200	0	(200)	150	74	(76)
Transfers in	0	0	0	0	2,550	2,550
Total Receipts	4,150	3,760	(390)	3,848	6,711	2,863
DISBURSEMENTS						
Sheriff	7,285	3,733	3,552	5,913	5,641	272
Total Disbursements	7,285	3,733	3,552	5,913	5,641	272
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,135)	27	3,162	(2,065)	1,070	3,135
CASH, JANUARY 1	3,135	3,135	0	2,065	2,065	0
CASH, DECEMBER 31	0	3,162	3,162	0	3,135	3,135
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	600	628	28	800	661	(139)
Other	0	11	11	0	8	8
Total Receipts	600	639	39	800	669	(131)
DISBURSEMENTS						
Prosecuting Attorney	2,454	53	2,401	2,041	56	1,985
Total Disbursements	2,454	53	2,401	2,041	56	1,985
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,854)	586	2,440	(1,241)	613	1,854
CASH, JANUARY 1	1,854	1,854	0	1,241	1,241	0
CASH, DECEMBER 31	0	2,440	2,440	0	1,854	1,854

Exhibit B

LEWIS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COUNTY FARM FUND</u>						
RECEIPTS						
Interest	1,000	1,255	255	1,000	886	(114)
Rental income	23,200	25,672	2,472	23,200	23,200	0
Other	2,600	2,438	(162)	3,500	2,497	(1,003)
Transfers in	0	10,050	10,050	0	30,000	30,000
Total Receipts	26,800	39,415	12,615	27,700	56,583	28,883
DISBURSEMENTS						
Farm expenses	0	4,539	(4,539)	0	0	0
Maintenance	60,626	13,202	47,424	50,955	1,215	49,740
County programs	15,400	13,630	1,770	8,550	7,947	603
Transfers out	0	10,000	(10,000)	0	30,000	(30,000)
Total Disbursements	76,026	41,371	34,655	59,505	39,162	20,343
RECEIPTS OVER (UNDER) DISBURSEMENTS	(49,226)	(1,956)	47,270	(31,805)	17,421	49,226
CASH, JANUARY 1	49,226	49,226	0	31,805	31,805	0
CASH, DECEMBER 31	0	47,270	47,270	0	49,226	49,226
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	1,100	688	(412)	1,200	1,044	(156)
Total Receipts	1,100	688	(412)	1,200	1,044	(156)
DISBURSEMENTS						
Health and welfare	3,179	3,182	(3)	3,340	5	3,335
Total Disbursements	3,179	3,182	(3)	3,340	5	3,335
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,079)	(2,494)	(415)	(2,140)	1,039	3,179
CASH, JANUARY 1	3,179	3,179	0	2,140	2,140	0
CASH, DECEMBER 31	1,100	685	(415)	0	3,179	3,179
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	1,500	2,340	840	1,500	1,523	23
Total Receipts	1,500	2,340	840	1,500	1,523	23
DISBURSEMENTS						
Prosecuting Attorney	3,324	2,920	404	2,420	619	1,801
Total Disbursements	3,324	2,920	404	2,420	619	1,801
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,824)	(580)	1,244	(920)	904	1,824
CASH, JANUARY 1	1,824	1,824	0	920	920	0
CASH, DECEMBER 31	0	1,244	1,244	0	1,824	1,824

Exhibit B

LEWIS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DWI FUND</u>						
RECEIPTS						
Charges for services	250	246	(4)	500	244	(256)
Total Receipts	250	246	(4)	500	244	(256)
DISBURSEMENTS						
Sheriff	343	3	340	540	5	535
Transfers out	186	186	0	0	0	0
Total Disbursements	529	189	340	540	5	535
RECEIPTS OVER (UNDER) DISBURSEMENTS	(279)	57	336	(40)	239	279
CASH, JANUARY 1	279	279	0	40	40	0
CASH, DECEMBER 31	0	336	336	0	279	279
<u>RECORDER'S USER FEE FUND</u>						
RECEIPTS						
Charges for services	4,650	3,604	(1,046)	4,000	4,418	418
Interest	140	85	(55)	138	147	9
Total Receipts	4,790	3,689	(1,101)	4,138	4,565	427
DISBURSEMENTS						
Ex Officio Recorder of Deeds	8,425	4,744	3,681	5,620	2,412	3,208
Total Disbursements	8,425	4,744	3,681	5,620	2,412	3,208
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,635)	(1,055)	2,580	(1,482)	2,153	3,635
CASH, JANUARY 1	3,635	3,635	0	1,482	1,482	0
CASH, DECEMBER 31	0	2,580	2,580	0	3,635	3,635
<u>LAW ENFORCEMENT OPERATING FUND</u>						
RECEIPTS						
Sales taxes	113,000	110,542	(2,458)	108,000	113,117	5,117
Intergovernmental	67,000	90,124	23,124	86,220	99,652	13,432
Charges for services	2,000	0	(2,000)	0	0	0
Interest	600	1,479	879	600	455	(145)
Other	3,500	1,568	(1,932)	0	2,065	2,065
Transfers in	258,648	248,551	(10,097)	230,675	218,675	(12,000)
Total Receipts	444,748	452,264	7,516	425,495	433,964	8,469
DISBURSEMENTS						
Salaries	274,051	270,059	3,992	263,644	255,782	7,862
Employee fringe benefits	84,932	74,479	10,453	77,553	70,491	7,062
Equipment purchases	54,521	46,586	7,935	31,909	31,368	541
Office expenses	24,700	24,984	(284)	24,200	17,347	6,853
Prisoner board	37,134	37,401	(267)	37,349	37,546	(197)
Total Disbursements	475,338	453,509	21,829	434,655	412,534	22,121
RECEIPTS OVER (UNDER) DISBURSEMENTS	(30,590)	(1,245)	29,345	(9,160)	21,430	30,590
CASH, JANUARY 1	30,590	30,590	0	9,160	9,160	0
CASH, DECEMBER 31	0	29,345	29,345	0	30,590	30,590

Exhibit B

LEWIS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL PROJECTS LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Charges for services	0	0	0	15,000	6,450	(8,550)
Total Receipts	0	0	0	15,000	6,450	(8,550)
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	9,000	5	8,995
Transfers out	2,608	2,608	0	9,123	6,960	2,163
Total Disbursements	2,608	2,608	0	18,123	6,965	11,158
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,608)	(2,608)	0	(3,123)	(515)	2,608
CASH, JANUARY 1	2,608	2,608	0	3,123	3,123	0
CASH, DECEMBER 31	0	0	0	0	2,608	2,608
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	20,000	14,998	(5,002)	12,000	15,245	3,245
Total Receipts	20,000	14,998	(5,002)	12,000	15,245	3,245
DISBURSEMENTS						
Sheriff	0	3	(3)	10,560	7,775	2,785
Transfers out	38,179	19,000	19,179	12,000	0	12,000
Total Disbursements	38,179	19,003	19,176	22,560	7,775	14,785
RECEIPTS OVER (UNDER) DISBURSEMENTS	(18,179)	(4,005)	14,174	(10,560)	7,470	18,030
CASH, JANUARY 1	18,179	18,179	0	10,709	10,709	0
CASH, DECEMBER 31	0	14,174	14,174	149	18,179	18,030
<u>DARE FUND</u>						
RECEIPTS						
Donations	0	482	482	1,000	627	(373)
Transfers in	1,000	1,000	0	1,500	0	(1,500)
Total Receipts	1,000	1,482	482	2,500	627	(1,873)
DISBURSEMENTS						
Sheriff	1,840	1,530	310	4,002	1,289	2,713
Total Disbursements	1,840	1,530	310	4,002	1,289	2,713
RECEIPTS OVER (UNDER) DISBURSEMENTS	(840)	(48)	792	(1,502)	(662)	840
CASH, JANUARY 1	840	840	0	1,502	1,502	0
CASH, DECEMBER 31	0	792	792	0	840	840

Exhibit B

LEWIS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK AND RECORDER INTEREST FUND</u>						
RECEIPTS						
Interest	2,350	2,039	(311)	1,890	3,092	1,202
Total Receipts	2,350	2,039	(311)	1,890	3,092	1,202
DISBURSEMENTS						
Supplies and equipment	6,961	3,146	3,815	3,858	349	3,509
Total Disbursements	6,961	3,146	3,815	3,858	349	3,509
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,611)	(1,107)	3,504	(1,968)	2,743	4,711
CASH, JANUARY 1	4,711	4,711	0	1,968	1,968	0
CASH, DECEMBER 31	100	3,604	3,504	0	4,711	4,711
<u>ASSOCIATE JUDGE INTEREST FUND</u>						
RECEIPTS						
Interest	1,270	1,606	336	1,120	1,510	390
Total Receipts	1,270	1,606	336	1,120	1,510	390
DISBURSEMENTS						
Supplies and equipment	2,052	2,709	(657)	1,974	645	1,329
Total Disbursements	2,052	2,709	(657)	1,974	645	1,329
RECEIPTS OVER (UNDER) DISBURSEMENTS	(782)	(1,103)	(321)	(854)	865	1,719
CASH, JANUARY 1	1,632	1,632	0	854	767	(87)
CASH, DECEMBER 31	850	529	(321)	0	1,632	1,632
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	78,472	83,927	5,455	75,000	59,374	(15,626)
Intergovernmental	175,770	183,624	7,854	171,098	170,208	(890)
Charges for services	253,293	308,470	55,177	332,225	252,605	(79,620)
Interest	6,500	8,079	1,579	8,600	7,868	(732)
Other	27,050	24,184	(2,866)	27,600	24,319	(3,281)
Total Receipts	541,085	608,284	67,199	614,523	514,374	(100,149)
DISBURSEMENTS						
Salaries	480,500	461,016	19,484	459,820	465,139	(5,319)
Office expenses	36,800	35,223	1,577	40,000	35,300	4,700
Equipment	2,500	6,452	(3,952)	16,000	15,301	699
Mileage and training	36,000	30,287	5,713	43,426	35,316	8,110
Building Fund	86,172	0	86,172	249,257	0	249,257
Other	94,068	44,497	49,571	87,906	50,249	37,657
Total Disbursements	736,040	577,475	158,565	896,409	601,305	295,104
RECEIPTS OVER (UNDER) DISBURSEMENTS	(194,955)	30,809	225,764	(281,886)	(86,931)	194,955
CASH, JANUARY 1	194,955	195,170	215	281,886	282,101	215
CASH, DECEMBER 31	0	225,979	225,979	0	195,170	195,170

Exhibit B

LEWIS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	1,400	1,892	492			
Total Receipts	1,400	1,892	492			
DISBURSEMENTS						
Office expenses	1,400	344	1,056			
Total Disbursements	1,400	344	1,056			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,548	1,548			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	1,548	1,548			
<u>LAW ENFORCEMENT SOCCER LEAGUE FUND</u>						
RECEIPTS						
Transfers in				7,623	4,410	(3,213)
Total Receipts				7,623	4,410	(3,213)
DISBURSEMENTS						
Lewis County Law Enforcement Soccer League, Inc.				7,623	4,410	3,213
Total Disbursements				7,623	4,410	3,213
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0

The accompanying Notes to the Financial Statement are an integral part of this statement.

Notes to the Financial Statements

LEWIS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Lewis County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board or the E-911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Local Law Enforcement Block Grant Fund	2000
Clark County Water Supply District #1 - Ramsey Jones Fund	2000 and 1999
E-911 Fund	2000

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Special Road and Bridge Fund	2000
Domestic Violence Fund	2000
Associate Judge Interest Fund	2000

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Local Law Enforcement Block Grant Fund	2000
Clark County Water Supply District #1 – Ramsey Jones Fund	2000 and 1999
E-911 Fund	2000

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Health Center Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's or board's custodial bank in the county's or board's name.

Of the E-911 Board's bank balance at December 31, 2000, \$100,000 was covered by federal depositary insurance and \$10,848 was uninsured and uncollateralized.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

LEWIS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-0156	35,298	33,557
U.S. DEPARTMENT OF DEFENSE				
Passed through state:				
Office of Administration -				
12.112	Payments to States in Lieu of Real Estate Taxes	N/A	206	206
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	98-PF-17	1,100	215,000
		98-PF-18	53,698	194,452
	Program Total		<u>54,798</u>	<u>409,452</u>
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	97UMWX0640	14,841	17,644
Passed through:				
State Department of Public Safety -				
16.592	Local Law Enforcement Block Grants Program	99-LBG-059	9,000	0

Schedule

LEWIS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-056(7)	3,520	13,847
		BRO-056(8)	0	331,513
	Program Total		3,520	345,360
State Emergency Management Agency -				
20.703	Hazardous Material and Emergency Preparedness	N/A	2,555	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.268	Immunization Grants	PG0064-9156LAP	20,465	19,314
Department of Social Services -				
93.563	Child Support Enforcement	N/A	1,633	4,340
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-0156C	4,383	4,095
93.940	HIV Prevention Activities - Health Department Based	N/A	62	99
93.991	Preventive Health and Health Services Block Grant	N/A	197	210
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-0156M	27,728	29,285
	Total Expenditures of Federal Awards		\$ 174,686	863,562

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

LEWIS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Lewis County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Of the amounts for Immunization Grants (CFDA number 93.268), \$20,465 and \$17,614 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the

years ended December 31, 2000 and 1999. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991) represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$986 and \$1,048 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipient

Of the federal expenditures presented in the schedule, the county provided \$1,100 and \$215,000 to a subrecipient under the Community Development Block Grants/State's Program (CFDA number 14.228) during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Lewis County, Missouri

Compliance

We have audited the compliance of Lewis County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Lewis County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Lewis County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Lewis County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 19, 2001 (fieldwork completion date)

Schedule

LEWIS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be a material weaknesses? yes x none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? yes x no

Identification of major programs:

CFDA or
Other Identifying
Number
14.228
20.205

Program Title
Community Development Block Grants/State's Program
Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

00-1.

Budgetary Practices

Formal budgets were not prepared for various county funds for the two years ended December 31, 2000.

The County Commission failed to budget the Clark County Water Supply District #1 – Ramsey Jones Fund, a Community Development Block Grant passed through to a subrecipient. In addition, the County Commission approved and budgeted the Local Law Enforcement Block Grant Fund in 1999, as grant monies were expected but not received. However, the county failed to budget the Local Law Enforcement Block Grant Fund in 2000 and grant monies were received during the year.

A new 911 sales tax became effective in 2000 and the E-911 Fund was established. However, the E-911 Board failed to budget the fund in 2000.

Chapter 50, RSMo 2000, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission and the E-911 Board are able to more effectively evaluate all county financial resources. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

WE RECOMMEND the County Commission and the E-911 Board ensure financial information for all county funds is included in the annual budgets. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

We were not aware that pass through grants needed to be budgeted. In the future, we will budget these funds. The Local Law Enforcement Block Grant was applied for and approved in 1999.

However, the former Sheriff resigned before the funds were disbursed. During 2000, the new Sheriff became aware that the grant had not been used and disbursed the funds.

The Secretary/Treasurer of the E-911 Board provided the following response:

Beginning in January 2002, I will ensure the E-911 Fund is budgeted.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

LEWIS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

LEWIS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

98-1. Cash Management

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-056(6) & BRO-056(8)
Award Year:	1998 and 1997
Questioned Costs:	Not applicable

During the two years ended December 31, 1998, the county participated in the Highway Planning and Construction Program. The county had not established cash management procedures to ensure the minimum time lapses between its receipt of federal project monies and the disbursement of such monies to contractors. Two reimbursements were noted which were held for six days before the related payments were made to contractors.

Recommendation:

The County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursements of such funds.

Status:

Implemented. Since the prior audit report was received, we have disbursed federal monies in accordance with federal requirements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

LEWIS COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Lewis County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 19, 2001. We also have audited the compliance of Lewis County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 19, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Lewis County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Budgetary Practices and Published Financial Statements
--

- A. For the year ended December 31, 2000, actual expenditures exceeded budgeted amounts by \$6,221 for the Special Road and Bridge Fund. During 2000, \$27,078 was transferred from the Special Road and Bridge Fund to other funds and the transfers were not budgeted. Actual expenditures also exceeded budgeted expenditures by \$657 for the Associate Judge Interest Fund for the year ended December 31, 2000.

It was ruled in State ex. Rel. Strong V. Cribb 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

- B. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.
- C. Budget documents prepared by the County Clerk and approved by the County Commission do not properly reflect the anticipated financial position of several county funds. The County Clerk and County Commission annually budget to spend all available resources, resulting in estimated ending cash balances of zero.

Budgeting to spend all available resources results in an inaccurate statement of the county's financial position. For budgets to be of maximum assistance to the County Commission and to the general public, disbursements should be budgeted based on historical experience and known additional programs.

WE RECOMMEND the County Commission:

- A. Not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's office.

- B. And the County Clerk and the E-911 Board ensure the financial information for all county funds is properly reported in the annual published financial statements.
- C. Base estimated expenditures on historical experience and known additional programs, and present a reasonable estimate of the county's financial position.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The Special Road and Bridge Fund borrowed money from the County Farm Fund until the tax settlement was received. In the future, we will amend the budgets when necessary.*
- B. *We will ask the County Clerk to ensure all funds are included in the published financial statements.*
- C. *We agree. We will implement this recommendation when preparing the 2002 budget.*

The Secretary/Treasurer of the E-911 Board provided the following response:

- B. *I will ensure the 2001 financial statement is published in March 2002.*

2.	Officials' Salaries
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Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Lewis County's Associate County Commissioners salaries were each increased approximately \$5,440 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,880 for the two years ended December 31, 2000, should be repaid.

WE RECOMMEND the County Commission review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The Salary Commission consisting of eleven elected officials with the Prosecuting Attorney met as required by law in odd years and reviewed the new Senate Bill 11, which was passed and signed by the Governor in 1997 and became law. (RSMo 50.333(13))

The Salary Commission voted at the time to remain at the 100 percent level for the county officials' salaries and all salaries were set according to the law. Since we acted in good faith and complied with the law until May 15, 2001 when the law was over ruled, we do not feel any changes should be made years later that affect the salaries.

3. County Collector's Accounting Controls and Procedures

- A. The County Collector does not perform monthly reconciliations between the bank balance and the monthly statement of collections and other monies which were undistributed. During the audit period, bank reconciliations were only documented for the period of April 2000 through September 2000. Since September 2000, the Collector has not posted all transactions to his cash control ledger and therefore is unable to reconcile the book balance with the bank balance. We reviewed the September 2000 bank reconciliation prepared by the Collector and noted an unidentified balance of approximately \$1,100, that remained in the Collector's account as of September 30, 2000.

A similar condition was noted in three prior audit reports and there has been very little action by the County Collector to remedy the condition or implement the prior recommendations. Reconciliations of monthly statements of collections to bank statements and the cash balance are necessary to ensure that all collections have been distributed, to ensure that sufficient assets exist to cover liabilities, and to identify errors in a timely manner.

- B. The County Collector did not file annual settlements with the County Commission on a timely basis. The settlement for the year ended February 29, 2000 was not filed until October 3, 2000 and the settlement for the year ended February 28, 2001 was not filed until July 3, 2001.

Section 139.160, RSMo 2000, requires the annual settlement to be filed with the County Commission by the first Monday in March. While filing the annual settlement by the statutory due date is difficult, the County Collector needs to make a greater effort to ensure his annual settlement is filed on a more timely basis.

WE RECOMMEND the County Collector:

- A. Perform monthly reconciliations between bank balances, cash balances, and monthly statement of collections. In addition, any remaining balance should be properly identified and disbursed in accordance with state law.

- B. File annual settlements in a timely manner.

AUDITEE'S RESPONSE

- A. *We will attempt to be in compliance with this recommendation by the end of October.*
- B. *We will attempt to be in compliance with this recommendation.*

4. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney collected restitution and administrative fees on bad checks totaling approximately \$10,400 and \$11,100 for the years ended December 31, 2000 and 1999. Administrative fees are remitted to the County Treasurer monthly. Our review of the Prosecuting Attorney's accounting controls and procedures indicated the following concerns:

- A. Accounting duties are not adequately segregated. The Prosecuting Attorney's bookkeeper is primarily responsible for collecting, recording, depositing and disbursing all monies. To ensure proper recording of all transactions, the duties of handling, recording, distributing, and reconciling cash should be segregated. If the duties cannot be adequately segregated, at a minimum, an independent person, such as the Prosecuting Attorney, should review and initial bank reconciliations and agree recorded receipts to deposits. Failure to adequately segregate duties or provide a supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.
- B. Monthly open items listings are not prepared. Consequently, open items were not reconciled to the cash balance. Although it appears that bank reconciliations are being prepared, an unidentified balance has remained in the bank account since May 1999 and has not been identified.

Preparation of monthly open items listings, in conjunction with reconciliations to book and bank balances, is necessary to ensure sufficient assets exist to cover liabilities and allow for timely correction of errors. Unidentified balances should be disposed of as provided by state law.

Conditions A and B were noted in the prior report.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Prepare a listing of open items on a monthly basis and reconcile the listing to bank and book balances. Dispose of unidentified monies in accordance with state law.

AUDITEE'S RESPONSE

- A. *I will review bank reconciliations beginning with the September 2001 bank reconciliation. The review will be documented.*
- B. *We have disbursed some monies to the Treasurer's Unclaimed Fees Fund and will transfer the remaining unidentified monies to the fund. Within 30 days, we will prepare an open items listing and reconcile to the cash balance.*

5. Sheriff's Accounting Controls and Procedures
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The Sheriff's office handles receipts in the form of cash and checks for sheriff fees, bonds, gun permits, and garnishments. These monies, totaling in excess of \$32,000 and \$27,000 for the years ended December 31, 2000 and 1999, respectively, are remitted to the County Treasurer or Associate Court monthly. Sheriff Bringer's term of office ended on May 12, 2000 and Sheriff Parrish's term of office began May 13, 2000. Our review of accounting controls and procedures revealed the following:

- A. Accounting duties are not properly segregated. The Sheriff's bookkeeper is primarily responsible for collecting, recording, depositing, and disbursing all monies. To ensure proper recording of all transactions, the duties of handling, recording, distributing, and reconciling cash should be segregated. If duties cannot be adequately segregated, at a minimum, an independent person, such as the Sheriff, should review and initial bank reconciliations and agree recorded receipts to deposits. Failure to adequately segregate duties or provide a supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.
- B. Receipts are not always deposited intact on a timely basis. Deposits are prepared approximately once a week from the one-write ledger. However, the one-write ledger may not include all monies received, therefore some receipts are not included in the deposit. The Sheriff issues rediform receipt slips for some monies received and one-write receipt slips for monies deposited. During our review, we noted rediform receipt slips were not always posted to the one-write ledger in the correct order or in a timely manner. Because the one-write ledger was not complete, we found several instances where cash was received, but was not deposited until two or three weeks later.

The issuance of a single sequence of prenumbered receipt slips for all monies received is necessary to better ensure proper recording and accountability of receipts. If the Sheriff continues to issue two sets of receipt slips, a reconciliation of receipts on each set of receipt slips should be performed. In addition, to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.

Conditions A and B were noted in the prior report.

WE AGAIN RECOMMEND the current Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Issue one set of sequential official prenumbered receipt slips for all monies received or reconcile monies recorded on the two sets of receipts currently issued. In addition, deposit all receipts intact daily or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

- A. *Effective immediately, we will implement a policy where the Sheriff or his designee, who is independent of the bookkeeper, will on a monthly basis review the reconciliations and accounting records. The review will be documented.*
- B. *Effective August 1, 2001, prenumbered one-write receipt slips are issued for all monies received and all monies are deposited and disbursed by check. Deposits are made when accumulated receipts exceed \$100.*

6. Public Administrator's Accounting Controls and Procedures

The Public Administrator acts as the court appointed personal representative for approximately 34 wards of the Probate Court. Our review of the Public Administrator's records and procedures revealed the following concerns:

- A. Monthly bank reconciliations are not performed. In addition, a review of the check registers maintained for some cases indicated that they do not always represent a complete listing of receipt and disbursement activity and cash balances. As monthly bank reconciliations are not performed and annual settlements are prepared strictly from the bank statements, the annual settlements may not include all receipt and disbursement activity. For two cases we reviewed, we noted checks that were written during the settlement period but not recorded on the settlement. These checks were recorded on subsequent settlements when they cleared the bank.

Periodic bank reconciliations are necessary to ensure the accounting records are in agreement with the bank and that any errors are identified and corrected on a timely basis. Furthermore, to provide an appropriate record of bank account activity and to facilitate the preparation of bank reconciliations and settlements, the Public Administrator should ensure check registers maintained for each case present all receipts, disbursements, and cash balances.

- B. We noted several instances where amounts due for services or products received by wards were not paid timely by the Public Administrator. For example, the September 2000 nursing home bill for one case reviewed indicated a past due amount of \$4,884, which appeared to be charges for July and August room and care. For another case reviewed, \$7,084 was paid to a nursing home on June 30, 1999 for room and care for

three months, of which at least two months were past due. In addition, we noted a late charge was assessed on one case and pharmacy bills were paid as much as 90 days late. Funds were available to pay these bills when they were due. Failure to pay bills promptly exposes clients to potential loss of sometimes critically needed medication and care services.

WE RECOMMEND the Public Administrator:

- A. Maintain a complete check register for each case and perform monthly bank reconciliations. The annual settlements should include all receipt and disbursement activity and indicate the reconciled cash balance.
- B. Pay bills when due.

AUDITEE'S RESPONSE

- A. *I will attempt to have this recommendation implemented within 90 days.*
- B. *Some of the bills may have been paid late because the wards passed away and funds were frozen until decedent estate administration could be conducted. I will attempt to pay bills when due.*

AUDITOR'S COMMENT

- B. The late payments noted in our review were not delayed due to the death of the ward.

7. Health Center

Our review of the Lewis County Health Center noted the following areas of concern:

- A. Receipting duties are not adequately segregated. The Health Center bookkeeper is primarily responsible for receiving, recording, preparing the deposits, making the deposits, and preparing month-end bank reconciliations and monthly reports. Although the Health Center administrator reviews the monthly bank reconciliations and monthly reports, an independent review is not performed to ensure that receipts are properly recorded and deposited intact.

To adequately safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all receipting transactions are accounted for properly and assets are adequately safeguarded. Proper segregation of duties helps provide this assurance.

- B. Monies received are not deposited intact. Personal checks are cashed for health center employees from the daily receipts. To adequately safeguard receipts and reduce the risk of loss, theft or misuse of funds, receipts should be deposited intact.

- C. Budget documents prepared by the Health Center do not properly reflect the anticipated financial position. The Health Center annually budgets to spend all available resources, resulting in significant over budgeting of disbursements and unreasonable estimates of ending cash balances.

The practice of overestimating expenditures results in an inaccurate statement of the Health Center's financial position. For budgets to be of maximum assistance to the Health Center and to the general public, amounts should be more reasonably estimated. Without a reasonable budget document for projecting the Health Center's true financial position, the taxpayers cannot readily determine the efficiency or the soundness of the Health Center's financial position.

WE RECOMMEND the Health Center Board of Trustees:

- A. Ensure that receipting duties are properly segregated, or at a minimum, require someone other than the bookkeeper to perform and document a periodic review of receipts to deposits.
- B. Deposit all monies received intact and discontinue cashing checks for employees.
- C. Base estimated expenditures on historical experience and known additional programs, and present a reasonable estimate of the Health Center's financial position.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

- A. *I will routinely compare the receipt log to deposits during my review of the bank reconciliations. This review will be performed and documented beginning with the September 2001 bank reconciliation.*
- B. *This was a rare occurrence and the amount of personal checks was small. We have discontinued cashing checks for employees.*
- C. *We will implement this recommendation beginning with the January 2002 budget.*

This report is intended for the information of the management of Lewis County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

LEWIS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Lewis County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Federal Financial Assistance

- A. During 1995, the county received a federal grant to provide overtime enforcement. Overtime was not recorded on the deputies' time sheets for the dates claimed and the overtime rate used to compute the reimbursement amount was not in compliance with the grant agreement. In addition, documentation was not retained by the county which indicated activities performed on the dates claimed.
- B. During 1996, the county received \$2,700 from the U.S. Department of Justice for the Community Oriented Policing Services (COPS) Making Officer Redeployment Effective (MORE) program related to overtime enforcement. Overtime was charged to the COPS MORE grant for activities which were not allowable activities according to the COPS MORE grant manual. Additionally, the overtime charged was in excess of actual overtime worked and the overtime rate charged was in excess of the deputies' normal overtime pay rate.
- C. During 1996, the county received reimbursement of \$1,595 for the full cost of a computer from the Department of Justice for the COPS MORE program. No matching was provided by the county as required by the grant.
- D. Purchases made from the Domestic Cannabis Eradication/Suppression Program totaling \$697 lacked supporting documentation.
- E. The county did not advertise or solicit bids for welding costing \$7,120, which was claimed as a Community Development Block Grant (CDBG) expenditure.

Recommendation:

The County Commission:

- A. Contact the federal grantor agency to resolve the questioned costs.

- B&C. Contact the federal grantor agency to resolve the questioned costs. In addition, future reimbursement requests should be based on allowable expenditures and all matching requirements should be met.
- D. Contact the federal grantor agency to resolve the questioned costs. In addition, the Sheriff should ensure proper documentation of grant expenditures is retained.
- E. Contact state and federal grantor agencies to resolve the questioned costs. In addition, bids should be obtained in compliance with state law.

Status:

- A. Not implemented. However, the county received no federal financial assistance from the Department of Public Safety, Division of Highway Safety – State and Community Safety Program during our audit period. Although not repeated in the current MAR, our recommendation remains as stated above.
- B&C. Partially implemented. Procedures have been improved by the current Sheriff and it appears reimbursement requests were based on allowable expenditures and the county complied with the matching requirements of the COPS MORE grant during the audit period. However, the county had no evidence of contacting the federal grantor agency to resolve the questioned costs noted in our audit of the two years ended December 31, 1996. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Not implemented. The county had no evidence of contacting the federal grantor agency to resolve the questioned costs noted in our audit of the two years ended December 31, 1996. However, the county received no federal financial assistance from the Domestic Cannabis Eradication/Suppression Program during our audit period. Although not repeated in the current MAR, our recommendation remains as stated above.
- E. Partially implemented. Our review noted no CDBG expenditures in which bidding requirements were not met. However, our review noted two instances in which the county did not comply with state bidding rules. In addition, the county had no evidence of contacting the state and federal grantor agencies to resolve the questioned costs noted in our audit of the two years ended December 31, 1996. Although not repeated in the current MAR, our recommendation remains as stated above.

2. County Collector's Distributions

- A. The County Collector did not perform monthly reconciliations between the reconciled cash balance and the monthly statement of collections and other monies which were undistributed. Interest, commissions, and one percent Assessment Fund withholdings were not distributed timely.
- B. The County Collector withheld less than required for commissions and Assessment Fund withholdings.

Recommendation:

The County Collector:

- A. Perform monthly reconciliation between bank balances, cash balances, and monthly statements of collections.
- B. Withhold \$18,535 and \$134 from school tax distributions and surtax distributions respectively. Of these amounts, \$11,114 and \$7,555 should be distributed to the General Revenue Fund and Assessment Fund, respectively.

Status:

- A. Not implemented See MAR finding number 3.
- B. Implemented.

3. Prosecuting Attorney Controls and Procedures

- A. Cash duties were not adequately segregated.
- B. Prenumbered receipt slips were not issued for some monies received.
- C. The Prosecuting Attorney maintained a cash control ledger; however, some receipts and disbursements were not included in the ledger. In addition, the cash control ledger did not indicate whether monies were deposited or turned over directly to the victim and receipts were not posted to the cash control ledger in a timely manner.
- D. Monthly open items listings were not prepared. Consequently, open items were not reconciled to the cash balance.
- E. The Prosecuting Attorney's secretary, who handled all cash receipts and disbursements functions, was not bonded.

- F. Monthly bad check fees were not turned over to the County Treasurer intact. In addition, a monthly report of bad check fees collected was not filed with the Commission.
- G. An adequate system to account for all bad checks received as well as the subsequent disposition of these bad checks had not been established. No records were maintained by the Prosecuting Attorney to account for all bad checks turned over to his office for collection.
- H. During the year ended December 31, 1995, the Prosecuting Attorney authorized the purchase of soccer equipment totaling \$797 for an area soccer league from the Prosecuting Attorney Bad Check Fund.

Recommendation:

The Prosecuting Attorney:

- A. Provide for adequate segregation of duties and performance of independent reconciliations and reviews of accounting records.
- B. Ensure official prenumbered receipt slips are issued for all monies received.
- C. Ensure all receipts, disbursements, and disposition of monies are recorded in the cash control ledger.
- D. Prepare a listing of open items on a monthly basis and reconcile the listing to bank and book balances.
- E. Acquire a bond for all employees handling assets.
- F. Ensure bad check administrative fees are turned over intact to the County Treasurer monthly.
- G. Implement procedures to adequately account for bad checks received as well as the ultimate disposition through the use of sequential numbers assigned to each bad check and a log to account for the numerical sequence and ultimate disposition of each bad check.
- H. Limit future expenditures of the Prosecuting Attorney Bad Check Fund to expenses related to the prosecution of bad checks.

Status:

A&D. Not implemented. See MAR finding number 4.

B, C,
E, G,
& H. Implemented.

F. Partially implemented. Although bad check administrative fees are turned over intact to the County Treasurer, during 1999, they were not always turned over monthly. A monthly report of bad check fees collected is prepared, however, monthly reports have not been filed with the County Commission since February 1999. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Sheriff Accounting Controls and Procedures:

- A. Accounting duties were not adequately segregated.
- B. In May 1996, the former Sheriff maintained a \$200 petty cash fund which was funded by the General Revenue Fund to be used as a prisoner transportation fund. In January 1997, the Sheriff and County Clerk indicated the petty cash fund had only \$11, the remaining \$189 had not been accounted for.
- C. Formal monthly bank reconciliations were not prepared. An unidentified balance of \$173 remained in the former Sheriff's official account.
- D. The Sheriff issued two different sets of receipt slips for monies received. Some receipts were not recorded in the one-write receipt ledger and receipt slips were issued out of sequence.
- E. Deputies who served as guards received a guard per diem and mileage fee from the state in addition to their regular compensation. These fees were not subjected to payroll withholdings and were not reported on the respective W-2 forms.

Recommendation:

The current Sheriff:

- A. Provide for adequate segregation of duties and the performance of independent reconciliations and reviews of accounting records.
- B. Investigate the \$189 that is unaccounted for from the petty cash fund and pursue recovery of the monies.
- C. Prepare and document monthly bank reconciliations. The unidentified balance in the former Sheriff's official account should be disbursed in accordance with state law.
- D. Issue one set of sequential official prenumbered receipt slips for all monies received or reconcile monies recorded on the two sets of receipt slips currently issued.

- E. And County Commission review this situation. Deputies who serve as guards should be paid their normal salary for the amount of time spent, and all payments should be included on W-2 forms.

Status:

A&D. Not implemented. See MAR finding number 5.

B&E. Implemented.

- C. Partially implemented. Monthly bank reconciliations are performed. However, an unidentified balance of \$255 has remained in the sheriff's bank account since 1998. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

LEWIS COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1833, the county of Lewis was named after Meriwether Lewis, an explorer and governor of the Missouri Territory. Lewis County is a county-organized, third-class county and is part of the Second Judicial Circuit. The county seat is Monticello.

Lewis County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Lewis County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 468,417	24	355,950	20
Sales taxes	514,315	26	484,271	28
Federal and state aid	504,184	26	507,974	29
Fees, interest, and other	485,878	24	393,083	23
Total	\$ 1,972,794	100	1,741,278	100

The following chart shows how Lewis County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 712,001	38	688,822	37
Public safety	361,570	19	381,047	20
Highways and roads	796,967	43	802,976	43
Total	\$ 1,870,538	100	1,872,845	100

During 2000 and 1999, the Law Enforcement Operating Fund had receipts totaling \$452,264 and \$433,964, respectively, which includes a yearly transfer of \$218,675 from the General Revenue Fund. During 2000 and 1999, the Law Enforcement Operating Fund expended \$453,509 and \$412,534, respectively, for operations of the Sheriff's office.

During 2000 and 1999, the Road and Bridge Capital Improvements Fund had receipts totaling \$254,798 and \$705,829, respectively. During 2000 and 1999, the fund expended \$215,097 and \$715,463, respectively, for construction of bridges and upgrading equipment. Included in the amounts expended are transfers to the Special Road and Bridge Fund totaling \$52,000 and \$30,000, respectively, during 2000 and 1999.

The county maintains approximately 139 county bridges and 544 miles of county roads.

The county's population was 10,993 in 1970 and 10,233 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	42.9	42.2	37.7	18.2	13.8
Personal property		24.5	22.9	11.8	8.3	5.3
Railroad and utilities		13.1	13.2	11.2	6.0	5.0
Total	\$	80.5	78.3	60.7	32.5	24.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Lewis County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
General Revenue Fund	\$	.2650	.25
Special Road and Bridge Fund*		.4800	.48
Health Center Fund		.1000	.10

* The county retains all tax proceeds from areas not within road districts. The county has three road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2001	2000
State of Missouri	\$	23,893	23,317
General Revenue Fund		217,273	199,384
Special Road and Bridge Fund		309,724	302,506
Assessment Fund		37,416	37,335
Health Center Fund		78,839	76,926
Nursing Home Fund		118,284	115,413
School districts		2,532,924	2,477,963
Library district		65,940	64,378
Ambulance district		197,131	192,338
Fire protection district		143,003	139,006
Watershed Districts Fund		36,217	35,357
Town of Monticello		3,248	3,071
Drainage Districts		57,549	55,527
Interest		8,078	6,683
Surtax		61,428	59,796
Private Car Trust Fund		14,186	0
Cities		38,183	38,125
County Clerk		1,057	1,035
County Employees' Retirement		22,715	22,234
Commissions and fees:			
General Revenue Fund		61,442	59,254
County Collector		1,174	1,133
Total	\$	<u>4,029,704</u>	<u>3,910,781</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),	
		2001	2000
Real estate	94 %		94 %
Personal property	91		90
Railroad and utilities	100		100

Lewis County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General Sales Tax	\$ 0.005	None	50 %
General Sales Tax	0.00375	2004	None
Bridges and other capital improvement sales tax	0.00375	2004	None
Law enforcement sales tax	0.0025	None	None
Local option use tax	Fluctuates with local sales tax rate		None
Enhanced 911 Sales Tax	0.00375	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Nancy Goehl, Presiding Commissioner	\$	24,440	24,440
Don Neil, Associate Commissioner		22,440	22,440
Jesse Roberts, Associate Commissioner		22,440	22,440
Sharon Schlager, County Clerk		34,000	34,000
Jules DeCoster, Prosecuting Attorney		41,000	41,000
David Parrish, Sheriff		21,552	
Mike Bringer, Sheriff		12,448	34,000
Bill Schlager, County Treasurer		25,160	25,160
Jerry L. Davis, County Coroner		6,000	6,000
Bill Murphy, Public Administrator *		21,434	25,080
Robert Veatch, County Collector**, year ended February 28 (29),	35,174	35,133	
Wayne E. Priebe, Jr., County Assessor ***, year ended August 31,	34,900	34,900	
Harold R. Crane, County Surveyor ****			

* Includes fees received from probate cases.

** Includes commissions from drainage districts of \$1,174 in 2001 and \$1,133 in 2000.

*** Includes \$900 annual compensation received from the state.

**** Compensation on a fee basis.

State-Paid Officials:

William B. Smith, Circuit Clerk and Ex Officio Recorder of Deeds	50,593	48,609
Fred Westoff, Associate Circuit Judge	97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk and Ex Officio Recorder of Deeds	1	2
County Clerk	2 *	
Prosecuting Attorney	1	
Sheriff	18 **	
Public Administrator	1 *	
County Collector	2 *	
County Assessor	3 *	
Associate Division		1
Probate Division		1
Road and Bridge	12	
Health Center	15 ***	
Total	<u>55</u>	<u>4</u>

* Includes 1 part time employee

** Includes 6 part time employees

*** Includes 3 part time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Lewis County's share of the Second Judicial Circuit's expenses is 26.04 percent.



**HOLT COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-99
September 26, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Holt, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Holt County was a financial and compliance audit of various county operating funds. The following concerns were noted:

- The county has not developed a plan to repay approximately \$122,000 in excess administrative transfers due from the General Revenue Fund to the Special Road and Bridge Fund.
- The county has two 10-year Road and Bridge Capital Improvement Sales Taxes of one-half of one percent each. The sum of these two Capital Improvement Sales Taxes apparently exceeds the statutory maximum set by state law. During the years ended December 31, 2000 and 1999, the county received approximately \$290,000 and \$276,000, respectively, from these two sales taxes.

The audit also includes some matters related to budgets, computer controls, property records and procedures, the Law Enforcement Training Fund balance, closed meeting minutes, leave records, and federal awards, upon which the county should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

HOLT COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Holt County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Holt County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Holt County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Holt County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Holt County, Missouri, and comparisons of such information with the corresponding

budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 4, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

June 4, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Tiffany Blew
Audit Staff:	George Atkinson
	Julie Vollmer
	Danielle E. Freeman



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Holt County, Missouri

We have audited the special-purpose financial statements of various funds of Holt County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 4, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Holt County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1 and 00-2. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Holt County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Holt County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

June 4, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

HOLT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 115,237	943,255	917,527	140,965
Special Road and Bridge	194,495	1,132,878	1,122,286	205,087
Assessment	1,650	88,588	88,040	2,198
Law Enforcement Training	20,247	6,885	544	26,588
Prosecuting Attorney Training	3,889	987	897	3,979
Johnson Grass	22,383	37,656	15,947	44,092
9-1-1	89,503	78,264	59,164	108,603
Recorder's Special	18,336	3,636	1,306	20,666
Prosecuting Attorney Delinquent Tax	2,381	0	112	2,269
Sheriff's Civil Fees	3,144	5,294	4,516	3,922
Prosecuting Attorney Bad Check	418	30	0	448
Debt Service	32,143	5,209	4,942	32,410
Law Library	133	1,015	1,074	74
Clerk's Election Fee	0	1,753	0	1,753
Cemetery Trust	27,246	1,085	1,851	26,480
Victims of Domestic Violence	2,050	155	0	2,205
Community Development Block Grant	0	2,000	2,000	0
Total	\$ 533,255	2,308,690	2,220,206	621,739

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HOLT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 85,411	881,045	851,219	115,237
Special Road and Bridge	111,597	1,296,433	1,213,535	194,495
Assessment	3,800	86,029	88,179	1,650
Law Enforcement Training	14,395	8,265	2,413	20,247
Prosecuting Attorney Training	3,282	1,269	662	3,889
Johnson Grass	9,354	32,160	19,131	22,383
9-1-1	86,961	75,939	73,397	89,503
Recorder's Special	15,396	3,257	317	18,336
Prosecuting Attorney Delinquent Tax	2,381	0	0	2,381
DARE Donation	236	0	236	0
Sheriff's Civil Fees	2,637	4,275	3,768	3,144
Prosecuting Attorney Bad Check	188	230	0	418
Debt Service	32,047	5,067	4,971	32,143
Law Library	222	900	989	133
Cemetery Trust	22,818	8,223	3,795	27,246
Victims of Domestic Violence	1,875	175	0	2,050
Community Development Block Grant	0	3,500	3,500	0
Total	\$ 392,600	2,406,767	2,266,112	533,255

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 2,152,416	2,305,450	153,034	2,468,750	2,393,969	(74,781)
DISBURSEMENTS	2,402,996	2,216,355	186,641	2,486,638	2,257,828	228,810
RECEIPTS OVER (UNDER) DISBURSEMENTS	(250,580)	89,095	339,675	(17,888)	136,141	154,029
CASH, JANUARY 1	503,959	503,959	0	367,685	367,685	0
CASH, DECEMBER 31	253,379	593,054	339,675	349,797	503,826	154,029
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	227,100	242,541	15,441	205,100	205,587	487
Sales taxes	272,000	289,117	17,117	265,000	266,963	1,963
Intergovernmental	134,596	161,495	26,899	160,507	159,748	(759)
Charges for services	178,150	172,815	(5,335)	188,050	186,525	(1,525)
Interest	14,000	19,380	5,380	12,000	11,146	(854)
Other	6,100	7,907	1,807	10,950	11,518	568
Transfers in	48,000	50,000	2,000	53,578	39,558	(14,020)
Total Receipts	879,946	943,255	63,309	895,185	881,045	(14,140)
DISBURSEMENTS						
County Commission	65,645	64,100	1,545	57,512	58,216	(704)
County Clerk	74,325	71,441	2,884	72,185	69,287	2,898
Elections	29,530	40,018	(10,488)	13,620	10,980	2,640
Buildings and grounds	42,750	38,857	3,893	41,700	27,058	14,642
Employee fringe benefits	144,200	133,891	10,309	139,000	118,016	20,984
Treasurer	23,206	22,809	397	22,118	22,068	50
Collector	54,820	54,419	401	51,551	51,246	305
Recorder of Deeds	4,000	2,261	1,739	3,720	3,806	(86)
Associate Circuit Court	12,900	4,526	8,374	14,750	7,286	7,464
Court administration	11,900	1,737	10,163	13,400	2,481	10,919
Public Administrator	10,375	10,250	125	10,273	10,259	14
Sheriff	146,397	141,609	4,788	139,539	138,491	1,048
Jail	79,858	75,755	4,103	74,403	73,710	693
Prosecuting Attorney	62,116	59,179	2,937	56,311	59,004	(2,693)
Juvenile Officer	9,885	12,137	(2,252)	50,461	31,548	18,913
County Coroner	8,000	7,646	354	7,750	7,519	231
Other	87,249	83,674	3,575	90,517	71,507	19,010
Health Department	86,971	84,629	2,342	77,097	78,956	(1,859)
Public health and welfare services	4,076	3,089	987	3,956	2,581	1,375
Transfers out	10,500	5,500	5,000	13,956	7,200	6,756
Emergency Fund	26,355	0	26,355	26,600	0	26,600
Total Disbursements	995,058	917,527	77,531	980,419	851,219	129,200
RECEIPTS OVER (UNDER) DISBURSEMENTS	(115,112)	25,728	140,840	(85,234)	29,826	115,060
CASH, JANUARY 1	115,237	115,237	0	85,411	85,411	0
CASH, DECEMBER 31	125	140,965	140,840	177	115,237	115,060

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	290,600	299,838	9,238	242,000	268,796	26,796
Sales taxes	276,000	289,515	13,515	274,000	276,348	2,348
Intergovernmental	460,700	515,056	54,356	822,300	728,822	(93,478)
Interest	14,800	24,849	10,049	9,600	12,905	3,305
Other	5,100	3,620	(1,480)	10,000	9,562	(438)
Total Receipts	1,047,200	1,132,878	85,678	1,357,900	1,296,433	(61,467)
DISBURSEMENTS						
Salaries	252,000	232,636	19,364	244,200	225,777	18,423
Employee fringe benefits	79,160	58,834	20,326	71,900	62,006	9,894
Supplies	70,000	77,244	(7,244)	65,000	59,968	5,032
Insurance	18,000	9,521	8,479	15,000	15,676	(676)
Road and bridge materials	119,000	99,249	19,751	92,200	94,972	(2,772)
Equipment repairs	30,000	42,379	(12,379)	25,000	30,032	(5,032)
Rentals	12,000	5,135	6,865	12,000	5,301	6,699
Equipment purchases	136,000	133,838	2,162	107,000	144,229	(37,229)
Construction, repair, and maintenance	376,297	409,343	(33,046)	571,000	536,096	34,904
Other	40,800	24,107	16,693	30,800	13,478	17,322
Transfers out	30,000	30,000	0	40,020	26,000	14,020
Total Disbursements	1,163,257	1,122,286	40,971	1,274,120	1,213,535	60,585
RECEIPTS OVER (UNDER) DISBURSEMENTS	(116,057)	10,592	126,649	83,780	82,898	(882)
CASH, JANUARY 1	194,495	194,495	0	111,597	111,597	0
CASH, DECEMBER 31	78,438	205,087	126,649	195,377	194,495	(882)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	81,290	81,227	(63)	76,218	77,878	1,660
Interest	800	1,721	921	0	796	796
Other	0	140	140	0	155	155
Transfers in	6,200	5,500	(700)	9,500	7,200	(2,300)
Total Receipts	88,290	88,588	298	85,718	86,029	311
DISBURSEMENTS						
Assessor	89,939	88,040	1,899	89,516	88,179	1,337
Total Disbursements	89,939	88,040	1,899	89,516	88,179	1,337
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,649)	548	2,197	(3,798)	(2,150)	1,648
CASH, JANUARY 1	1,650	1,650	0	3,800	3,800	0
CASH, DECEMBER 31	1	2,198	2,197	2	1,650	1,648

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	2,600	1,904	(696)	500	2,652	2,152
Charges for services	5,000	3,972	(1,028)	4,850	5,078	228
Interest	475	949	474	300	461	161
Other	0	60	60	0	74	74
Total Receipts	8,075	6,885	(1,190)	5,650	8,265	2,615
DISBURSEMENTS						
Sheriff	3,800	544	3,256	3,500	2,413	1,087
Total Disbursements	3,800	544	3,256	3,500	2,413	1,087
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,275	6,341	2,066	2,150	5,852	3,702
CASH, JANUARY 1	20,247	20,247	0	14,395	14,395	0
CASH, DECEMBER 31	24,522	26,588	2,066	16,545	20,247	3,702
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	2,400	987	(1,413)	2,400	1,269	(1,131)
Total Receipts	2,400	987	(1,413)	2,400	1,269	(1,131)
DISBURSEMENTS						
Prosecuting Attorney	3,000	897	2,103	2,500	662	1,838
Total Disbursements	3,000	897	2,103	2,500	662	1,838
RECEIPTS OVER (UNDER) DISBURSEMENTS	(600)	90	690	(100)	607	707
CASH, JANUARY 1	3,889	3,889	0	3,282	3,282	0
CASH, DECEMBER 31	3,289	3,979	690	3,182	3,889	707
<u>JOHNSON GRASS FUND</u>						
RECEIPTS						
Property taxes	33,900	35,117	1,217	26,500	30,621	4,121
Intergovernmental	350	181	(169)	400	323	(77)
Charges for services	0	0	0	0	105	105
Interest	1,100	2,336	1,236	500	1,089	589
Other	0	22	22	0	22	22
Total Receipts	35,350	37,656	2,306	27,400	32,160	4,760
DISBURSEMENTS						
Salaries	9,809	9,209	600	9,809	13,691	(3,882)
Office expenditures	1,500	1,500	0	1,500	1,500	0
Equipment	9,050	5,120	3,930	9,050	3,940	5,110
Mileage and training	150	118	32	150	0	150
Total Disbursements	20,509	15,947	4,562	20,509	19,131	1,378
RECEIPTS OVER (UNDER) DISBURSEMENTS	14,841	21,709	6,868	6,891	13,029	6,138
CASH, JANUARY 1	22,383	22,383	0	9,354	9,354	0
CASH, DECEMBER 31	37,224	44,092	6,868	16,245	22,383	6,138

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>9-1-1 FUND</u>						
RECEIPTS						
Sales taxes	71,500	72,378	878	72,000	71,393	(607)
Interest	3,400	4,641	1,241	2,400	3,160	760
Other	1,200	1,245	45	1,500	1,386	(114)
Total Receipts	76,100	78,264	2,164	75,900	75,939	39
DISBURSEMENTS						
Salaries	3,000	0	3,000	3,000	0	3,000
Office expenditures	27,700	17,499	10,201	25,900	20,420	5,480
Equipment	36,000	20,069	15,931	33,500	35,135	(1,635)
Mileage and Training	5,000	0	5,000	5,000	0	5,000
Other	7,500	1,596	5,904	7,500	4,284	3,216
Transfers out	20,000	20,000	0	13,558	13,558	0
Total Disbursements	99,200	59,164	40,036	88,458	73,397	15,061
RECEIPTS OVER (UNDER) DISBURSEMENTS	(23,100)	19,100	42,200	(12,558)	2,542	15,100
CASH, JANUARY 1	89,503	89,503	0	86,961	86,961	0
CASH, DECEMBER 31	66,403	108,603	42,200	74,403	89,503	15,100
<u>RECORDER'S SPECIAL FUND</u>						
RECEIPTS						
Charges for services	2,700	2,760	60	2,500	2,754	254
Interest	515	876	361	400	503	103
Total Receipts	3,215	3,636	421	2,900	3,257	357
DISBURSEMENTS						
Recorder of Deeds	11,700	1,306	10,394	12,580	317	12,263
Total Disbursements	11,700	1,306	10,394	12,580	317	12,263
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,485)	2,330	10,815	(9,680)	2,940	12,620
CASH, JANUARY 1	18,336	18,336	0	15,396	15,396	0
CASH, DECEMBER 31	9,851	20,666	10,815	5,716	18,336	12,620
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Charges for services	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Prosecuting Attorney	2,000	112	1,888	2,300	0	2,300
Total Disbursements	2,000	112	1,888	2,300	0	2,300
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	(112)	1,888	(2,300)	0	2,300
CASH, JANUARY 1	2,381	2,381	0	2,381	2,381	0
CASH, DECEMBER 31	381	2,269	1,888	81	2,381	2,300

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DARE DONATION FUND</u>						
RECEIPTS						
Other				200	0	(200)
Total Receipts				200	0	(200)
DISBURSEMENTS						
Other				436	236	200
Total Disbursements				436	236	200
RECEIPTS OVER (UNDER) DISBURSEMENTS				(236)	(236)	0
CASH, JANUARY 1				236	236	0
CASH, DECEMBER 31				0	0	0
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	4,500	5,294	794	5,000	4,275	(725)
Total Receipts	4,500	5,294	794	5,000	4,275	(725)
DISBURSEMENTS						
Sheriff	6,000	4,516	1,484	6,000	3,768	2,232
Total Disbursements	6,000	4,516	1,484	6,000	3,768	2,232
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,500)	778	2,278	(1,000)	507	1,507
CASH, JANUARY 1	3,144	3,144	0	2,637	2,637	0
CASH, DECEMBER 31	1,644	3,922	2,278	1,637	3,144	1,507
<u>PROSECUTING ATTORNEY'S BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	200	30	(170)	150	230	80
Total Receipts	200	30	(170)	150	230	80
DISBURSEMENTS						
Prosecuting Attorney	600	0	600	300	0	300
Total Disbursements	600	0	600	300	0	300
RECEIPTS OVER (UNDER) DISBURSEMENTS	(400)	30	430	(150)	230	380
CASH, JANUARY 1	418	418	0	188	188	0
CASH, DECEMBER 31	18	448	430	38	418	380
<u>DEBT SERVICE FUND</u>						
RECEIPTS						
Property taxes	3,310	3,388	78	3,047	3,266	219
Interest	2,000	1,821	(179)	7,300	1,801	(5,499)
Total Receipts	5,310	5,209	(101)	10,347	5,067	(5,280)
DISBURSEMENTS						
Payment on bond issue	2,000	2,000	0	2,000	2,000	0
Interest and fees	4,000	2,942	1,058	4,000	2,971	1,029
Total Disbursements	6,000	4,942	1,058	6,000	4,971	1,029
RECEIPTS OVER (UNDER) DISBURSEMENTS	(690)	267	957	4,347	96	(4,251)
CASH, JANUARY 1	32,143	32,143	0	32,047	32,047	0
CASH, DECEMBER 31	31,453	32,410	957	36,394	32,143	(4,251)

Exhibit B

HOLT COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	600	1,010	410			
Interest	0	5	5			
Total Receipts	600	1,015	415			
DISBURSEMENTS						
Law Library	733	1,074	(341)			
Total Disbursements	733	1,074	(341)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(133)	(59)	74			
CASH, JANUARY 1	133	133	0			
CASH, DECEMBER 31	0	74	74			
<u>CLERK'S ELECTION FEE FUND</u>						
RECEIPTS						
Intergovernmental	730	1,753	1,023			
Charges for services	500	0	(500)			
Total Receipts	1,230	1,753	523			
DISBURSEMENTS						
County Clerk	1,200	0	1,200			
Total Disbursements	1,200	0	1,200			
RECEIPTS OVER (UNDER) DISBURSEMENTS	30	1,753	1,723			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	30	1,753	1,723			

Notes to the Financial Statements

HOLT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Holt County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Johnson Grass Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and the other applicable board are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	1999
Community Development Block Grant Fund	2000 and 1999
Victims of Domestic Violence Fund	2000 and 1999
Cemetery Trust Fund	2000 and 1999

Warrants issued were in excess of budgeted amounts for the Law Library Fund in 2000. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2000 and 1999, did not include the Law Library Fund, Community Development Block Grant Fund, Victims of Domestic Violence Fund, and Cemetery Trust Fund.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Supplementary Schedule

Schedule

HOLT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS0451143W	\$ 12,593	0
	Program Total	ERO045-0143	0	11,102
			<u>12,593</u>	<u>11,102</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development				
14.228	Community Development Block Grants/State's Program	99-ED-017	2,000	0
	Program Total	94-PF-848	0	3,500
			<u>2,000</u>	<u>3,500</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety -				
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	ERO172024	5,337	27,574
16.579	Byrne Formula Grant Program	98-NCD1-008	0	8,605
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-044 (14)	26,931	246,910
		BRO-044 (16 & 19)	15,686	0
		BRO-044 (18)	27,967	0
		BRO-044 (20 & 21)	53,358	0
	Program Total		<u>123,942</u>	<u>246,910</u>
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	1,482	0
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	871	44

Schedule

HOLT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
83.534	Emergency Management - State and Local Assistance	N/A	1,346	269
83.544	Public Assistance Grants	N/A	1,297	1,076
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.268	Immunization Grants	N/A	6,989	13,958
		PGO064-1143I	354	0
		PGO064-0143IMM	0	540
	Program Total		<u>7,343</u>	<u>14,498</u>
Department of Social Services -				
93.563	Child Support Enforcement	N/A	0	2,197
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-1143S	490	610
Department of Health -				
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-90085	0	85
93.991	Preventive Health and Health Services Block Grant	N/A	79	166
93.994	Maternal and Child Health Services	ERS146-1143M	16,217	0
	Block Grant to the States	ERS146-0143M	0	11,863
		N/A	395	831
	Program Total		<u>16,612</u>	<u>12,694</u>
Total Expenditures of Federal Awards			\$ <u><u>173,392</u></u>	<u><u>329,330</u></u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

HOLT COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Holt County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$6,989 and \$13,958 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The Preventive Health and Health Services Block Grant (CFDA number 93.991) represents the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$395 and \$831 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Holt County, Missouri

Compliance

We have audited the compliance of Holt County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Holt County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Holt County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Holt County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 4, 2001 (fieldwork completion date)

Schedule

HOLT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major program:

Material weakness identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? yes x none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? yes x no

Identification of major program:

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

00-1	Special Road and Bridge Administrative Service Fee
-------------	---

The county has not developed a plan to repay approximately \$122,000 in excess administrative transfers due from the General Revenue Fund to the Special Road and Bridge Fund.

As of December 31, 1998, the General Revenue Fund owed the Special Road and Bridge Fund approximately \$134,000 for excess administrative service fee transfers, the payment of County Commissioners' salaries and fringe benefits, a portion of the salary and fringe benefits of a County Clerk's employee, and a one time loan from the Road and Bridge Fund to the General Fund. During 1999 and 2000, the amounts transferred were based on actual revenues of the Special Road and Bridge Fund, rather than budgeted expenditures, although the amount actually transferred was for less than the amount calculated.

The amounts actually transferred from the Special Road and Bridge Fund to the General Revenue Fund during 1999 and 2000 were approximately \$12,000 less than allowed, which reduced the amount owed. The County Commission indicated their intentions for transferring a reduced amount was to reduce the amount owed by the General Revenue Fund, but these intentions were not documented in the minutes of their meetings or in the county budget document. No transfers were made from the General Revenue Fund to the Special Road and Bridge Fund to reduce the debt.

Section 50.515, RSMo 2000, allows the county to impose an administrative service fee on the Special Road and Bridge Fund. The administrative service fee shall be imposed only to generate reimbursement sufficient to recoup actual disbursements made from the General Revenue Fund for related administrative services to the fund, and shall not exceed three percent of the Special Road and Bridge Fund's budgeted expenditures.

As a result of the above conditions, approximately \$122,000 is due from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 2000.

WE AGAIN RECOMMEND the County Commission develop a repayment plan for the money which is due from the General Revenue Fund to the Special Road and Bridge Fund and clearly document their intentions for repaying these monies. In addition, the administrative transfers should be calculated in accordance with state law.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We agree and will establish a repayment plan for these monies by February 1, 2002. We will ensure our intentions for repaying these monies each year are documented and the administrative transfer will be calculated in accordance with state law in the future.

00-2

Capital Improvement Sales Tax

On April 5, 1994, the county passed a 10-year Road and Bridge Capital Improvement Sales Tax of one-half of one percent for the purpose of improving roads and bridges. On April 7, 1998, the county passed another 10-year Road and Bridge Capital Improvement Sales Tax of one-half of one percent for the purpose of purchasing gravel to make capital improvements to county roads. The sum of these two Capital Improvement Sales Taxes appears to exceed the statutory maximum set by Section 67.700 RSMo. In addition, Attorney General's Opinion number 97-99, 1999, to Neel states that total Capital Improvement Sales Tax rates cannot exceed one-half of one percent. During the years ended December 31, 2000 and 1999, the county received approximately \$290,000 and \$276,000, respectively from these two sales taxes.

County officials believe they are justified in collecting both sales taxes based on the court case *Davis-v-St. Charles County, Circuit Court of St. Charles County, CV191-7703CC, December 27, 1991*, where the court found that more than one sales tax may be imposed. The fact that a similar matter was litigated in that case was addressed in the cited Attorney General's opinion. The Attorney General's opinion disagreed with the referenced circuit court case.

WE AGAIN RECOMMEND the County Commission review the overall Capital Improvement Sales Taxes being levied and ensure they are in accordance with applicable state statutes.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We will discuss this issue with our legal counsel and will take this recommendation under advisement. The voters of Holt County overwhelmingly approved both of these sales taxes.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HOLT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Holt County, Missouri, on the applicable findings in our prior audit report issued for the two years ended December 31, 1998.

98-1. Special Road and Bridge Administrative Service Fee

Approximately \$134,000 was due from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 1998.

Recommendation:

The County Commission develop a repayment plan for the money which is due from the General Revenue Fund to the Special Road and Bridge Fund. The County Commission should ensure future administrative transfers do not exceed three percent of actual expenditures.

Status:

Partially implemented. Administrative transfers made during the audit period did not exceed the amount allowable by statute; however, a repayment plan has not been developed. See finding number 00-1.

98-2. Capital Improvement Sales Tax

Through the combined rates for both of the capital improvement sales taxes, the county levied one percent which is apparently above the statutory maximum.

Recommendation:

The County Commission review the overall capital improvement sales taxes being levied and ensure they are in accordance with applicable state statutes.

Status:

Not implemented. See finding number 00-2.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HOLT COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

HOLT COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Holt County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 4, 2001. We also have audited the compliance of Holt County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 4, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Holt County and of its compliance with the types of compliance requirements applicable to its major federal program, but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Budgets and Financial Statements

Budgets were not prepared for some county funds for the years ended December 31, 2000 and 1999. The county's annual published financial statements did not include the financial activity of some county funds.

2. Federal Financial Assistance

The Schedule of Federal Awards prepared by the County Clerk for the years ended December 31, 2000 and 1999, contained various errors and omissions. In addition, we noted one reimbursement to the county in the amount of \$16,861 that was held by the county for 15 days before payment was made to the contractor.

3. Law Enforcement Training Fund

The Law Enforcement Training Fund balance as of December 31, 2000 exceeded the amount allowed by state law by approximately \$13,000. Excess funds are to be transferred to the General Revenue Fund. The Law Enforcement Training Fund cash balance includes Peace Officers Standard and Training (POST) monies, which are not separately identified. The county needs to identify the POST monies before transferring excess balances from the Law Enforcement Training Fund to the General Revenue Fund.

4. Computer Controls

Passwords are used by county employees, but are not changed on a periodic basis to ensure confidentiality. In addition, the Assessor, County Collector, and County Clerk are able to access and modify all property tax system records.

5. Property Records and Procedures

The county does not maintain adequate general fixed asset records or perform annual physical inventories in accordance with state law.

6. Commission Meetings

The county did not maintain minutes for closed meetings and the regular meeting minutes did not always disclose the reason for entering into closed session.

7. Leave Records

The County Clerk does not maintain leave records for county employees. .

This Letter on Other Matters is intended for the information of the management of Holt County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS,
AND PROFESSIONAL LAND SURVEYORS**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-98
September 26, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

The following problems were discovered as a result of an audit conducted by our office of the Department of Economic Development, Division of Professional Registration, Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors.

The Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors will need to very closely monitor its revenues and expenditures in fiscal year 2003 to avoid a cash flow shortage. The board has a biennial license renewal cycle, with the largest number of renewals in odd numbered years for engineers. Our audit noted that the amount that revenues exceed expenditures in the odd numbered years has not been sufficient to cover the amount that expenditures exceed revenues in the even numbered years.

During June 1998, the board proposed a fee increase including an emergency amendment. In August 1998, the board reduced the proposed renewal fee from \$80 to \$70 based upon the recommendation of the Division of Professional Registration's budget personnel and did not pursue the proposed emergency amendment based upon the recommendation of the Department of Economic Development's attorney. It appears that had the emergency amendment been allowed and the \$10 fee reduction not occurred, the cash position of the board's fund would have been significantly improved and further fee increases could have been avoided or at least delayed for several years.

Because the emergency amendment was not pursued and the proposed fee increase was reduced by \$10, the board again determined that funds would not be adequate and proposed another fee increase. This proposal increased renewal license fees from \$70 to \$100 and also increased other fees. Our office noted that the five-years of projected revenues used to calculate this fee increase did not include certain fees.

The in-house investigator does not review the contract investigator's billings for reasonableness. Investigations performed by consultants are much more costly than investigations performed by the board's employees. The board employs one investigator and contracts with one investigative firm. The investigative firm completes investigations that require both general investigative skills and specific expertise in the professions of architects, engineers, and land surveyors. For the year ended June 30, 2000, the board paid the firm \$95,515 for 3,039 hours or an average of \$31 per hour, while the cost of the in-house investigator was approximately \$24 per hour.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND
PROFESSIONAL LAND SURVEYORS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Joseph L. Driskill, Director
Department of Economic Development
and
Marilyn Williams, Director
Division of Professional Registration
and
Members of the Missouri Board for Architects,
Professional Engineers, and Professional Land Surveyors
Jefferson City, MO 65102

We have audited the Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objectives of this audit were to:

1. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions, as we deemed necessary or appropriate in the circumstances.
2. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we also examined the Board's financial and management records, made inquiries of Board employees, and examined other papers and documents as determined appropriate for the audit.

As part of our audit, we assessed the Board's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional

procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the Board's management and was not subjected to the procedures applied in the audit of the Board.

The accompanying Management Advisory Report Section presents our findings arising from our audit of the Board.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 7, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Blattel, CPA
In-Charge Auditor:	Joyce Nielson, CPA
Audit Staff:	Mark Rodabaugh

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND
PROFESSIONAL LAND SURVEYORS
SUMMARY OF FINDINGS

1. Financial Condition (pages 6-8)

The Division of Professional Registration denied an emergency amendment and reduced a license fee increase by \$10 that significantly reduced the revenue of the Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors (APELS). As a result, the APELS may encounter cash flow difficulties in the near future. Also, the five-years of projected revenues used to calculate a fee increase did not include certain fees or fees were included at inaccurate amounts.

2. Investigations (pages 8-11)

The investigators do not prepare a plan or estimate of time required to complete investigations. The number of APELS employees used to perform investigations is not sufficient to complete all investigations. The Board's contracts with expert witnesses do not establish separate billing rates for time spent consulting, traveling, and providing clerical services for the witness. As a result, the time spent on travel and clerical services are billed to APELS at a higher rate than may be necessary.

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND
PROFESSIONAL LAND SURVEYORS
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1.	Financial Condition
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If current trends continue, the Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors (APELS) cash balance will decline further and could significantly effect board operations in early fiscal year 2003. Considering the current operations and projections, the APELS will need to very closely monitor its revenues and expenditures in fiscal year 2003 to avoid a cash flow shortage. The APELS receives most of its license fees during the months of November and December. The APELS has a biennial license renewal cycle, with the largest number of renewals in odd numbered years for engineers. The number of licensees is approximately 4,500 architects, 900 land surveyors, and 15,800 engineers. Because collections fluctuate widely each year, these collections must be managed or expended in a manner that will allow the APELS to cover expenditures on an ongoing basis. Our audit noted that the amount that revenues exceed expenditures in the odd numbered years has not been sufficient to cover the amount that expenditures exceed revenues in the even numbered years as shown below:

	Year Ended June 30,					July 2000 -
	1996	1997	1998	1999	2000	May 2001
Beginning balance \$	1,046,371	779,075	924,704	383,545	422,933	191,486
Revenues	550,426	1,019,967	532,476	1,093,343	760,234	1,353,377
Expenditures	503,622	634,679	703,310	675,795	673,944	585,362
Transfers	314,100	239,659	370,325	378,160	317,737	376,680
Ending balance \$	<u>779,075</u>	<u>924,704</u>	<u>383,545</u>	<u>422,933</u>	<u>191,486</u>	<u>582,821</u>

- A. During June 1998, APELS proposed a fee increase including an emergency amendment. As documented in the August 1998 board minutes, the Board proposed to increase the renewal fee from \$60 to \$80 but then reduced the proposed renewal fee from \$80 to \$70 based upon the recommendation of the Division of Professional Registration's (DPR) budget personnel. In addition, the Board, as documented in its minutes, did not pursue the proposed emergency amendment based upon the recommendation of the Department of Economic Development's attorney. Other than the board minutes, there was no other documentation to explain the reasons for the fee reduction and the dropping of the emergency amendment.

The fee increase was filed on October 1, 1998, and became effective May 30, 1999, which caused the fee increase to take effect one year later than would have occurred if the emergency provision had not been dropped, thereby reducing potential revenues. It appears that had the emergency amendment been pursued and the \$10 fee reduction not occurred, the cash position of the Board's fund would have been significantly improved and further fee increases could have been avoided or at least delayed for several years. The following table indicates the effects on revenue had the additional \$10 fee increase and emergency amendment been approved:

	Year Ended June 30,						
	1999	2000	2001	2002	2003	2004	2005
Beginning balance \$	412,769	640,617	417,962	739,506	347,941	647,006	226,160
Revenues	1,251,343	814,234	1,515,095	830,560	1,529,290	842,935	1,547,766
Expenditures	663,153	692,686	814,064	828,300	843,248	858,942	875,422
Transfers	360,342	344,203	379,487	393,825	386,977	404,839	427,094
Ending balance \$	<u>640,617</u>	<u>417,962</u>	<u>739,506</u>	<u>347,941</u>	<u>647,006</u>	<u>226,160</u>	<u>471,410</u>

Because the emergency amendment was not pursued and the proposed fee increase was reduced by \$10, the APELS again determined that funds would not be adequate and proposed another fee increase that was filed November 21, 2000, and became effective May 30, 2001. This proposal increased renewal license fees from \$70 to \$100 and also increased most other fees.

- B. We noted that the five-years of projected revenues used to calculate the fee increases did not include certain fees, including the land surveyor Missouri specific reexamination fee for fiscal years 2001, 2002, 2004, and 2005, and the out-of-state proctor fee for fiscal years 2001, 2004, and 2005. In addition, certain fees were included at inaccurate amounts, including the architect application fee, engineer-in-training and land surveyor-in-training application fees for the fiscal years 2002, 2004, and 2005, and the corporate renewal fee for the fiscal years 2002 and 2004. These errors resulted in a decrease in projected revenues of \$9,210; \$940; \$7,565; and \$7,515 for fiscal years 2002, 2003, 2004, and 2005, respectively. To ensure fee increases are sufficient, APELS must use accurate fee amounts in projecting revenues for the fee increases.

To ensure sufficient cash is on-hand to pay bills, the APELS must make accurate revenue projections. This is particularly important in the first few months of fiscal year 2003 when the projected cash balance taking into effect the changes discussed above, is expected to be less than \$80,000. This estimated balance does not include any unforeseen expenditures or transfers that could cause additional decreases in the fund's projected cash balance.

WE RECOMMEND:

- A. The DPR fully document its decisions regarding board fee increase requests and ensure all of these decisions are based on complete and accurate financial analyses.
- B. The APELS closely monitor the revenues, expenditures, and cash balance of its fund and prepare accurate and timely projections to ensure an adequate cash balance is maintained.

AUDITEE'S RESPONSE

A. *Division Response:*

The Division of Professional Registration concurs with the recommendation and has implemented improvements in this area.

Board Response:

The Missouri Board for Architects, Professional Engineers and Professional Land Surveyors (Board) concurs with the recommendation of the State Auditor and has been advised that the Division of Professional Registration has already implemented improvements in this area.

B. *Board Response:*

The Board concurs with the recommendation of the State Auditor. There is cause to review the need for accurate revenue projections; therefore, the Board is studying and developing a new procedure for monitoring the revenues, expenditures, and cash balance of its fund and will certainly be looking to arrive at a procedure which will be accurate and timely as well as one that will ensure the reporting of consistent statistics so that an adequate cash balance is maintained.

2. Investigations

The Missouri Board for Architects, Professional Engineers and Professional Land Surveyors (APELS) had 101 investigations in process on January 1, 2000, and received 63 additional complaints during the year ended December 31, 2000, on which investigations must be completed within three years. These investigations are performed by using both staff investigators of the APELS and contracted investigative services. Our review of the investigation processes noted the following:

- A. A written plan for investigating a case or an estimate of the time required to complete the investigation is not prepared. In addition, the APELS has not reviewed the procedures used for investigations and the in-house investigator does

not review the contract investigator's billings for reasonableness. Once the APELS has assigned a case to an investigator, the APELS has little involvement with the case. The investigators do give verbal interim reports on investigations in process at the quarterly board meetings.

To ensure investigations are completed timely and to allow the APELS to manage its expenditures, the investigators should submit a plan and an estimate of the time required to complete an investigation to the APELS for their approval before the investigator begins work on the case. An alternative would be for the APELS to establish time estimates for completing investigations by type of case. Then the APELS could require the investigators to inform the APELS when an investigation cannot be completed within the established time estimates. In addition, the in-house investigator should review the contractor's billings for reasonableness.

- B. Investigations performed by consultants are much more costly than investigations performed by APELS employees. The APELS employs one investigator. In addition, the APELS contracts with one investigative firm that has several investigators who work on APELS cases. The investigative firm completes investigations that require both general investigative skills and specific expertise in the professions of architects, engineers, and land surveyors.

For the year ended June 30, 2000, the APELS paid the investigative firm \$95,515 for 3,039 hours, or an average of more than \$31 per hour. A significant number of these hours were for general investigative work. For the year ended June 30, 2000, the cost of the in-house investigator was approximately \$24 per hour.

The APELS could easily employ an additional investigator. With an additional investigator, the APELS would save approximately \$16,000 per year in investigative costs. The APELS should continually evaluate the number of employees necessary to complete the investigations and employ additional investigators if needed in future years.

- C. The APELS contracts with expert witnesses for investigations at one rate for all of the witness's time, including time spent consulting, traveling, and providing clerical services. The APELS incurred approximately \$69,000 in expert witness fees during the year ended June 30, 2000. The Division of Professional Registration (DPR) generally uses a request for proposal (RFP) form for investigative services that requires separate billing rates for time spent investigating, traveling, and providing clerical services. Investigation time is usually billed at a higher rate than travel and clerical services. The APELS should use a form similar to the DPR's RFP form so the billing rates of the expert witness reflect the level of expertise required for the task being performed.

WE RECOMMEND the APELS:

- A. Require its investigators to submit a plan and an estimate of the time required to complete an investigation to the APELS for its approval before the investigator begins work on the case. As an alternative, the APELS could establish time estimates to complete investigations by type of case and require investigators to inform the APELS when an investigation cannot be completed within the established time estimate. In addition, the APELS should review procedures being used by investigators for appropriateness and to monitor investigative costs. Furthermore, the in-house investigator should review the contractor's billings for reasonableness.
- B. Request, through the budget process, an additional employee for an investigator position to reduce the number of investigations that must be performed by consultants.
- C. Use the DPR's RFP form to establish billing rates for expert witnesses that reflect the level of expertise required for the task being performed.

AUDITEE'S RESPONSE

The Board provided the following responses:

- A. *In compliance with the State Auditor's recommendation, if and when contract investigative services are utilized, the Board's investigator will be responsible for monitoring the contract investigator's activities and billable hours by requiring the submission of a written plan which is to include an estimate of the time required to complete the investigation. In addition, he will also be responsible for reviewing the contract investigator's invoices for propriety and reasonableness. Any identified problems are to be properly documented before presenting invoices to the Executive Director for review and approval.*
- B. *We concur in principle with the State Auditor's conclusion that by requesting an additional in-house investigator position the number of investigations that are referred to the contract investigators will be reduced. However, at this particular point in time, the caseload is such that the Board's current investigator is able to handle it with limited assistance from the contract investigators; therefore, the hiring of an additional investigator is not warranted. If this situation should change at some future date, this issue will then be revisited. However, given the complexity of some of the Board's cases, the Board needs to retain the ability and avenue of using contract investigators who have specialized knowledge and skills in the areas of land surveying, architecture and engineering.*
- C. *The Board concurs with the State Auditor's recommendation and has already implemented a procedure to ensure that billing rates for expert witnesses are broken*

down showing time spent consulting, traveling, and providing clerical services so as to actually reflect the level of expertise required for the task being performed.

This report is intended for the information of the management of the Department of Economic Development, Division of Professional Registration, Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND
PROFESSIONAL LAND SURVEYORS
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Board for Architects, Professional Engineers, and Professional Land Surveyors was originally created by the legislature as the State Board of Registration for Architects and Professional Engineers. In 1955, the Sixty-Eighth General Assembly placed registration of land surveyors under the Board's jurisdiction. The Board was transferred to the Division of Professional Registration under the Omnibus State Reorganization Act of 1974.

The Board determines the ability of applicants to practice architecture, engineering, or surveying. The Board also registers and regulates the members of the profession. Currently, the Board has issued the following licenses: architects - 4,519; professional engineers - 15,787; and professional land surveyors - 912.

The Board consists of eleven members, including one voting public member, each nominated by the director of Department of Economic Development, and appointed by the governor, with the advice and consent of the Senate, for a four-year term.

Members of the Board must have been residents of Missouri for at least five years and, except for the public member, must be licensed under this board in accordance with the Missouri law. The Board members must have been actively engaged in their respective profession for ten consecutive years immediately prior to their appointment. The Board members at June 30, 2000, were:

<u>Member</u>	<u>Term Expires</u>
Paul Munger, Chairman of the Board	October 3, 2001
Mary L. Butts Bruntrager, Public Member	August 16, 2002
Architectural Division:	
Victoria L. Noteis, Chairman	September 1, 2000*
Stuart S. Scroggs, Member	October 3, 2001
Charles C. Hill, Member	August 28, 2003
Professional Engineering Division:	
Donald L. Hiatte, Chairman	December 13, 2001
Josephine L. Emerick, Member	September 1, 2000*
Cheri J. Leigh, Member	September 28, 2003
Professional Land Surveying Division:	
James S. Anderson, Chairman	September 28, 2001
Richard J. Barr, Member	September 28, 2000*
Thomas J. Mathis, III, Member	September 28, 2002

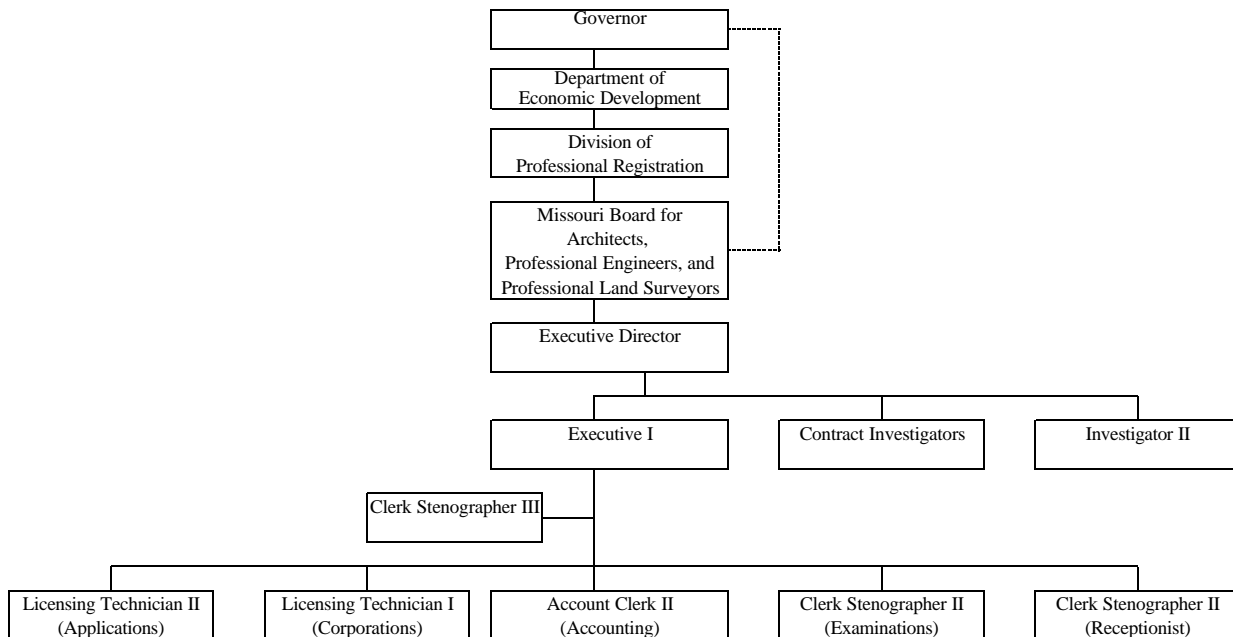
* Full member until a replacement is appointed.

Other Board members between July 1, 1998, and June 30, 2000, were Karl A. Grice, Gerard J. Harms, Sharon L. Thomas, and Robert G. Wade.

Board members receive a \$50 per diem compensation and expenses while performing their duties. The Board appoints an executive director to perform the administrative duties of the Board. Brenda Crain served as Executive Director until she retired on May 1, 2000. C. Michael Perry served as Acting Executive Director from May 1, 2000, through June 15, 2000. Milton F. Barr served as Executive Director from June 15, 2000, until he resigned on February 6, 2001. Judy Kempker served as Acting Executive Director from February 6, 2001, through May 4, 2001 when she was appointed as the Executive Director. The Board has eight full-time employees.

An organization chart follows.

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND PROFESSIONAL LAND SURVEYORS
ORGANIZATION CHART
JUNE 30, 2000



APPENDIX

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI BOARD FOR ARCHITECTS, PROFESSIONAL ENGINEERS, AND PROFESSIONAL LAND SURVEYORS FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH AND INVESTMENTS
FIVE YEARS ENDED JUNE 30, 2000

		Year Ended June 30,				
		2000	1999	1998	1997	1996
Revenue	\$	760,234	1,093,343	532,476	1,019,967	550,426
Board controlled expenditures						
Personal service		238,468	222,495	205,709	189,411	187,268
Per diem		3,913	21,438	26,253	31,151	22,809
Expense and equipment		431,563	431,862	471,348	414,117	293,545
Total expenditures		673,944	675,795	703,310	634,679	503,622
Board related transfers						
Rent		25,198	23,842	23,011	23,225	22,956
Utilities		0	0	1,514	5,458	5,728
Workers compensation fund		0	142	609	2,854	0
Hancock refunds		13,754	47,055	48,637	0	0
General revenue		82,120	95,583	148,424	65,553	108,616
Fringe benefits		66,611	66,748	57,038	54,654	53,409
Refunds		2,410	2,266	0	0	0
Division transfers						
Professional registration		96,543	66,238	64,218	66,082	86,846
Optical imaging		1,402	0	0	0	0
Licensing system		1,322	36,394	0	0	0
Department transfers						
Administration/MIS/QED/mailroom		28,377	39,892	26,874	21,833	36,545
Total transfers		317,737	378,160	370,325	239,659	314,100
Total expenditures and transfers		991,681	1,053,955	1,073,635	874,338	817,722
Revenues over (under) expenditures and transfers		(231,447)	39,388	(541,159)	145,629	(267,296)
Cash and Investments, July 1		422,933	383,545	924,704	779,075	1,046,371
Cash and Investments, June 30	\$	191,486	422,933	383,545	924,704	779,075

* * * * *



**STODDARD COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-97
September 25, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Stoddard, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Stoddard County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The Sheriff's department and reserve deputies maintain several bank accounts outside the county treasury. The Sheriff indicated that he did not know how many accounts there were, that he got no reporting on the accounts, and that he believed these accounts were not subject to audit because they were not county funds.

However, we subpoenaed some records and found that at least \$4,700 in federal receipts were deposited in these accounts. Additionally, commissary profits which are maintained in one of the accounts are accountable fees that should be handled through the county treasury. More than \$50,000 of receipts and disbursements in three accounts were not monitored by a county official.

- The County Commission has no assurance payments made to the Sheriff, totaling more than \$106,000, for preparing and serving meals to prisoners are reasonable. The County Commission does not receive or review any documentation supporting the actual food costs incurred by the Sheriff. In addition, the amounts are not reported to the IRS on the Sheriff's W-2 form.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Stoddard County's Associate County Commissioners salaries were each increased approximately \$8,955 yearly, according to information from the county clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$17,910, for the two years ended December 31, 2000, should be repaid.

- The County Commission did not adequately monitor townships and special road districts receiving federal monies for bridge replacement and repair. In addition, the County Commission did not enter into written contracts with the townships and special road districts for distribution of County Aid Road Trust (CART) monies.
- The county prepared a schedule of expenditures of federal awards, for the years ended December 31, 2000 and 1999; however, the schedule contained a number of errors and omissions with expenditures over reported by approximately \$114,000 for 2000 and understated by approximately \$62,000 for 1999.

Also included in the audit are recommendations related to budgetary practices, published financial statements, township interest distribution, mileage, general fixed assets, and computer controls. The audit also suggested improvements in the record keeping of the County Clerk, County Treasurer/Ex-Officio Collector, Prosecuting Attorney, Recorder of Deeds, Circuit Clerk, and the Sheriff's Fee Account and Inmate Account. Several of these issues have been mentioned in prior audits.

All reports are available on our website: www.auditor.state.mo.us

STODDARD COUNTY, MISSOURI

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STODDARD COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Stoddard County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Stoddard County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Stoddard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Stoddard County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Stoddard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 7, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Stoddard County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

June 7, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA
Audit Staff:	Michael J. Monia
	Chris Vetter



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Stoddard County, Missouri

We have audited the special-purpose financial statements of various funds of Stoddard County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Stoddard County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Stoddard County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Stoddard County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 7, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

STODDARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,247,453	2,232,209	2,577,114	902,548
Special Road and Bridge	1,264,473	1,613,072	1,700,895	1,176,650
Assessment	90,954	241,910	220,718	112,146
Law Enforcement Training	6,060	4,546	4,806	5,800
Prosecuting Attorney Training	6,585	897	265	7,217
Drainage Districts	156,490	26,404	26,000	156,894
County Farm	57,593	0	0	57,593
Prosecuting Attorney Administration	39,787	20,784	27,102	33,469
Recorder Maintenance	20,770	14,767	20,381	15,156
Domestic Violence	14,643	3,429	6,000	12,072
Crime Reduction	4,094	0	259	3,835
Prosecuting Attorney Delinquent Tax	4,437	1,775	847	5,365
Archives	5,051	0	10,083	(5,032)
Use Tax	55,555	0	0	55,555
D.A.R.E.	1,845	0	1,046	799
Sheriff's Forfeiture	1,767	0	920	847
P.O.S.T.	6,960	2,167	530	8,597
Sheriff's Civil Process	10,216	16,576	21,557	5,235
Capital Improvements	603,478	0	297,023	306,455
Associate Circuit Division Interest	8,688	2,183	2,552	8,319
Circuit Division Interest	23,243	2,660	703	25,200
Law Library	6,266	12,400	11,062	7,604
Total	\$ 3,636,408	4,195,779	4,929,863	2,902,324

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

STODDARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,206,402	2,307,612	2,266,561	1,247,453
Special Road and Bridge	1,175,497	1,671,586	1,582,610	1,264,473
Assessment	77,783	234,926	221,755	90,954
Law Enforcement Training	4,412	6,558	4,910	6,060
Prosecuting Attorney Training	5,397	1,485	297	6,585
Drainage Districts	163,356	32,199	39,065	156,490
County Farm	58,455	0	862	57,593
Prosecuting Attorney Administration	35,124	26,735	22,072	39,787
Recorder Maintenance	23,578	21,028	23,836	20,770
Domestic Violence	18,774	5,869	10,000	14,643
Crime Reduction	3,880	481	267	4,094
Prosecuting Attorney Delinquent Tax	2,822	1,915	300	4,437
Archives	2,081	13,526	10,556	5,051
Use Tax	53,421	2,134	0	55,555
D.A.R.E	3,718	1,289	3,162	1,845
Sheriff's Forfeiture	3,624	143	2,000	1,767
P.O.S.T.	3,589	3,371	0	6,960
Sheriff's Civil Process	15,133	24,694	29,611	10,216
Capital Improvements	590,563	12,915	0	603,478
Associate Circuit Division Interest	7,428	4,865	3,605	8,688
Circuit Division Interest	15,936	7,307	0	23,243
Law Library	5,401	10,667	9,802	6,266
Total	\$ 3,476,374	4,391,305	4,231,271	3,636,408

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

STODDARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 6,750,918	4,178,536	(2,572,382)	4,226,821	4,368,466	141,645
DISBURSEMENTS	8,391,019	4,915,546	3,475,473	5,360,186	4,217,864	1,142,322
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,640,101)	(737,010)	903,091	(1,133,365)	150,602	1,283,967
CASH, JANUARY 1	3,598,211	3,598,211	0	3,447,609	3,447,609	0
CASH, DECEMBER 31	1,958,110	2,861,201	903,091	2,314,244	3,598,211	1,283,967
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	322,514	330,596	8,082	354,957	321,041	(33,916)
Sales taxes	1,000,000	1,001,637	1,637	960,000	1,012,988	52,988
Intergovernmental	522,207	499,104	(23,103)	560,691	488,231	(72,460)
Charges for services	313,100	275,108	(37,992)	297,500	313,540	16,040
Interest	100,000	66,306	(33,694)	95,000	100,620	5,620
Other	62,400	59,458	(2,942)	37,000	71,192	34,192
Total Receipts	2,320,221	2,232,209	(88,012)	2,305,148	2,307,612	2,464
DISBURSEMENTS						
County Commission	89,390	88,303	1,087	89,390	88,352	1,038
County Clerk	95,024	91,364	3,660	93,824	87,882	5,942
Elections	127,296	143,171	(15,875)	107,596	87,548	20,048
Buildings and grounds	103,106	96,816	6,290	104,806	89,124	15,682
Employee fringe benefits	266,425	242,429	23,996	271,112	242,849	28,263
County Treasurer	118,974	109,806	9,168	115,374	109,862	5,512
Ex Officio Recorder of Deeds	109,360	106,186	3,174	105,960	104,950	1,010
Circuit Clerk	27,500	22,829	4,671	29,500	24,468	5,032
Associate Circuit Court	28,615	13,496	15,119	48,275	28,097	20,178
Associate Circuit (Probate)	25,250	13,945	11,305	25,000	20,567	4,433
Court administration	14,935	11,815	3,120	14,461	8,500	5,961
Public Administrator	17,200	8,146	9,054	16,900	14,233	2,667
Sheriff	642,700	632,699	10,001	626,988	620,602	6,386
Prosecuting Attorney	149,896	129,537	20,359	145,296	138,124	7,172
Juvenile Officer	399,020	716,967	(317,947)	374,183	373,694	489
County Coroner	21,425	13,662	7,763	19,150	17,050	2,100
Building improvements	53,500	8,074	45,426	53,500	24,666	28,834
Highway Engineer	100	0	100	100	0	100
Emergency management	16,350	16,567	(217)	15,080	13,784	1,296
Other	185,546	106,602	78,944	207,778	168,709	39,069
Public health and welfare services	5,000	4,700	300	5,000	3,500	1,500
Transfers out	396,522	0	396,522	0	0	0
Emergency Fund	80,000	0	80,000	80,000	0	80,000
Total Disbursements	2,973,134	2,577,114	396,020	2,549,273	2,266,561	282,712
RECEIPTS OVER (UNDER) DISBURSEMENTS	(652,913)	(344,905)	308,008	(244,125)	41,051	285,176
CASH, JANUARY 1	1,247,453	1,247,453	0	1,206,402	1,206,402	0
CASH, DECEMBER 31	594,540	902,548	308,008	962,277	1,247,453	285,176
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Intergovernmental	1,584,000	1,589,602	5,602	1,328,000	1,620,026	292,026
Interest	52,000	23,470	(28,530)	52,000	51,560	(440)
Total Receipts	1,636,000	1,613,072	(22,928)	1,380,000	1,671,586	291,586
DISBURSEMENTS						
Road and bridge materials	20,000	629	19,371	20,000	4,794	15,206
Construction, repair, and maintenance	1,814,473	1,700,266	114,207	1,625,497	1,577,816	47,681
Total Disbursements	1,834,473	1,700,895	133,578	1,645,497	1,582,610	62,887
RECEIPTS OVER (UNDER) DISBURSEMENTS	(198,473)	(87,823)	110,650	(265,497)	88,976	354,473
CASH, JANUARY 1	1,264,473	1,264,473	0	1,175,497	1,175,497	0
CASH, DECEMBER 31	1,066,000	1,176,650	110,650	910,000	1,264,473	354,473

Exhibit B

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	240,900	240,233	(667)	231,973	229,511	(2,462)
Interest	5,400	1,677	(3,723)	5,100	5,415	315
Total Receipts	246,300	241,910	(4,390)	237,073	234,926	(2,147)
DISBURSEMENTS						
Assessor	290,551	220,718	69,833	286,487	221,755	64,732
Total Disbursements	290,551	220,718	69,833	286,487	221,755	64,732
RECEIPTS OVER (UNDER) DISBURSEMENTS	(44,251)	21,192	65,443	(49,414)	13,171	62,585
CASH, JANUARY 1	90,954	90,954	0	77,783	77,783	0
CASH, DECEMBER 31	46,703	112,146	65,443	28,369	90,954	62,585
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	6,000	4,546	(1,454)	5,000	6,341	1,341
Interest	200	0	(200)	175	217	42
Total Receipts	6,200	4,546	(1,654)	5,175	6,558	1,383
DISBURSEMENTS						
Sheriff	6,050	4,806	1,244	6,050	4,910	1,140
Total Disbursements	6,050	4,806	1,244	6,050	4,910	1,140
RECEIPTS OVER (UNDER) DISBURSEMENTS	150	(260)	(410)	(875)	1,648	2,523
CASH, JANUARY 1	6,060	6,060	0	4,412	4,412	0
CASH, DECEMBER 31	6,210	5,800	(410)	3,537	6,060	2,523
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,200	782	(418)	1,000	1,226	226
Interest	200	115	(85)	150	259	109
Total Receipts	1,400	897	(503)	1,150	1,485	335
DISBURSEMENTS						
Prosecuting Attorney	4,000	265	3,735	3,000	297	2,703
Total Disbursements	4,000	265	3,735	3,000	297	2,703
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,600)	632	3,232	(1,850)	1,188	3,038
CASH, JANUARY 1	6,585	6,585	0	5,397	5,397	0
CASH, DECEMBER 31	3,985	7,217	3,232	3,547	6,585	3,038
<u>DRAINAGE DISTRICTS FUND</u>						
RECEIPTS						
Property taxes	25,525	25,570	45	31,500	25,545	(5,955)
Interest	6,600	834	(5,766)	6,300	6,654	354
Total Receipts	32,125	26,404	(5,721)	37,800	32,199	(5,601)
DISBURSEMENTS						
Drainage Districts	50,000	26,000	24,000	50,000	39,065	10,935
Total Disbursements	50,000	26,000	24,000	50,000	39,065	10,935
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,875)	404	18,279	(12,200)	(6,866)	5,334
CASH, JANUARY 1	156,490	156,490	0	163,356	163,356	0
CASH, DECEMBER 31	138,615	156,894	18,279	151,156	156,490	5,334

Exhibit B

STODDARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COUNTY FARM FUND</u>						
RECEIPTS						
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Other	50,000	0	50,000	50,000	862	49,138
Total Disbursements	50,000	0	50,000	50,000	862	49,138
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50,000)	0	50,000	(50,000)	(862)	49,138
CASH, JANUARY 1	57,593	57,593	0	58,455	58,455	0
CASH, DECEMBER 31	7,593	57,593	50,000	8,455	57,593	49,138
<u>PROSECUTING ATTORNEY ADMINISTRATION FUND</u>						
RECEIPTS						
Charges for services	26,500	20,784	(5,716)	19,500	25,235	5,735
Interest	1,500	0	(1,500)	1,500	1,500	0
Total Receipts	28,000	20,784	(7,216)	21,000	26,735	5,735
DISBURSEMENTS						
Prosecuting Attorney	41,632	27,102	14,530	24,500	22,072	2,428
Total Disbursements	41,632	27,102	14,530	24,500	22,072	2,428
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,632)	(6,318)	7,314	(3,500)	4,663	8,163
CASH, JANUARY 1	39,787	39,787	0	35,124	35,124	0
CASH, DECEMBER 31	26,155	33,469	7,314	31,624	39,787	8,163
<u>RECORDER MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	20,000	14,767	(5,233)	12,000	20,055	8,055
Interest	1,000	0	(1,000)	900	973	73
Total Receipts	21,000	14,767	(6,233)	12,900	21,028	8,128
DISBURSEMENTS						
Recorder	21,728	20,381	1,347	24,364	23,836	528
Total Disbursements	21,728	20,381	1,347	24,364	23,836	528
RECEIPTS OVER (UNDER) DISBURSEMENTS	(728)	(5,614)	(4,886)	(11,464)	(2,808)	8,656
CASH, JANUARY 1	20,770	20,770	0	23,578	23,578	0
CASH, DECEMBER 31	20,042	15,156	(4,886)	12,114	20,770	8,656
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	5,000	3,429	(1,571)	5,100	4,962	(138)
Interest	900	0	(900)	625	907	282
Total Receipts	5,900	3,429	(2,471)	5,725	5,869	144
DISBURSEMENTS						
Payments to shelters	6,000	6,000	0	10,000	10,000	0
Total Disbursements	6,000	6,000	0	10,000	10,000	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	(2,571)	(2,471)	(4,275)	(4,131)	144
CASH, JANUARY 1	14,643	14,643	0	18,774	18,774	0
CASH, DECEMBER 31	14,543	12,072	(2,471)	14,499	14,643	144

Exhibit B

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CRIME REDUCTION FUND</u>						
RECEIPTS						
Charges for services	350	0	(350)	1,900	325	(1,575)
Interest	150	0	(150)	100	156	56
Total Receipts	500	0	(500)	2,000	481	(1,519)
DISBURSEMENTS						
Prosecuting Attorney	2,500	259	2,241	2,500	267	2,233
Total Disbursements	2,500	259	2,241	2,500	267	2,233
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	(259)	1,741	(500)	214	714
CASH, JANUARY 1	4,094	4,094	0	3,880	3,880	0
CASH, DECEMBER 31	2,094	3,835	1,741	3,380	4,094	714
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	1,875	1,775	(100)	1,000	1,786	786
Interest	125	0	(125)	100	129	29
Total Receipts	2,000	1,775	(225)	1,100	1,915	815
DISBURSEMENTS						
Prosecuting Attorney	2,000	847	1,153	2,000	300	1,700
Total Disbursements	2,000	847	1,153	2,000	300	1,700
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	928	928	(900)	1,615	2,515
CASH, JANUARY 1	4,437	4,437	0	2,822	2,822	0
CASH, DECEMBER 31	4,437	5,365	928	1,922	4,437	2,515
<u>ARCHIVES FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	39,900	0	(39,900)
Transfers in	8,000	0	(8,000)	26,475	13,526	(12,949)
Total Receipts	8,000	0	(8,000)	66,375	13,526	(52,849)
DISBURSEMENTS						
Recorder	13,012	10,083	2,929	68,452	10,556	57,896
Total Disbursements	13,012	10,083	2,929	68,452	10,556	57,896
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,012)	(10,083)	(5,071)	(2,077)	2,970	5,047
CASH, JANUARY 1	5,051	5,051	0	2,081	2,081	0
CASH, DECEMBER 31	39	(5,032)	(5,071)	4	5,051	5,047
<u>USE TAX FUND</u>						
RECEIPTS						
Interest	2,100	0	(2,100)	4,500	2,134	(2,366)
Total Receipts	2,100	0	(2,100)	4,500	2,134	(2,366)
DISBURSEMENTS						
Other	55,555	0	55,555	0	0	0
Total Disbursements	55,555	0	55,555	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(53,455)	0	53,455	4,500	2,134	(2,366)
CASH, JANUARY 1	55,555	55,555	0	53,421	53,421	0
CASH, DECEMBER 31	2,100	55,555	53,455	57,921	55,555	(2,366)

Exhibit B

STODDARD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>D.A.R.E. FUND</u>						
RECEIPTS						
Other	1,000	0	(1,000)	200	1,289	1,089
Total Receipts	1,000	0	(1,000)	200	1,289	1,089
DISBURSEMENTS						
Sheriff	1,761	1,046	715	3,500	3,162	338
Total Disbursements	1,761	1,046	715	3,500	3,162	338
RECEIPTS OVER (UNDER) DISBURSEMENTS	(761)	(1,046)	(285)	(3,300)	(1,873)	1,427
CASH, JANUARY 1	1,845	1,845	0	3,718	3,718	0
CASH, DECEMBER 31	1,084	799	(285)	418	1,845	1,427
<u>SHERIFF'S FORFEITURE FUND</u>						
RECEIPTS						
Other	150	0	(150)	175	143	(32)
Total Receipts	150	0	(150)	175	143	(32)
DISBURSEMENTS						
Sheriff	1,623	920	703	2,500	2,000	500
Total Disbursements	1,623	920	703	2,500	2,000	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,473)	(920)	553	(2,325)	(1,857)	468
CASH, JANUARY 1	1,767	1,767	0	3,624	3,624	0
CASH, DECEMBER 31	294	847	553	1,299	1,767	468
<u>P.O.S.T. FUND</u>						
RECEIPTS						
Charges for services	3,500	2,167	(1,333)	1,500	3,371	1,871
Total Receipts	3,500	2,167	(1,333)	1,500	3,371	1,871
DISBURSEMENTS						
Sheriff	2,000	530	1,470	1,500	0	1,500
Total Disbursements	2,000	530	1,470	1,500	0	1,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500	1,637	137	0	3,371	3,371
CASH, JANUARY 1	6,960	6,960	0	3,589	3,589	0
CASH, DECEMBER 31	8,460	8,597	137	3,589	6,960	3,371
<u>SHERIFF'S CIVIL PROCESS FUND</u>						
RECEIPTS						
Charges for services	25,000	16,576	(8,424)	30,000	24,694	(5,306)
Total Receipts	25,000	16,576	(8,424)	30,000	24,694	(5,306)
DISBURSEMENTS						
Sheriff	35,000	21,557	13,443	40,000	29,611	10,389
Total Disbursements	35,000	21,557	13,443	40,000	29,611	10,389
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,000)	(4,981)	5,019	(10,000)	(4,917)	5,083
CASH, JANUARY 1	10,216	10,216	0	15,133	15,133	0
CASH, DECEMBER 31	216	5,235	5,019	5,133	10,216	5,083

Exhibit B

STODDARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CAPITAL IMPROVEMENTS FUND</u>						
RECEIPTS						
Interest	15,000	0	(15,000)	15,000	12,915	(2,085)
Other	2,000,000	0	(2,000,000)	0	0	0
Transfers in	396,522	0	(396,522)	100,000	0	(100,000)
Total Receipts	2,411,522	0	(2,411,522)	115,000	12,915	(102,085)
DISBURSEMENTS						
Building and grounds	3,000,000	297,023	2,702,977	590,563	0	590,563
Total Disbursements	3,000,000	297,023	2,702,977	590,563	0	590,563
RECEIPTS OVER (UNDER) DISBURSEMENTS	(588,478)	(297,023)	291,455	(475,563)	12,915	488,478
CASH, JANUARY 1	603,478	603,478	0	590,563	590,563	0
CASH, DECEMBER 31	15,000	306,455	291,455	115,000	603,478	488,478

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

STODDARD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Stoddard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission or an elected county official. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Associate Circuit Division Interest Fund	2000 and 1999
Circuit Division Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff's Forfeiture Fund	2000 and 1999
Associate Circuit Division Interest Fund	2000 and 1999
Circuit Division Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

Of the bank balance at December 31, 2000, \$141,123 was covered by federal depositary insurance and \$2,761,201 was covered by collateral pledged by the depositary bank and held by an independent bank but not in the county's name.

Of the bank balance at December 31, 1999, \$138,197 was covered by federal depositary insurance and \$3,498,211 was covered by collateral pledged by one bank and held by the safekeeping department of an affiliate of the same bank holding company but not in the county's name.

Supplementary Schedule

Schedule 1

STODDARD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Social Services -				
10.550	Food Distribution	IN103009	\$ 0	108
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9204	83,228	70,213
10.559	Summer Food Service Program for Children	ERS146-0204I	1,140	0
U.S. DEPARTMENT OF DEFENSE				
Passed through state Department of Public Safety -				
12.unknown	Surplus property	140	0	34,282
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.585	Drug Court Discretionary Grant Program	98-DC-VX-0032	2,057	11,861
16.710	Public Safety Partnership and Community Policing Grants	95CFWX1931	13,554	16,490
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	0	1,195
Passed through:				
State Department of Public Safety -				
16.523	Juvenile Accountability Incentive Block Grants	98JAIBG-LG-020	9,125	0
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	3,514	1,860

Schedule 1

STODDARD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Comission-				
20.205	Highway Planning and Construction	BRO 103 (30)	0	68,962
		BRO 103 (32)	0	222,944
		BRO 103 (33)	16,847	0
		BRO 103 (34)	14,552	0
		BRO 103 (35)	119,767	19,452
		BRO 103 (36)	64,486	47,973
		BRO 103 (37)	15,800	0
		BRO 103 (38)	99,760	0
		BRO 103 (39)	0	147,264
		BRO 103 (40)	161,236	32,542
	Program Total		<u>492,448</u>	<u>539,137</u>
Emergency Management Agency-				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	2,602	0
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	2823 09-58	272	0
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
83.534	Emergency Management - State and Local Assistance	N/A	4,856	2,362
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.043	Special Programs for the Aging- Title III, Part F-Disease Prevention and Health Promotion Services	N/A	1,992	1,328
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERO146-9204CLPP	10	360
93.268	Immunization Grants	PG0064-9204IAP	3,669	3,010
		N/A	33,707	23,821
	Program Total		<u>37,376</u>	<u>26,831</u>

Schedule 1

STODDARD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2000	1999
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	19,917	23,329
	Department of Health -			
93.575	Child Care and Development Block Grant	ERO146-9204CCH&SCS	2,465	2,015
		ERO146-99-204SFSP	0	1,720
		PG0067-9204	2,150	0
	Program Total		<u>4,615</u>	<u>3,735</u>
	Department of Social Services -			
93.667	Social Services Block Grant	SSO1497	32,934	0
		ERO172075	28,592	53,607
		SSO1264	1,358	1,553
		AOC00380392	6,701	14,536
	Program Total		<u>69,585</u>	<u>69,696</u>
	Department of Health -			
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERS161-00061	11,829	9,732
93.940	HIV Prevention Activities - Health Department Based	N/A	99	52
93.991	Preventive Health and Health Services Block Grant	N/A	393	275
93.994	Maternal and Child Health Services Block Grant to the States	ERO146-9204MCH	29,598	23,064
		ERO175-9226FP	0	11,429
		AOC9000078	0	3,611
		AOCO1380036	2,097	0
		N/A	1,963	1,376
	Program Total		<u>33,658</u>	<u>39,480</u>
	Total Expenditures of Federal Awards		<u>\$ 792,270</u>	<u>852,326</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

STODDARD COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Stoddard County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services, and amounts for the Department of Public Safety - Surplus Property Program (CFDA number 12.unknown) and Donation of Federal

Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$33,707 and \$23,821 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$393 and \$275 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,963 and \$1,376 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$492,448 and \$539,137 to subrecipients under the Highway Planning and Construction Program (CFDA number 20.205) during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Stoddard County, Missouri

Compliance

We have audited the compliance of Stoddard County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Stoddard County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB

Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1 through 00-2.

Internal Control Over Compliance

The management of Stoddard County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1 through 00-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding number 00-1 to be material weakness.

This report is intended for the information of the management of Stoddard County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 7, 2001 (fieldwork completion date)

Schedule

STODDARD COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weakness? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major program:

Material weakness identified? x yes no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major program(s): Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program:

CFDA or
Other Identifying
Number

Program Title

20.205 Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1.

Subrecipient Monitoring

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO – 103 (30); BRO – 103 (32); BRO – 103 (33); BRO – 103 (34); BRO – 103 (35); BRO – 103 (36); BRO – 103 (37); BRO – 103 (38); BRO – 103 (39); and BRO – 103 (40)
Award Years:	2000 and 1999
Questioned Costs:	Not applicable

During the years ended December 31, 2000 and 1999, Stoddard County was designated as the recipient for Highway Planning and Construction Grants for bridge replacement and rehabilitation under the Highway Planning and Construction Program. These funds were passed through to several townships and special road districts within the county. The County Commission did not adequately monitor these subrecipients for compliance with applicable laws and regulations. Grant funding for these programs totaled \$1,031,585 for the two years.

Under provisions of the Single Audit Act and OMB Circular A-133, the county, as the primary grant recipient, is required to monitor any subrecipients receiving \$25,000 or more in federal financial assistance for compliance with applicable laws and regulations. The townships and special road districts submitted requests for payments to the county for approval which the county in turn submitted to the state. The county did not require the subrecipients to provide proof of payment to the contractors before conveying the federal funds. In addition, the county did not retain copies of all the requests for payments or other documentation that was presented to them for approval, including contracts with the construction companies. No written contracts existed between the county and these entities regarding the use of the federal funds. By not properly monitoring the subrecipients, the county cannot ensure grant monies are being expended in accordance with federal

requirements. As the grant recipient, the county is ultimately responsible for ensuring compliance with federal requirements.

WE RECOMMEND the County Commission properly monitor federal grant subrecipients to ensure compliance with applicable laws and regulations.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission will begin monitoring the federal subrecipients right away. They will request documentation of payment by the subrecipients and will maintain all documentation.

00-2.	Schedule of Expenditures and Federal Awards
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Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO – 103 (30); BRO – 103 (32); BRO – 103 (33); BRO – 103 (34); BRO – 103 (35); BRO – 103 (36); BRO – 103 (37); BRO – 103 (38); BRO – 103 (39); and BRO – 103 (40)
Award Years:	2000 and 1999
Questioned Costs:	Not applicable

Although the county prepared a schedule of expenditures of federal awards (SEFA) for each of the two years ended December 31, 2000; the information presented by the County Clerk for some of the programs was not accurate. Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a SEFA for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county's schedule did not include all the juvenile and emergency management grants because the information obtained from the granting agencies and the juvenile office did not indicate they were federal awards. In addition, the amounts reported to the County Clerk by the Health Center were not adjusted for programs that were only in part federally funded and did not include non-cash awards such as vaccinations. Other programs reported did not include the required CFDA number or pass-through grantor's number. In addition, some non-federal programs were included and other programs were reported incorrectly. As a result, the county over reported expenditures on their SEFA schedule by approximately \$114,000 for 2000 and under reported expenditures by approximately \$62,000 for 1999.

Without an accurate and complete SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk will try to improve on the next schedule they prepare. The Juvenile Office and Health Center indicated they will provide the County Clerk with the most accurate information they can obtain.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

STODDARD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

STODDARD COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

Finding - Three Years Ended December 31, 1996

5. Sheriff's Property Acquisition Procedures

Federal Grantor:	U. S. Department of Defense
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	12.unknown
Program Title:	Surplus Property
Pass-Through Entity	
Identifying Number:	Not applicable
Award Year:	1996 and 1995
Questioned Costs:	\$33,810

The Sheriff obtained two helicopters along with various items for the support and maintenance of the helicopters from the U.S. Department of Defense through the state Department of Public Safety. These items were not approved for receipt by the County Commission, were not recorded on county fixed asset records, and were operated under the Sheriff's Reserve organization in the county's name.

Recommendation:

The Sheriff only obtain such items with the approval of the County Commission. The Commission and the Sheriff should work together to ensure federal compliance requirements are met. In addition, the County Commission and the Sheriff should contact the Department of Public Safety to determine the correct course of action to take in regards to the ownership, use, and operation of the helicopter and other donated federal property.

Status:

Implemented. The County Commission and the Department of Public Safety have approved the Sheriff's management of the helicopter and its operations.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

STODDARD COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Stoddard County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 7, 2001. We also have audited the compliance of Stoddard County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 7, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Health Center, Sheltered Facilities Board and 911 Board are audited and separately reported on by other independent auditors, the related funds are not presented in the special-purpose financial statements. However, we reviewed those audit reports and other applicable information for the year ended December 31, 1999.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Stoddard County and of its compliance with the types of compliance requirements applicable to its major

federal program but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Sheriff's Reserve Bank Accounts

The Sheriff's department and reserve deputies maintain several bank accounts outside the county treasury. When questioned about the number of reserve accounts maintained, the Sheriff indicated that he did not know how many accounts there were and that he gets no reporting of the funds deposited or spent from these accounts. The Sheriff also stated the records were "not subject to audit because it is not a government organization. It is the same as the local Lions Club or Kiwanas Club. What they do with their money is their business. It's not county funds." Because the Sheriff denied the State Auditor's Office access to the records of these accounts, we subpoenaed the bank records for three reserve accounts we were aware of.

- A. One account, designated as the "Stoddard County Sheriff's Department, Reserve Commissary Account", is used to operate the jail commissary. The jail commissary is operated by county employees for the benefit of county prisoners and the office manager is the check signer for this account. Any proceeds from such an operation are accountable fees that should be deposited into the county treasury.

Additionally, the bank records indicated receipts totaling \$2,996 related to federal grant program reimbursements were deposited into this account. These monies relate to programs for which the county was the designated grantee and are accountable fees that should have been deposited into the county treasury. Without adequate documentation, there is no assurance these monies were used in accordance with the grant agreements. Additionally, the Sheriff's Department is using the account as a petty cash fund for postage and other items as reimbursements from the county were deposited to the account.

While the bank records showed receipts and disbursements of approximately \$31,000 during the two years ended December 31, 2000, there is no assurance that other receipts do not include additional accountable monies or that disbursements are appropriate. Apparently, this account and operations have not been adequately monitored as the account balance at December 31, 2000, was negative \$588. It appears the commissary operation is either losing money or the amount spent on non-commissary items exceeds the profits.

- B. A second account, designated as the “Sheriffs Reserve Canine Fund,” appears to be for the expenses of the drug dog and the Sheriff’s helicopter; however, bank records showed additional federal grant program reimbursements totaling \$1,704 deposited to this account. Without adequate documentation, there is no assurance these monies were used in accordance with the grant agreements. While the bank records showed receipts and disbursements of over \$10,000 during the two years ended December 31, 2000, there is no assurance that other receipts do not include additional accountable monies or that disbursements are appropriate.
- C. A third account, designated as the “Stoddard County Sheriff’s Reserve,” appears to be for the expenses of reserve officers’ vehicles and equipment and for donations received in exchange for security services. While the bank records showed receipts and disbursements of over \$12,000 during the two years ended December 31, 2000, there is no assurance that other receipts do not include additional accountable monies or that disbursements are appropriate.

Contrary to the Sheriff’s belief that these accounts were not county funds, our review showed that at least \$4,700 in federal receipts were deposited in these accounts. Additionally, no county official has control over commissary profits (see MAR 4B.) The Sheriff is authorized by statute to receive and distribute various fees and monies. However, Attorney General’s Opinion No. 45-92 to Henderson states sheriffs of third class counties are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. Accountable fees should be turned over to the County Treasurer and disbursed only as authorized by a warrant approved by the County Commission and signed by the County Clerk. Section 50.550, RSMo 2000, authorizes the County Commission to establish separate funds as necessary.

WE RECOMMEND the Sheriff identify all accounts and their purpose to ensure he is in compliance with the Attorney General’s Opinion. He and the County Commission should determine the appropriate handling of the commissary profits. In addition, the Sheriff needs to ensure that all accountable monies are transmitted to the County Treasurer.

AUDITEE’S RESPONSE

The Sheriff provided the following response:

He will meet with the County Commission and determine the proper course of action. He will discontinue depositing the grant monies into the Reserve Accounts.

The County Commission indicated they will implement the recommendation.

2.**Sheriff's Cost Reimbursements**

- A. The Sheriff's Department uses two county owned patrol cars and officers' personal vehicles. We noted the following concerns regarding reporting of mileage.

1. The Sheriff and deputies using their personal vehicles are required to file monthly reimbursement claim forms with the County Commission for criminal process and criminal investigative mileage. During the two years ended December 31, 2000 and 1999, the county paid approximately \$89,000 and \$75,000, respectively, to officers for mileage.

Reimbursement claims submitted by the Sheriff and his deputies for civil and criminal mileage lack adequate documentation. The Sheriff's office uses a mileage chart rather than actual odometer readings. It appears the standard mileage charged by the Sheriff's office are rounded figures. Additionally, the description of places to and from which the officer has traveled are often vague. The deputies often only record the general area covered during a patrol, such as "Hwy Z – County Line", or "West", and the mileage claimed for these patrols is often in five mile increments.

Section 57.430, RSMo 2000, requires the sheriff and deputies to file accurate and itemized mileage statements showing in detail the miles traveled by the officer, the date of the trip, the nature of the business engaged in during each trip, and the places to and from which the officer has traveled, when the officer is driving a personal vehicle.

Given the amounts spent by the county for such mileage, better controls are needed. To ensure mileage reimbursements are reasonable and represent valid expenditures, payments should be made only for actual mileage incurred. The claim forms should be reviewed for accuracy and contain sufficient detail, including actual odometer readings, prior to their approval for payments.

2. Mileage logs are not maintained in the county owned vehicles. Logs are necessary to document appropriate use of the vehicles. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed to ensure the vehicles are used only for county business, are being properly utilized, and help identify vehicles which should be replaced.

- B. The County Commission has no assurance payments made to the Sheriff, totaling more than \$106,000, for preparing and serving meals to prisoners during the two years ended December 31, 2000, are reasonable and based on costs incurred by the Sheriff. The county reimburses the Sheriff \$3.25 per prisoner per day. The County Commission does not receive or review documentation supporting the actual food costs incurred by the Sheriff. By failing to receive and review documentation supporting the actual costs incurred by the Sheriff, the County Commission may be reimbursing the Sheriff more than the actual cost of providing the meals. In addition, as discussed in our prior report, if the present nonaccountable reimbursement method is continued, reimbursements made should be reported on the Sheriff's W-2 form in accordance with IRS regulations.

Similar conditions were noted in a prior report.

WE AGAIN RECOMMEND the Sheriff:

- A. And the County Commission require the submission of detailed and accurate mileage claims to verify the actual miles driven by officers in their personal vehicles. Mileage logs for county owned vehicles should be maintained. The County Commission should review the claims and mileage logs to determine if the number of miles claimed is reasonable.
- B. Produce complete documentation of actual food costs incurred from feeding prisoners. Furthermore, the County Commission should consider having the grocery store bill the county direct for all food costs associated with the boarding of prisoners. In addition, if the present nonaccountable reimbursement method is continued, the reimbursements made should be reported on the Sheriff's W-2 form.

AUDITEE'S RESPONSE

The Sheriff and County Commission provided the following responses:

- A. *They do not believe logs are necessary. They monitor the usage of the county cars through the maintenance and fuel records. They think the deputies using their own vehicles are under reporting their mileage to the county. The County Commission will ask the deputies to start recording the beginning and ending odometer readings for the day. The Sheriff agrees with the County Commission's decision.*
- B. *They will consider giving the Sheriff a 1099 or include the reimbursements on his W-2. The Sheriff agrees with the County Commission's decision.*

3.**Sheriff's Fee Account Controls and Procedures**

The Sheriff's department collected fees, bonds, gun permits, and other miscellaneous receipts totaling approximately \$253,000 and \$405,000 for the two years ended December 31, 2000 and 1999, respectively.

- A. Accounting duties are not adequately segregated. The office manager is primarily responsible for depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records for the fee account. There are no documented reviews of the accounting records performed by the Sheriff.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Receipts are not deposited on a timely basis. For example, a February 28, 2001, cash count identified monies on hand dating back to February 9, totaling \$26,226, of which \$5,608 was cash. This money was not deposited until March 5, 2001. Also, checks are not restrictively endorsed immediately upon receipt and receipt slips are not written for some monies received. Excessive cash on hand, accompanied by a lack of restrictive endorsements and receipt slips, increases the possibility of loss or misuse of funds.

In addition, the method of payment indicated on the receipt slips is not reconciled to the composition of the deposits. To properly reconcile receipts to deposits and to ensure monies are deposited intact, receipt slips should be prepared for all monies received and the composition of monies received should be reconciled to the composition of monies deposited.

A similar condition was noted in the prior report.

- C. The Sheriff's office manager maintains a cash control ledger for the various monies received through the Sheriff's office; however, the ledger is not complete and is not reconciled to the reconciled bank balance. The office manager did not include direct deposits of grant monies, bank fees, or deposits and disbursements from Sheriff sales.

To determine that all monies received are properly disbursed and book receipts agree to bank deposits, it is essential that all receipts and disbursements be included on the cash control ledger, and the cash control ledger be totaled and reconciled monthly to bank statements.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit all monies daily or when accumulated receipts exceed \$100 and restrictively endorse all checks when received. In addition, prenumbered receipt slips should be issued for all monies received and the composition of receipts should be reconciled to the composition of bank deposits.
- C. Ensure all receipts and disbursements are posted to the cash control ledger on a timely basis, totaled, and reconciled monthly to bank statements.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *He will document his reviews.*
- B. *This has been implemented.*
- C. *This has been implemented. Currently, everything that is deposited during the month is disbursed at the end of the month.*

4. Sheriff's Inmate Account Controls and Procedures
--

The Sheriff maintains a separate checking account to account for personal monies of inmates. The inmates can purchase candy, soda, and various other products from the commissary. Once a week, the inmates' requests for commissary items are filled and the amounts are withdrawn from the inmate account and turned over to the Stoddard County Sheriff's Reserve Association. The Reserve Association pays for the items kept in inventory for the inmate account. A computer record is maintained for each inmate which reflects monies received on the inmate's behalf, purchases made from the commissary, and the available cash balance. We noted the following areas where improvements could be made:

- A. Monthly bank reconciliations have not been prepared for the inmate account since October 1999. In addition, monthly listings of liabilities (open items) are prepared, but are not agreed to the reconciled bank and book balance. At our request, the office manager prepared the December 31, 2000 bank reconciliation; however, she was unable to generate a complete outstanding check list and differences exist between the Sheriff's various inmate accounting records and reconciliation. At December 31, 2000, the open items balance was \$873, the checkbook balance was negative \$191 and the reconciled bank balance was \$821. Differences among the various accounting records and reconciliation indicate errors have occurred that should be investigated and resolved.

Monthly reconciliations of the bank account and reconciliations of open items to the cash balance provide assurance that the records are in balance and that receipts and disbursements have been accurately handled and recorded. They are also necessary to ensure that all receipts and disbursements are properly accounted for and that cash balances can be properly identified to appropriate liabilities and other reconciling items. Had adequate reconciliations been performed, the differences mentioned above could have been detected in a timely manner and corrections made.

- B. Inventory records of commissary supplies are not adequately maintained and periodic physical inventory counts are not performed. To adequately account for commissary merchandise, inventory records should document the beginning balance for items, items purchased, and mark up procedures. Periodic inventory counts and reconciliations of monies received to items purchased and remaining in inventory should be performed. Failure to reconcile monies received to items sold could result in the loss or misuse of funds.
- C. Receipts were not deposited on a timely basis. For example, a March 13, 2001, cash count identified monies on hand totaling \$2,510, dating back to March 5, 2001. These monies were deposited on March 15, 2001. In addition, checks were not restrictively endorsed when they were received. Excessive cash on hand, accompanied by a lack of restrictive endorsements, increases the possibility of loss or misuse of funds.

WE RECOMMEND the Sheriff:

- A. Perform monthly bank reconciliations between accounting records, bank statements, and open items. Any discrepancies noted should be investigated and resolved in a timely manner.
- B. Maintain inventory records and ensure a periodic physical count of inventory is performed. Reconciliations of monies received to items purchased and remaining in inventory should be performed.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100 and restrictively endorse all checks when received.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *A new bank account was opened and it is reconciled monthly.*
- B. *This will be implemented within the next three months.*
- C. *This has been implemented.*

5.**Officials' Salaries**

Section 50.333.13 RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Stoddard County's Associate County Commissioners' salaries were each increased approximately \$8,955 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglas et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$17,910 for the two years ended December 31, 2000, should be repaid. In addition, in light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

WE RECOMMEND the County Commission review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission provided the following response:

They are waiting on additional legal opinions and advice on this matter before making a decision.

6.**County Expenditures and Procedures**

- A. Several county employees responsible for receiving and depositing monies, are not bonded. Adequate bonding is necessary to reduce the risk of loss if funds are mishandled. Failure to properly bond all persons with access to assets exposes the county to unnecessary risks.
- B. The County Commission distributes County Aid Road Trust (CART) monies and Highway Planning and Construction Program grant monies to the county's seven townships and six special road districts. During the two years ended December 31, 2000, amounts distributed to the township road and bridge departments and special road districts totaled over \$3,278,000. The county did not enter into written contracts with the township road and bridge departments and special road districts related to these distributions. In addition, the County Commission does not monitor the townships' and special road districts' use of these county monies.

To ensure County Aid Road Trust monies and Highway Planning and Construction Program grant monies are used only for road-related purposes, the County Commission should obtain written contracts with the townships and special road districts which document the specific services to be provided for the use of these monies and include provisions for the County Commission to monitor the townships' and special road districts' use of county funds.

- C. In 2000, the County Commission approved Archives Fund expenditures in excess of available monies. The County Commission did not transfer monies from the General Fund as budgeted. As a result, the Archives Fund had a negative \$5,032 cash balance as of December 31, 2000.

Counties are not authorized to have deficit fund balances. Article VI, Section 26 (a) of the Missouri Constitution states, "No county... shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years..."

The County Commission should review fund balances prior to approving expenditures for all funds to prevent this situation from reoccurring.

A similar condition was noted in the prior report.

WE RECOMMEND the County Commission:

- A. Consider obtaining adequate bond coverage for all persons with access to negotiable assets.
- B. Obtain written agreements, which specifically state what services are to be provided to the county, for any distribution of county aid road trust monies and Highway Planning and Construction Program grant monies. In addition, the written agreements should allow the County Commission to monitor the political subdivisions' expenditures of the county monies.
- C. Refrain from approving expenditures in excess of available monies.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *They will check with the insurance company about obtaining such coverage; however, they believe the risk is relatively low.*
- B. *They will implement for next year's payments.*
- C. *They approved the transfer from the General Fund to the Archives Fund but the actual transfer was not done. They will ensure this does not happen again.*

7.**General Fixed Asset Records and Procedures**

The prior audit report addressed the inadequacy of the county's general fixed assets records and procedures. This condition has not improved. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. The County Clerk apparently has made no effort to maintain property records or to number, tag, or otherwise identify property items. The last physical inventory was completed in 1995.

Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over county property, and provide a basis for determining proper insurance coverage. Inventories and proper tagging of county property are necessary to ensure fixed asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all general fixed assets should be tagged or identified as county-owned property.

AUDITEE'S RESPONSE

The County Commission provided the following response:

They will implement the recommendation by the end of January 2002.

8.**Budgetary Practices**

Budgets were not prepared for the Circuit Division Interest Fund, Associate Circuit Division Interest Fund, and the Law Library Fund for the two years ended December 31, 2000.

Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year.

WE RECOMMEND the County Commission require budgets be prepared or obtained for all county funds in accordance with state law.

AUDITEE'S RESPONSE

The County Commission indicated they will request these budgets for the next year. The Circuit Clerk indicated she will prepare budgets for the Circuit Division Interest Fund and the Law Library Fund. The Associate Judge, Division II, indicated he will provide a budget directly to the State Auditor's Office.

9.**Computer Controls**

- A. Passwords required to access programs are not changed periodically by users. In addition, passwords are not kept confidential. Since access is not adequately restricted, unauthorized changes could be made in data files.

To establish individual responsibility and help preserve the integrity of computer programs and data files, access to information should be limited to those individuals who need it. A system of confidential passwords should be used to properly restrict access. Periodically changing the passwords would reduce the possibility of an unauthorized user gaining access.

- B. No security system is in place to detect and stop incorrect log-on attempts after a certain number of tries. An unauthorized individual could try an infinite number of times to log on the system, and if successful, have unrestricted access to program and data files.

To help protect computer files, a security system should be implemented to stop incorrect log on attempts after a certain number of tries. Such a system should produce a log of the incorrect attempts which should be reviewed periodically by an authorized official.

- C. The county does not have a formal contingency plan for the computer systems. As a result, the county has not formally negotiated arrangements for backup facilities in the event of a disaster.

The county should have a contingency plan to recover rapidly from a disaster or an extraordinary situation that might cause considerable loss or disruption to the county.

WE RECOMMEND the County Commission:

- A. Establish procedures to maintain the confidentiality of and periodically change user passwords.
- B. Establish a security system to stop and report incorrect log-on attempts after a certain number of tries.
- C. Develop a formal contingency plan for its computer systems.

AUDITEE'S RESPONSE

The County Commission provided the following response:

They plan to convert to a Windows based program in about a year and will implement the recommendations when they change systems.

10. County Clerk's Tax Book Procedures

- A. There is no evidence that the County Clerk adequately verifies the tax books charged to the Ex Officio County Collector. Sections 137.290 and 140.050, RSMo 2000, require the County Clerk to extend the tax books and to charge the Ex Officio County Collector with the aggregate amount of taxes and fees in the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide a system of checks and balances. Failure to perform reviews of the tax books and test some individual tax bill computations may result in the failure to discover errors and irregularities.
- B. Although the County Clerk maintains an account book with the Ex Officio Collector that summarizes all taxes charged to the Ex Officio Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts, the County Clerk does not reconcile his account book with the Ex Officio Collector's annual settlements. Reconciling the County Clerk's account book to the Ex Officio Collector's annual settlements would enable the County Clerk to ensure the amount of taxes charged and credited to the Ex Officio Collector each year is complete and accurate.

Similar conditions were noted in the prior report.

WE AGAIN RECOMMEND the County Clerk:

- A. Prepare the back tax books or verify the totals generated by the Ex Officio Collector's office.
- B. Make use of the County Clerk's account book to verify the Ex Officio Collector's annual settlements.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

- A. *He is doing this and will better document the verification of the totals.*
- B. *He will ask his staff to begin doing this for the next tax year.*

11. County Treasurer's and Ex Officio Collector's Controls and Procedures
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- A. Receipts are not deposited on a timely basis. Monies received were often prepared for deposit and held by the Treasurer/Ex Officio Collector until subsequent days' receipts were prepared for deposit, then several deposits were taken to the bank. For example, on December 22, 2000, three deposits were made which consisted of receipts from December 18 through December 21 and totaled approximately \$4,400.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.

A similar condition was noted in the prior report.

- B. The Treasurer's receipt slips do not indicate the method of payment. As a result, the composition of monies received cannot be reconciled to the amounts deposited. In addition, receipt slips are not always issued as money is received, but are often prepared at the time of deposit. Also, receipt slips are not prenumbered. To reduce risk of loss or misuse of county resources, the County Treasurer should record monies and prepare prenumbered receipt slips immediately upon receipt, record the method of payment on the receipt slips and account for their numerical sequence, and reconcile the composition of receipts to the amounts deposited.

WE RECOMMEND the County Treasurer/Ex Officio Collector:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.

- B. Issue prenumbered receipt slips immediately upon receipt, record the method of payment on the receipt slips and account for their numerical sequence, and reconcile the composition of receipts to amounts deposited.

AUDITEE'S RESPONSE

The Treasurer/Ex-Officio Collector provided the following responses:

- A. *This has been implemented. Deposits are made daily for the Treasurer and Ex-Officio Collector receipts.*
- B. *She will begin indicating cash on her receipt slips and will reconcile the method of payment to deposits. She will get prenumbered receipt slips the next time they order receipt slips.*

12. Prosecuting Attorney's Controls and Procedures

The Prosecuting Attorney's office receives monies for bad check restitution, court-ordered restitution payments, and delinquent taxes and transmits these to the County Treasurer, the various county courts, and others. Our review of the Prosecuting Attorney's records and procedures revealed the following concerns:

- A. Bad check and court-ordered restitution payments and fees are not transmitted to the County Treasurer or courts on a timely basis. Transmittals are made approximately once a week regardless of when received or the amount on hand. In addition, a transmittal listing or other documentation of items turned over to the County Treasurer and the courts is not maintained.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer or the courts daily or when accumulated receipts exceed \$100. In addition, a transmittal listing of items remitted to the County Treasurer and the courts should be prepared and a copy should be retained by the Prosecuting Attorney.

- B. Checks and money orders received are not restrictively endorsed immediately upon receipt. Endorsements are applied at the time transmittals are prepared. To adequately safeguard receipts, all checks to be remitted to the County Treasurer and the courts should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Prosecuting Attorney:

- A. Transmit restitution and bad check fees daily or when accumulated receipts exceed \$100 and retain a listing documenting the monies that were transmitted.
- B. Restrictively endorse checks and money orders made payable to Stoddard County immediately upon receipt.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following response:

They have implemented the recommendations.

13. Recorder of Deeds' Controls and Procedures

During the years ended December 31, 2000 and 1999, the Recorder of Deeds collected approximately \$185,000 and \$212,000, respectively.

- A. The Recorder of Deeds does not deposit receipts intact or on a timely basis and checks and money orders are not restrictively endorsed immediately upon receipt. Currently, deposits are made approximately every other day and endorsements are applied at the end of the day. In addition, refunds of overpayments are issued from cash on hand. We also noted some checks received from individuals paying fees are cashed at the bank to make additional change.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact daily or when receipts exceed \$100 and all checks should be restrictively endorsed immediately upon receipt. Depositing receipts intact and issuing any refunds by check is necessary to ensure the proper accounting of all receipts and disbursements. If a change fund is needed, it should be maintained at a constant dollar amount.

- B. The method of payment is not documented on the daily abstract of fees or elsewhere for any fees. The Recorder indicated she compares the receipt total to the deposit total as part of her review; however, without a record of the payment method, it is not possible to ensure the composition of the deposit agrees to the composition of the daily abstract of fees and monies actually received.

To ensure receipts are deposited intact, the abstract of fees or other supporting records should contain the method of all payments.

Similar conditions were noted in the prior report.

WE AGAIN RECOMMEND the Recorder of Deeds:

- A. Deposit receipts intact daily or when accumulated receipts exceed \$100 and restrictively endorse checks and money orders immediately upon receipt. In addition, the Recorder of Deeds should discontinue the practice of paying refunds in cash and cashing receipts to make change. If necessary, a change fund should be established and maintained at a constant amount.

- B. Record the method of payment for all fees on the abstract of fees or other supporting schedules and reconcile the composition of receipts to amounts deposited.

AUDITEE'S RESPONSE

The Recorder of Deeds provided the following responses:

- A. *She will continue depositing every other day and will continue with the other processes as well.*
- B. *She will try to indicate cash or check on her records.*

14. Circuit Clerk's Controls and Procedures
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During the two years ended December 31, 2000 and 1999, the Circuit Clerk's office collected approximately \$455,000 and \$1,416,000 respectively, for civil and criminal court costs.

Circuit Court receipts are not deposited on a timely basis. The Circuit Clerk indicated she only deposits once a week unless they receive a large amount of cash. Holding large amounts of cash and checks increases the possibility of loss or misappropriation of funds. All monies should be deposited daily or when accumulated receipts exceed \$100.

A similar condition was noted in the prior report.

WE AGAIN RECOMMEND the Circuit Clerk deposit all receipts daily or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following response:

This will be implemented immediately.

15. Township Collectors' Interest Distribution

The County Clerk and the Ex-Officio Collector have not distributed the interest received from township collectors on their bank deposits on a timely basis. Interest earned from March 1997 through December 2000, totaling in excess of \$23,000 has not been distributed to other political subdivisions and is held in the General Revenue Fund. In addition, interest earned from November 1994 to February 1997 was not distributed until February 1999.

Section 110.150, RSMo 2000, and the Missouri Attorney General's Opinion No. 126, 1981 to Antonio; No. 108, 1981 to Busker; No. 148, 1980 to Antonio; and No. 40, 1965 to Owensby, provide the interest on school funds, county hospital and hospital district funds, county library funds, county health center funds, special road and bridge funds, and assessment funds, be placed to the credit of those funds, and the interest on all other funds to the credit of the county's General Revenue Fund.

WE RECOMMEND the County Clerk and Ex-Officio Collector allocate interest on a timely basis in accordance with state statutes and Attorney General's opinions.

AUDITEE'S RESPONSE

The County Clerk indicated he will work with the new Ex-Officio Collector to get this done and the Ex-Officio Collector indicated she will distribute the current accumulation this year and will continue to distribute yearly.

This report is intended for the information of the management of Stoddard County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

STODDARD COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Stoddard County, Missouri, on findings in the Management Advisory Report (MAR) of our report issued for the three years ended December 31, 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary and Reporting Practices

- A. Warrants were issued in excess of approved budgeted expenditures.
- B. The county's annual published financial statements did not include the financial activity of several county funds.

Recommendation:

The County Commission:

- A. Refrain from incurring expenditures in excess of budgeted amounts. If the county receives additional funds which could not be estimated when the budget was adopted, the county should amend its budget by following the procedures required by state law.
- B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

- A. Implemented.
- B. Not implemented. The published financial statements did not contain detailed balances or revenue information for the Capital Projects Fund, Prosecuting Attorney Administration Fund, or Recorder Maintenance Fund. In addition, the published financial statements did not include some of the smaller funds. Although not repeated in the current MAR, our recommendation remains as stated above.

2. County Expenditures and Procedures

- A. The County Commission had no assurance payments made to the Sheriff for preparing and serving meals to the prisoners were reasonable and based on costs incurred by the Sheriff. The County Commission reimbursed the Sheriff for

meals at a daily rate of \$3.25 per prisoner. The County Commission did not receive or review invoices supporting the actual food costs incurred by the Sheriff.

- B. The Record Preservation Fund had a negative cash balance as of December 31, 1994.
- C. The county did not have a drug-free workplace policy and awareness program sufficient to comply with the requirements of the Drug-Free Workplace Act.

Recommendation:

The County Commission:

- A. Pay food and related supply invoices for the cost of feeding prisoners directly to the vendors. However, if the County Commission continues to pay the Sheriff, the Commission should pay based on documentation of actual expenses incurred and actual meals served by the Sheriff. In addition, if the present nonaccountable reimbursement method is continued, the reimbursements made should be reported on the Sheriff's W-2 form.
- B. Refrain from approving expenditures in excess of available monies.
- C. Establish a written drug free workplace policy and applicable drug-free awareness programs to ensure compliance with the Drug-Free Workplace Act.

Status:

- A. Not implemented. See MAR. No. 2.
- B. Not implemented. See MAR No. 6.
- C. Implemented.

3. Statutory Salaries

There was no documentation that the salary commission had met in 1993 and approved the salary increases and thus there was no support for these salary changes.

Recommendation:

The County Commission consult with legal counsel regarding past and current actions and pay only the authorized salary set by the salary commission.

Status:

Implemented.

4. County Clerk's Procedures

- A. The County Clerk did not prepare the back tax books or verify the back tax book totals for real estate or personal property taxes.
- B. The County Clerk did not maintain an account book with the Ex Officio Collector.
- C.1. The County Clerk did not periodically reconcile purchases with additions to the fixed asset records.
 - 2. Not all county fixed assets were noted on the fixed asset listing nor could some of the items on the listing be located.
 - 3. An annual inventory and quarterly inspections of county-owned land and buildings was not conducted.
 - 4. The county did not have an established method for disposing of property.
 - 5. The County Clerk's office had not maintained a record of property balances, additions, and deletions that was reconciled from year to year.

Recommendation:

The County Clerk:

- A. Prepare the back tax books or verify the totals generated by the EOC's office.
- B. Establish and maintain an account book with the EOC. In addition, the County Commission should consider using the account book to verify the annual settlements of the EOC.
- C.1. Periodically reconcile purchases with additions to the fixed asset records.
 - 2. Ensure complete general fixed asset records are maintained on a current basis.
 - 3. Conduct an annual inventory of all general fixed asset items and quarterly inspections of county-owned land and buildings and maintain complete documentation of each inventory and inspection.

4. And County Commission establish a formal method of disposing of general fixed assets. Written authorization for all property dispositions should be obtained.
5. Prepare a statement of changes in general fixed assets on an annual basis.

Status:

- A. Not implemented. See MAR No. 10.
 - B. Partially implemented. The County Clerk maintains an account book but it is not reconciled to the EOC's tax book. See MAR No. 10.
 - C. Not implemented. See MAR No. 7.
5. Sheriff's Property Acquisition Procedures

See our audit report on Stoddard County, Missouri, for the two years ended December 31, 1998 (report number 99-83).

6. Sheriff's Controls and Procedures
- A. Receipts were not deposited on a timely basis.
 - B. Receipt slips did not indicate the method of payment. In addition, the composition of receipts was not reconciled to the composition of deposits.
 - C. A master list of items held by the Sheriff's Department to account for seized property was not maintained and no physical inventory or comparison of the individual listings to items stored was performed.
 - D. The criminal and prisoner transportation mileage claim forms submitted lacked adequate documentation. In addition, the Sheriff's office used a mileage chart rather than actual odometer readings.

Recommendation:

The Sheriff:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Record the method of payment for all monies received and reconcile cash, checks, and money orders received to the composition of bank deposits.
- C. Appoint one officer or employee to maintain a complete, updated record of all seized property and evidence items held by the Sheriff's Department, including additions and dispositions. Access to the items held should be limited to the

responsible employee. In addition, a periodic physical inventory of all items should be performed and the results compared to the listing to verify the correctness of the listing.

- D. And the County Commission require the submission of detailed and accurate mileage claims to verify the actual miles driven by the officers. Mileage logs for all Sheriff's personnel should be submitted to support the mileage reimbursed by the county. The County Commission should review the mileage logs to determine if the number of miles claimed is reasonable.

Status:

- A. Not implemented. See MAR No. 3.
- B. Partially implemented. The sheriff's office is recording the method of payment on the receipt slips for all monies received, however, he is not reconciling the method of payment received to the composition of deposits. See MAR No. 3.
- C. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Not implemented. See MAR No. 2.

7. Ex Officio Collector's Controls and Procedures

- A. Receipts were not always deposited on a timely basis.
- B. The EOC cashed checks for employees from daily receipts.

Recommendation:

The Ex Officio Collector:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.
- B. Discontinue the practice of cashing personal checks from tax monies received. In addition, the composition of checks and cash received should be reconciled to the composition of amounts deposited.

Status:

- A. Not implemented. See MAR No. 11.
- B. Implemented.

8. Recorder of Deeds' Accounting Controls

- A. Receipts were not deposited intact or on a timely basis. Employees were allowed to cash personal checks from daily collections and refunds of overpayments were issued from cash on hand. In addition, checks from individuals paying fees were cashed at the bank to make additional change.
- B. Checks were not restrictively endorsed immediately upon receipt.
- C. The abstract of fees did not contain sufficient documentation to agree individual receipts to related deposits.

Recommendation:

The Recorder of Deeds:

- A. Deposit receipts intact daily or when accumulated receipts exceed \$100. In addition, the Recorder of Deeds should discontinue the practice of cashing personal checks and paying refunds in cash. If necessary, a change fund should be established and maintained at a constant amount.
- B. Restrictively endorse checks immediately upon receipt.
- C. Record all fees on the abstract of fees or other supporting schedules in sufficient detail to agree individual recordings to the related deposits. This would include documenting the individual paying the fee and the method of payment for all money received.

Status:

- A. Partially implemented. The Recorder of Deeds discontinued cashing personal checks; however, the other recommendations have not been implemented. See MAR No. 13.

B&C. Not implemented. See MAR No. 13.

9. Circuit Clerk's Controls and Procedures

- A. Receipts were not deposited on a timely basis and monies received were not kept in a secure location.
- B. Receipt slips did not indicate the method of payment.
- C. Checks and money orders were not restrictively endorsed immediately upon receipt.

Recommendation:

The Circuit Clerk:

- A. Deposit all receipts daily or when accumulated receipts exceed \$100. In addition, receipts should be kept in a secure location until deposit.
- B. Indicate the method of payment on the receipt slips and reconcile them to bank deposits.
- C. Restrictively endorse all checks and money orders immediately upon receipt.

Status:

- A. Partially implemented. Receipts are kept in a secure location, however, receipts are not deposited daily. See MAR No. 14.
- B. Implemented.
- C. Partially implemented. Checks are endorsed before the end of the day. Although not repeated in the current MAR, our recommendation remains as stated above.

10. Associate Circuit Court-Civil Section

Receipts were not deposited on a timely basis.

Recommendation:

The Associate Circuit Division ensure all receipts are deposited daily or when accumulated receipts exceed \$100.

Status:

Partially implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

STODDARD COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1835, the county of Stoddard was named after Major Amos Stoddard, the first American civil commandant of upper Louisiana. Stoddard County is a township-organized, third-class county and is part of the Thirty-Fifth Judicial Circuit. The county seat is Bloomfield, Missouri.

Stoddard County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Stoddard County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 330,596	9	321,041	8
Sales taxes	1,001,637	26	1,012,988	26
Federal and state aid	2,088,706	54	2,108,257	52
Fees, interest, and other	424,342	11	536,912	14
Total	\$ 3,845,281	100	3,979,198	100

The following chart shows how Stoddard County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 1,084,249	25	1,117,091	29
Public safety	1,492,865	35	1,149,470	30
Highways and roads	1,700,895	40	1,582,610	41
Total	\$ 4,278,009	100	3,849,171	100

The county has approximately 277 county bridges and has 978 miles of county roads which are maintained by the various townships.

The county's population was 25,771 in 1970 and 28,700 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	2000	1999	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 167.9	156.5	118.0	48.4	36.7
Personal property	81.8	75.6	26.9	12.3	6.5
Railroad and utilities	40.8	42.4	31.0	21.8	13.6
Total	\$ 290.5	274.5	175.9	82.5	56.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Stoddard County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
General Revenue Fund	\$	0.12	0.12

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28, (29)	
		2001	2000
State of Missouri	\$	86,383	82,176
General Revenue Fund		353,331	337,608
Assessment Fund		125,770	120,749
Health Center Fund		284,706	270,773
Sheltered Workshop		228,003	216,509
School districts		8,890,820	8,470,984
Ambulance district		569,991	542,122
Townships General Revenue Fund		206,201	211,799
Townships Road and Bridge Fund		916,000	902,251
Townships Johnson Grass Fund		110,596	105,002
Junior College		6,255	6,221
Drainage Districts		36,618	38,097
Special Road Districts		193,110	173,922
Surtax		80,646	71,147
Investment interest		13,806	12,251
Cities		56,166	57,021
County Clerk		582	582
County Employees' Retirement		72,807	74,753
Commissions and fees:			
General Revenue Fund		102,842	104,377
Township Collectors		80,944	76,334
Total	\$	<u>12,415,577</u>	<u>11,874,678</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	2001	2000
Real estate	92.5 %	92.7 %
Personal property	88.0	89.2
Railroad and utilities	100.0	100.0

Stoddard County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	*

* The ballot indicated the present property tax rate would be reduced to 17 cents per \$100 assessed valuation. The County Commission has voluntarily reduced the property tax rate an additional 5 cents to 12 cents per \$100 assessed valuation.

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Jerry Elder, Presiding Commissioner	\$	30,380	30,380
Frank Sifford, Associate Commissioner		28,380	28,380
Ray Coats, Associate Commissioner		28,380	28,380
Kay Asbell, Recorder of Deeds		43,000	43,000
Don White, County Clerk		43,000	43,000
Briney Welborn, Prosecuting Attorney		53,000	53,000
Steve Fish, Sheriff		40,000	40,000
Greg Mathis, County Coroner		7,500	7,500
Darla Grossman, Public Administrator *		4,682	
Dean Cooper, Public Administrator*		3,451	13,833
Shirley Carney, Treasurer and Ex Officio County Collector, year ended March 31,	57,078	57,078	
Jody Lemmon, County Assessor, year ended August 31,**		43,900	43,900
Dallas Peters, County Surveyor***			

* Includes fees received from probate cases.

** Includes \$900 in annual compensation received from the state.

*** Compensation on a fee basis.

State-Paid Officials:

Martha Ware, Circuit Clerk and	46,127	44,292
Joe Z. Satterfield, Associate Circuit Judge	97,382	87,235
Stephen R. Mitchell, Associate Circuit Judge	97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	0	0
Circuit Clerk*	0	5
Recorder of Deeds	3	0
County Clerk	4	0
Prosecuting Attorney***	6	0
Sheriff*****	21	0
County Coroner	0	0
Public Administrator	0	0
Treasurer and Ex Officio County Collector	2	0
County Assessor	6	0
Associate Division**	0	6
Probate Division	0	1
Juvenile Services*****	8	14
Archives*	1	0
Buildings and Grounds*	2	0
Emergency Management*	1	0
Total	<u>54</u>	<u>26</u>

* Includes one part-time employee

** Includes two part-time employees

*** Includes three part-time employees

**** Includes four part-time employees paid by the county and five part-time employees paid by the state

***** Includes six part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Stoddard County's share of the Thirty-Fifth Judicial Circuit's expenses is 46.6 percent.

The county entered into a lease purchase agreement with United Missouri Bank on August 1, 2000. The terms of the agreement call for the county to lease land for the new Justice Center to United Missouri Bank, then United Missouri Bank leases the justice center back to the county with lease payments equal to the amount due to retire the indebtedness. The lease is scheduled to be paid off in 2015. The remaining principal and interest due on the lease at December 31, 2000, was \$2,215,000 and \$1,134,110, respectively.



**LAWRENCE COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-96
September 25, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Lawrence, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Lawrence County was a financial and compliance audit of various county operating funds. The following concerns were noted:

- The county has not established cash management procedures to ensure the minimum time lapses between its receipt of federal project monies and the disbursement of such monies to contractors. Some monies received were held as long as 23 days before the related payment was made to the contractor.
- The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of federal awards. Federal expenditures were understated by approximately \$244,000 in 1999. For the schedule to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

The audit also includes some matters related to expenditures, budgetary procedures, published financial statements, personnel policies, officials' compensation, property tax system, County Treasurer's procedures, employee bond coverage, and the Senior Citizens Service Board, upon which the county should consider and take appropriate corrective action.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

LAWRENCE COUNTY, MISSOURI

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LAWRENCE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Lawrence County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Lawrence County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 26, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

July 26, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Pamela Crawford, CPA
In-Charge Auditor:	Jody Vernon, CPA
Audit Staff:	Sandi Ohern, CPA
	Rachel Simons
	Curt Gannon



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Lawrence County, Missouri

We have audited the special-purpose financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 26, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Lawrence County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Lawrence County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Lawrence County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

July 26, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 549,757	2,793,030	2,704,441	638,346
Special Road and Bridge	178,002	2,322,854	2,277,518	223,338
Assessment	206,428	226,832	176,926	256,334
Law Enforcement Training	1,610	8,250	5,146	4,714
Prosecuting Attorney Training	4,176	1,535	3,268	2,443
Common #1 Road District	72,117	327,849	378,295	21,671
Common #2 Road District	63,864	232,193	251,442	44,615
Prosecuting Attorney Bad Check	28,892	22,596	29,625	21,863
Domestic Violence	0	1,155	1,155	0
Drug and Dare	14,754	2,025	6,828	9,951
Emergency 911	103,225	207,827	128,990	182,062
Sheriff Special	3,392	16,771	13,125	7,038
Election Services	0	1,504	1,472	32
Developmentally Disabled	134,433	185,700	179,190	140,943
Senior Citizens Service	86,094	139,574	156,742	68,926
Law Library	9,587	5,520	7,483	7,624
Circuit Clerk Interest	10,961	2,268	7,943	5,286
Verona Benefit Special Road District	0	33,954	33,954	0
Recorder User Fee	70,000	17,056	13,459	73,597
Family Access	50	0	0	50
Associate Circuit Division Interest	6,781	1,314	435	7,660
Total	\$ 1,544,123	6,549,807	6,377,437	1,716,493

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

LAWRENCE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 538,154	2,631,194	2,619,591	549,757
Special Road and Bridge	253,901	2,072,233	2,148,132	178,002
Assessment	169,644	207,600	170,816	206,428
Law Enforcement Training	134	8,392	6,916	1,610
Prosecuting Attorney Training	3,777	1,401	1,002	4,176
Common #1 Road District	69,016	323,223	320,122	72,117
Common #2 Road District	28,847	394,569	359,552	63,864
Prosecuting Attorney Bad Check	22,253	25,750	19,111	28,892
Domestic Violence	0	1,220	1,220	0
Drug and Dare	2,742	15,994	3,982	14,754
Emergency 911	138,672	207,236	242,683	103,225
Sheriff Special	5,546	13,522	15,676	3,392
Developmentally Disabled	107,852	199,591	173,010	134,433
Senior Citizens Service	85,807	128,782	128,495	86,094
Law Library	10,251	4,955	5,619	9,587
Circuit Clerk Interest	8,877	2,084	0	10,961
Verona Benefit Special Road District	0	164,106	164,106	0
Recorder User Fee	57,457	17,643	5,100	70,000
Family Access	0	50	0	50
Associate Circuit Division Interest	11,060	1,137	5,416	6,781
Total	\$ 1,513,990	6,420,682	6,390,549	1,544,123

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
2000			1999			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 6,532,263	6,497,483	(34,780)	6,055,848	6,255,389	199,541
DISBURSEMENTS	7,238,654	6,329,589	909,065	6,906,951	6,221,027	685,924
RECEIPTS OVER (UNDER) DISBURSEMENTS	(706,391)	167,894	874,285	(851,103)	34,362	885,465
CASH, JANUARY 1	1,462,408	1,467,292	4,884	1,469,707	1,502,930	33,223
CASH, DECEMBER 31	756,017	1,635,186	879,169	618,604	1,537,292	918,688
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	262,000	246,913	(15,087)	253,800	255,650	1,850
Sales taxes	1,050,000	1,087,383	37,383	980,000	1,007,708	27,708
Intergovernmental	642,628	758,250	115,622	671,835	714,662	42,827
Charges for services	544,800	588,256	43,456	490,889	518,874	27,985
Interest	55,000	74,439	19,439	35,000	53,436	18,436
Other	30,710	35,354	4,644	33,070	41,525	8,455
Transfers in	40,450	2,435	(38,015)	39,350	39,339	(11)
Total Receipts	2,625,588	2,793,030	167,442	2,503,944	2,631,194	127,250
DISBURSEMENTS						
County Commission	182,380	163,553	18,827	154,380	145,669	8,711
County Clerk	84,995	85,247	(252)	77,089	75,805	1,284
Elections	83,263	84,595	(1,332)	48,040	52,397	(4,357)
Buildings and grounds	154,539	118,384	36,155	277,662	221,445	56,217
Employee fringe benefits	250,300	214,198	36,102	220,000	205,075	14,925
County Treasurer	33,645	33,592	53	33,748	34,093	(345)
County Collector	76,542	74,928	1,614	70,643	75,456	(4,813)
Recorder of Deeds	91,183	79,196	11,987	93,954	86,457	7,497
Circuit Clerk	13,100	11,821	1,279	12,900	12,070	830
Associate Circuit Court	27,151	26,544	607	28,608	24,599	4,009
Court administration	22,388	40,563	(18,175)	21,531	23,432	(1,901)
Public Administrator	55,141	57,783	(2,642)	22,925	24,298	(1,373)
Sheriff	573,479	639,441	(65,962)	574,305	574,652	(347)
Jail	225,110	227,809	(2,699)	213,748	228,363	(14,615)
Prosecuting Attorney	206,781	210,860	(4,079)	204,913	200,620	4,293
Juvenile Officer	62,719	59,049	3,670	145,056	89,204	55,852
Child support enforcement	105,840	106,717	(877)	93,595	89,722	3,873
County Coroner	20,100	15,487	4,613	19,275	14,828	4,447
Health Center	363,881	352,389	11,492	343,495	336,565	6,930
Insurance and bonds	55,000	45,905	9,095	50,000	46,824	3,176
University extension	33,065	33,065	0	31,705	31,705	0
Civil defense	4,600	4,543	57	8,793	8,525	268
TIF distribution	10,000	7,790	2,210	10,000	10,738	(738)
Other	8,296	10,982	(2,686)	9,239	7,049	2,190
Emergency Fund	78,000	0	78,000	75,200	0	75,200
Total Disbursements	2,821,498	2,704,441	117,057	2,840,804	2,619,591	221,213
RECEIPTS OVER (UNDER) DISBURSEMENTS	(195,910)	88,589	284,499	(336,860)	11,603	348,463
CASH, JANUARY 1	549,757	549,757	0	538,154	538,154	0
CASH, DECEMBER 31	353,847	638,346	284,499	201,294	549,757	348,463

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	41,000	41,514	514	38,000	39,920	1,920
Sales taxes	1,050,000	1,088,799	38,799	980,000	1,013,413	33,413
Intergovernmental	1,400,400	1,154,033	(246,367)	950,550	965,155	14,605
Interest	4,000	3,444	(556)	10,600	3,702	(6,898)
Interfund loan	0	0	0	30,000	30,000	0
Other	35,050	35,064	14	300	20,043	19,743
Total Receipts	2,530,450	2,322,854	(207,596)	2,009,450	2,072,233	62,783
DISBURSEMENTS						
Distributions to special road districts	1,730,134	1,552,913	177,221	1,682,623	1,590,261	92,362
Road sign project	30,000	18,591	11,409	40,000	24,373	15,627
Construction, repair, and maintenance	400,000	201,128	198,872	0	0	0
TIF distribution	10,000	7,790	2,210	18,000	10,738	7,262
Other	50	9	41	50	21	29
Transfers out	538,268	497,087	41,181	522,678	522,739	(61)
Total Disbursements	2,708,452	2,277,518	430,934	2,263,351	2,148,132	115,219
RECEIPTS OVER (UNDER) DISBURSEMENTS	(178,002)	45,336	223,338	(253,901)	(75,899)	178,002
CASH, JANUARY 1	178,002	178,002	0	253,901	253,901	0
CASH, DECEMBER 31	0	223,338	223,338	0	178,002	178,002
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	207,390	199,299	(8,091)	180,590	192,085	11,495
Charges for services	3,000	9,037	6,037	0	7,803	7,803
Interest	3,000	11,068	8,068	0	7,712	7,712
Other	0	7,428	7,428	0	0	0
Total Receipts	213,390	226,832	13,442	180,590	207,600	27,010
DISBURSEMENTS						
Assessor	210,390	174,491	35,899	178,590	169,477	9,113
Transfers out	1,400	2,435	(1,035)	1,400	1,339	61
Total Disbursements	211,790	176,926	34,864	179,990	170,816	9,174
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,600	49,906	48,306	600	36,784	36,184
CASH, JANUARY 1	206,428	206,428	0	169,644	169,644	0
CASH, DECEMBER 31	208,028	256,334	48,306	170,244	206,428	36,184

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	2,217	2,217	0	0	0
Charges for services	5,000	6,033	1,033	4,000	4,892	892
Transfers in	0	0	0	0	3,500	3,500
Total Receipts	5,000	8,250	3,250	4,000	8,392	4,392
DISBURSEMENTS						
Sheriff	6,610	5,146	1,464	4,134	6,916	(2,782)
Total Disbursements	6,610	5,146	1,464	4,134	6,916	(2,782)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,610)	3,104	4,714	(134)	1,476	1,610
CASH, JANUARY 1	1,610	1,610	0	134	134	0
CASH, DECEMBER 31	0	4,714	4,714	0	1,610	1,610
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,500	1,535	35	1,400	1,401	1
Total Receipts	1,500	1,535	35	1,400	1,401	1
DISBURSEMENTS						
Prosecuting Attorney	5,676	3,268	2,408	5,177	1,002	4,175
Total Disbursements	5,676	3,268	2,408	5,177	1,002	4,175
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,176)	(1,733)	2,443	(3,777)	399	4,176
CASH, JANUARY 1	4,176	4,176	0	3,777	3,777	0
CASH, DECEMBER 31	0	2,443	2,443	0	4,176	4,176
<u>COMMON #1 ROAD DISTRICT FUND</u>						
RECEIPTS						
Property Taxes	37,000	37,352	352	35,000	35,704	704
Intergovernmental	0	0	0	0	5,528	5,528
Interest	0	110	110	125	108	(17)
Other	0	1,250	1,250	0	0	0
Transfers in	296,380	289,137	(7,243)	281,790	281,883	93
Total Receipts	333,380	327,849	(5,531)	316,915	323,223	6,308
DISBURSEMENTS						
Salaries and fringe benefits	109,500	90,104	19,396	100,681	91,750	8,931
Maintenance	223,500	264,654	(41,154)	210,500	207,030	3,470
Equipment	38,000	12,475	25,525	30,000	16,797	13,203
Mileage and training	600	461	139	600	319	281
Other	6,750	10,601	(3,851)	7,000	4,226	2,774
Total Disbursements	378,350	378,295	55	348,781	320,122	28,659
RECEIPTS OVER (UNDER) DISBURSEMENTS	(44,970)	(50,446)	(5,476)	(31,866)	3,101	34,967
CASH, JANUARY 1	72,100	72,117	17	69,016	69,016	0
CASH, DECEMBER 31	27,130	21,671	(5,459)	37,150	72,117	34,967

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COMMON #2 ROAD DISTRICT FUND</u>						
RECEIPTS						
Property Taxes	16,700	16,014	(686)	16,700	15,563	(1,137)
Intergovernmental	0	0	0	262,827	167,650	(95,177)
Other	7,000	8,229	1,229	0	8,500	8,500
Transfers in	202,888	207,950	5,062	202,888	202,856	(32)
Total Receipts	226,588	232,193	5,605	482,415	394,569	(87,846)
DISBURSEMENTS						
Salaries and fringe benefits	55,484	50,733	4,751	57,500	52,223	5,277
Maintenance	175,000	166,120	8,880	345,975	267,079	78,896
Equipment	10,000	6,227	3,773	25,000	8,188	16,812
Mileage and training	300	142	158	1,500	96	1,404
Buildings and grounds	25,000	22,430	2,570	0	0	0
Interfund loan	0	0	0	30,000	30,000	0
Other	2,700	5,790	(3,090)	12,350	1,966	10,384
Total Disbursements	268,484	251,442	17,042	472,325	359,552	112,773
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,896)	(19,249)	22,647	10,090	35,017	24,927
CASH, JANUARY 1	63,864	63,864	0	28,847	28,847	0
CASH, DECEMBER 31	21,968	44,615	22,647	38,937	63,864	24,927
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	26,200	22,596	(3,604)	25,000	25,712	712
Other	50	0	(50)	0	38	38
Total Receipts	26,250	22,596	(3,654)	25,000	25,750	750
DISBURSEMENTS						
Prosecuting Attorney	55,142	29,625	25,517	40,500	19,111	21,389
Total Disbursements	55,142	29,625	25,517	40,500	19,111	21,389
RECEIPTS OVER (UNDER) DISBURSEMENTS	(28,892)	(7,029)	21,863	(15,500)	6,639	22,139
CASH, JANUARY 1	28,892	28,892	0	22,253	22,253	0
CASH, DECEMBER 31	0	21,863	21,863	6,753	28,892	22,139
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	1,500	1,155	(345)	1,200	1,220	20
Total Receipts	1,500	1,155	(345)	1,200	1,220	20
DISBURSEMENTS						
Domestic violence shelters	1,500	1,155	345	1,200	1,220	(20)
Total Disbursements	1,500	1,155	345	1,200	1,220	(20)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DRUG AND DARE FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	13,169	13,169
Other	5,000	2,025	(2,975)	1,700	2,825	1,125
Total Receipts	5,000	2,025	(2,975)	1,700	15,994	14,294
DISBURSEMENTS						
Sheriff	19,754	6,828	12,926	4,442	3,982	460
Total Disbursements	19,754	6,828	12,926	4,442	3,982	460
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,754)	(4,803)	9,951	(2,742)	12,012	14,754
CASH, JANUARY 1	14,754	14,754	0	2,742	2,742	0
CASH, DECEMBER 31	0	9,951	9,951	0	14,754	14,754
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for services	207,584	207,824	240	173,484	207,154	33,670
Other	0	3	3	100	82	(18)
Total Receipts	207,584	207,827	243	173,584	207,236	33,652
DISBURSEMENTS						
Salaries and fringe benefits	65,260	63,901	1,359	65,500	64,864	636
Supplies	5,900	3,766	2,134	2,700	5,440	(2,740)
Mileage and training	500	726	(226)	1,200	273	927
Telephone networking	75,000	58,149	16,851	68,000	116,462	(48,462)
Equipment	116,500	2,448	114,052	149,000	55,644	93,356
Total Disbursements	263,160	128,990	134,170	286,400	242,683	43,717
RECEIPTS OVER (UNDER) DISBURSEMENTS	(55,576)	78,837	134,413	(112,816)	(35,447)	77,369
CASH, JANUARY 1	103,225	103,225	0	138,672	138,672	0
CASH, DECEMBER 31	47,649	182,062	134,413	25,856	103,225	77,369
<u>SHERIFF SPECIAL FUND</u>						
RECEIPTS						
Charges for services	15,000	16,771	1,771	10,000	13,522	3,522
Total Receipts	15,000	16,771	1,771	10,000	13,522	3,522
DISBURSEMENTS						
Sheriff	18,392	13,125	5,267	15,546	12,176	3,370
Transfers out	0	0	0	0	3,500	(3,500)
Total Disbursements	18,392	13,125	5,267	15,546	15,676	(130)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,392)	3,646	7,038	(5,546)	(2,154)	3,392
CASH, JANUARY 1	3,392	3,392	0	5,546	5,546	0
CASH, DECEMBER 31	0	7,038	7,038	0	3,392	3,392

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	2,000	1,504	(496)			
Total Receipts	2,000	1,504	(496)			
DISBURSEMENTS						
Election expense	2,000	1,472	528			
Total Disbursements	2,000	1,472	528			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	32	32			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	32	32			
<u>DEVELOPMENTALLY DISABLED FUND</u>						
RECEIPTS						
Property taxes	190,000	168,147	(21,853)	178,000	184,772	6,772
Intergovernmental	0	0	0	0	493	493
Interest	6,077	8,544	2,467	5,000	6,849	1,849
Loan proceeds	6,855	6,284	(571)	5,200	6,399	1,199
Other	0	2,725	2,725	0	1,078	1,078
Total Receipts	202,932	185,700	(17,232)	188,200	199,591	11,391
DISBURSEMENTS						
Contractual services	251,000	176,933	74,067	213,000	163,446	49,554
Equipment	10,000	0	10,000	0	0	0
Insurance	2,000	1,164	836	2,000	1,050	950
Loan to sheltered workshop	0	0	0	0	6,850	(6,850)
Other	6,000	1,093	4,907	4,000	1,664	2,336
Total Disbursements	269,000	179,190	89,810	219,000	173,010	45,990
RECEIPTS OVER (UNDER) DISBURSEMENTS	(66,068)	6,510	72,578	(30,800)	26,581	57,381
CASH, JANUARY 1	134,367	134,433	66	107,852	107,852	0
CASH, DECEMBER 31	68,299	140,943	72,644	77,052	134,433	57,381
<u>SENIOR CITIZENS SERVICE FUND</u>						
RECEIPTS						
Property taxes	127,746	135,503	7,757	130,000	125,789	(4,211)
Intergovernmental	0	975	975	0	0	0
Interest	955	3,096	2,141	0	2,993	2,993
Total Receipts	128,701	139,574	10,873	130,000	128,782	(1,218)
DISBURSEMENTS						
Contractual services	176,234	156,484	19,750	145,500	128,126	17,374
Office expenditures	1,000	258	742	800	369	431
Emergency Fund	23,512	0	23,512	46,851	0	46,851
Total Disbursements	200,746	156,742	44,004	193,151	128,495	64,656
RECEIPTS OVER (UNDER) DISBURSEMENTS	(72,045)	(17,168)	54,877	(63,151)	287	63,438
CASH, JANUARY 1	85,618	86,094	476	56,859	85,807	28,948
CASH, DECEMBER 31	13,573	68,926	55,353	(6,292)	86,094	92,386

Exhibit B

LAWRENCE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	5,400	5,520	120	5,150	4,955	(195)
Total Receipts	5,400	5,520	120	5,150	4,955	(195)
DISBURSEMENTS						
Law Library	5,600	7,483	(1,883)	5,150	5,619	(469)
Total Disbursements	5,600	7,483	(1,883)	5,150	5,619	(469)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	(1,963)	(1,763)	0	(664)	(664)
CASH, JANUARY 1	9,587	9,587	0	10,251	10,251	0
CASH, DECEMBER 31	9,387	7,624	(1,763)	10,251	9,587	(664)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	2,000	2,268	268	2,300	2,084	(216)
Total Receipts	2,000	2,268	268	2,300	2,084	(216)
DISBURSEMENTS						
Circuit Clerk	2,500	7,943	(5,443)	2,000	0	2,000
Total Disbursements	2,500	7,943	(5,443)	2,000	0	2,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(5,675)	(5,175)	300	2,084	1,784
CASH, JANUARY 1	6,636	10,961	4,325	4,483	8,877	4,394
CASH, DECEMBER 31	6,136	5,286	(850)	4,783	10,961	6,178
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services				20,000	16,224	(3,776)
Interest				0	1,419	1,419
Total Receipts				20,000	17,643	(2,357)
DISBURSEMENTS						
Recorder of Deeds				25,000	5,100	19,900
Total Disbursements				25,000	5,100	19,900
RECEIPTS OVER (UNDER) DISBURSEMENTS				(5,000)	12,543	17,543
CASH, JANUARY 1				57,576	57,457	(119)
CASH, DECEMBER 31				52,576	70,000	17,424

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

LAWRENCE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Lawrence County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Developmentally Disabled Board, or the Senior Citizens Service Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Recorder User Fee Fund for the year ended December 31, 2000 and the Verona Benefit Special Road District Fund, Family Access Fund and Associate Circuit Division Interest Fund for the years ended December 31, 2000 and 1999.

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	1999
Domestic Violence Fund	1999
Sheriff Special Fund	1999
Law Library Fund	2000 and 1999
Circuit Clerk Interest Fund	2000

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, a deficit balance was budgeted in the Senior Citizens Service Fund for the year ended December 31, 1999.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Developmentally Disabled Fund	2000 and 1999
Senior Citizens Service Fund	2000 and 1999
Law Library Fund	2000 and 1999
Circuit Clerk Interest Fund	2000 and 1999
Recorder User Fee Fund	2000 and 1999
Family Access Fund	2000 and 1999
Associate Circuit Division Interest Fund	2000 and 1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order)

when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Developmentally Disabled Board's and Senior Citizens Service Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance.

Supplementary Schedule

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9155	\$ 0	85,868
		ERO045-0155	81,904	29,633
		ERO0451-155W	26,204	0
	Program Total		<u>108,108</u>	<u>115,501</u>
10.559	Summer Food Service Program for Children	ERS146-0154I	57	0
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	95CFWX0333	0	3,506
16.unknown	Equitable Sharing of Seized and Forfeited Property	97-DEA-322249	0	3,100
		MO0550000	100	1,500
	Program Total		<u>100</u>	<u>4,600</u>
Passed through:				
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	742	600
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-055(13)	0	133,267
		BRO-055(14)	33,954	164,106
		BRO-055(15)	108,721	0
		BRO-055(16)	66,287	0
	Program Total		<u>208,962</u>	<u>297,373</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
83.534	Emergency Management - State and Local Assistance	N/A	2,153	4,380

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct programs:				
93.268	Immunization Grants	N/A	4,324	1,062
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects- State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERO146-0155CLPP ERS146-1155L	0 236	5 0
	Program Total		<u>236</u>	<u>5</u>
93.268	Immunization Grants	N/A	37,871	30,485
Department of Social Services -				
93.563	Child Support Enforcement	N/A	71,029	67,722
Department of Health -				
93.575	Child Care and Development Block Grant	PGO067-9155 PGA067-0155S PGA067-1155S PGA067-0155C PGA067-1155C	0 2,110 935 2,360 523	2,640 715 0 133 0
	Program Total		<u>5,928</u>	<u>3,488</u>
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-90036 ERS161-00005	0 6,789	7,769 4,253
	Program Total		<u>6,789</u>	<u>12,022</u>
93.940	HIV Prevention Activities - Health Department Based	N/A	52	37
93.991	Preventive Health and Health Services Block Grant	N/A	451	363

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
93.994	Maternal and Child Health Services Block Grant to the States	ERO146-9155MCH	0	17,786
		ERS146-0155M	19,761	7,450
		ERS146-1155M	5,379	0
		ERO175-9155FP	0	9,522
		ERS175-0155F	10,523	4,002
		ERS175-1155F	2,588	0
		C100015039	130	0
		N/A	2,254	1,815
		N/A	286	1,617
	Program Total		40,921	42,192
	Total Expenditures of Federal Awards		\$ 487,723	583,336

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

LAWRENCE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Lawrence County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Of the amounts for Immunization Grants (CFDA number 93.268), \$40,065 and \$31,547 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but

distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$451 and \$363 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,254 and \$1,815 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$33,954 and \$164,106 to a subrecipient under the Highway and Planning Construction Program (CFDA number 20.205) during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Lawrence County, Missouri

Compliance

We have audited the compliance of Lawrence County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Lawrence County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1 and 00-2.

Internal Control Over Compliance

The management of Lawrence County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1 and 00-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

This report is intended for the information of the management of Lawrence County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 26, 2001 (fieldwork completion date)

Schedule

LAWRENCE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133s? x yes no

Identification of major programs:

CFDA or Other Identifying Number	Program Title
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
20.205	Highway Planning and Construction

\$300,000

_____ yes _____ x no

WE RECOMMEND the County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County will issue checks to the contractors the day the monies are received instead of waiting until the County's normal pay cycle on the fifth and twentieth of each month. This procedure will be implemented immediately.

00-2. Schedule of Expenditures of Federal Awards
--

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ER0045-9155, ER0045-0155, ER00451-155W
Award Years:	2000 and 1999
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-055(13), BRO-055(14), BRO-055(15), BRO-055(16)
Award Years:	2000 and 1999
Questioned Costs:	Not applicable

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported. For the years ended December 31, 2000 and 1999, the county's SEFA did not include expenditures related to several of its federal grants. In total, expenditures were understated by approximately \$244,000 for 1999. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and officials. Considering the overall incompleteness of the SEFA, it appears the County Clerk's efforts to prepare an accurate and complete SEFA were inadequate.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County will implement procedures to make sure the federal expenditure amounts received from various officials as well as the County in general are accurate. These procedures will be implemented for the next budget year.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

LAWRENCE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

LAWRENCE COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

LAWRENCE COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Lawrence County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 26, 2001. We also have audited the compliance of Lawrence County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 26, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Lawrence County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. County Expenditures

The county did not solicit or advertise for bids for some purchases, including \$46,763 for prisoner food, \$19,487 for Emergency 911 communications equipment, and \$13,307 for law enforcement fuel. The county did not obtain supporting documentation prior to issuing payment for some expenditures. The county did not ensure an invoice was mathematically correct and as a result overpaid a vendor \$1,390 in December 2000. At our request, the county asked for a credit memo to be issued in June 2001. The Sheriff did not retain supporting documentation of a \$200 travel advance received in January 2000 nor did he refund any of these monies. The jail does not maintain documentation of the number of meals served to employees. In addition, the county's personnel policy does not address whether employees are to be provided meals by the county.

2. Budgetary Procedures and Published Financial Statements

Disbursements were made in excess of approved budgets for various county funds. Budgets were not prepared for some county funds. The annual published financial statements did not include some county funds.

3. Personnel Policies and Procedures

Records of vacation or sick leave earned, taken, and accumulated are not maintained for some county employees. Currently, each individual office holder or department is responsible for maintaining leave records. The Health Center, Collector, and Sheriff are the only county offices which maintain leave records.

4. County Officials' Compensation

Salary overpayments noted in our prior report to the County Collector, County Assessor, and former County Treasurer have not been corrected.

5. Property Tax System

The County Assessor has no statutory authority to make changes to the assessment data after the meetings of the Board of Equalization are completed; however, the County Assessor and his staff are allowed access to the assessment data at all times. Controls over property tax additions and abatements are not adequate. The County Clerk does not maintain an account book with the County Collector.

6. County Treasurer's Procedures

Interest earned on the County Treasurer's general checking account is not allocated properly.

7. County Employee Bond Coverage

Employees of various county offices who handle monies are not adequately bonded.

8. Senior Citizens Service Board

The 2000 and 1999 budgets did not include actual expenditures for the two preceding years. The budget prepared for 2000 did not include a summary and cash reconciliation page. In addition, for the year ended December 31, 1999, budgeted expenditures exceeded budgeted revenues plus beginning balances resulting in a budgeted deficit.

This Letter on Other Matters is intended for the information of the management of Lawrence County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**STATE DEPARTMENTS'
TRAVEL REGULATIONS, POLICIES, AND PROCEDURES**

**From The Office Of State Auditor
Claire McCaskill**

State travel policies and regulations did not prevent excessive airfare costs, inconsistent meal reimbursement rates and questionable meal reimbursement practices.

**Report No. 2001-95
September 25, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

September 2001

www.auditor.state.mo.us

About \$3 million could be saved with changes in state business air travel and meal reimbursements

This audit examined how well state travel regulations control employee meal and airfare costs and found changes could reap substantial savings. Auditors determined the following results after reviewing travel and expense data for 16 executive branch departments.

Contracts with airlines are key to cutting costs in half

Missouri employees pay more than triple what Georgia employees pay for the same flight between Atlanta to St. Louis. This cost gap exists because Georgia officials negotiated an airfare contract with Trans World Airlines (headquartered in St. Louis). Missouri could cut airfare expenses in half, saving about \$1.5 million, by negotiating discounted airfare contracts as other states and federal entities have done for years. In addition, contracts could eliminate the need for non-refundable tickets and travel on Saturdays for cheaper fares. (See page 2)

State loses when employees keep frequent flier mile for personal use

State employees can redeem for personal use the frequent flier miles earned while traveling for state purposes. Three of the eight states contiguous to Missouri and the federal government declare frequent flier miles earned on business as government property. If Missouri followed suit, state officials could use these miles to reduce future travel costs. (See page 5)

Some employees can claim up to \$72 a day for food

Each department and some divisions within departments can set their own price limits to reimburse employees for food expenses. As a result, several regulations exist with some departments limiting employees to \$14 a day for meals, while others can claim up to \$72 a day. In addition, auditors found that five departments pay for the same expensive meal guide subscription (up to \$950 annually) to help set price limits for particular cities. (See pages 7 and 9)

Lunches reimbursed without requiring overnight travel

State officials could save an estimated \$1.8 million by eliminating reimbursement for noontime meals when employees are not traveling overnight. This practice is not common in seven of the eight states surrounding Missouri or federal agencies. But auditors found every department reimbursed for lunches even if an employee completed travel within a work day. Two of these departments allow lunch reimbursement even if employees are out of their office only two hours. (See page 13)

YELLOW SHEET

STATE DEPARTMENTS' TRAVEL REGULATIONS, POLICIES, AND PROCEDURES

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Michael Hartmann, Commissioner
Office of Administration
Jefferson City, MO 65102

The State Auditor's Office audited the Missouri State Travel Regulations at selected state agencies. The purpose of the audit was to determine if state travel regulations (1) provided cost-effective control over the purchase and use of commercial airline tickets, and (2) were consistently implemented by the executive branch departments to control the costs of employees' state business travel.

Audit tests disclosed (a) the state could potentially save \$1 million or more annually by contracting with airlines to obtain discounted airfares for state business travel, (b) the decentralization of state travel policies has resulted in inadequate and excessive meal allowance rates, and administrative inefficiencies, and (c) state agencies are reimbursing employees for meals that according to federal regulations are personal expenses and not business expenses and therefore should be reported as taxable income.

The audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests of the procedures and records as were considered appropriate under the circumstances.

Claire McCaskill
State Auditor

July 13, 2001 (fieldwork completion)

The following auditors participated in preparation of this report:

Director of Audits:	William D. Miller, CIA
Assistant Director:	Kirk R. Boyer
Audit Manager:	John B. Mollet, CISA
In-Charge Auditor:	Deborah J. Yost
Audit Staff:	Tania Williams
	Nicole Mortensen
	Andrea Higgins

RESULTS AND RECOMMENDATIONS

1. State Could Realize Substantial Savings Annually by Negotiating Air Fares with Commercial Airlines and Declaring Frequent Flier Miles as State Property

Missouri could have potentially saved over \$1 million in airfares during fiscal year 2000 if the state had negotiated contracts with commercial airlines. Since May 1993, Missouri's policy has encouraged state employees to use Trans World Airlines (TWA) when flying on state business, and TWA has reciprocated by giving state employees a 10 to 15 percent discount on airfares.¹ Other states and the federal government have negotiated contracts with airlines, including TWA, which allow their employees to fly at substantially less cost than Missouri state employees. Audit tests showed contracts with airlines can also provide other significant benefits, such as eliminating the need for state employees to purchase non-refundable and non-transferable tickets in order to get lower airfares. The state also lacks a policy on ownership of frequent flier miles state employees earn while flying on state business, which allows state employees to retain them for personal use.

Negotiated contracts with airlines can provide substantial savings and other benefits

During fiscal year 2000, the state paid an estimated \$2.9 million for air travel to conduct official business. Based on discounts other states and the federal government have realized through contract fares, Missouri could have potentially saved from 25 percent to over 50 percent on airline fares, or between \$745,000 and \$1.5 million. Negotiating contracts with airlines to obtain discounted airfares has been a long-standing practice used by other states and the federal government to reduce their travel costs. These contracts are typically negotiated annually and guarantee airfares that are less than standard coach fares between sets of paired cities such as between St. Louis and Washington, D.C. Several states, including Arkansas, Georgia, Illinois, and Iowa, and the federal government have contracts with commercial airlines that allow their employees to fly at substantially less cost than Missouri state employees. For example, the contract airfare with TWA for Georgia state employees for a one-way trip between Atlanta and St. Louis costs \$133. A Missouri state employee would pay \$420 for the same flight even with the 10 to 15 percent discount (a difference of \$287). Table 1.1 shows airfares under federal airline contracts compared to fares that could be paid by Missouri employees.

Savings of over \$1 million are possible

Table 1.1: Maximum Potential Airline Contract Savings

Flight			Federal	Missouri	Maximum Potential Savings
Kansas City	to	Washington, D.C.	\$254	\$571	56%
St. Louis	to	New York	\$290	\$613	53%
St. Louis	to	Washington, D.C.	\$283	\$436	35%
Kansas City	to	New York	\$275	\$369	25%

Source: Federal government contract schedules and commercial airline web sites.

¹ State Executive Order 93-07, signed May 10, 1993, directed each department to develop procedures for encouraging its employees to use TWA for state business air travel.

The above federal fares are unrestricted fares that do not require advanced reservations. The Missouri fares were unrestricted fares available 2 days before planned departure. In addition to the difference in the above prices, there was a substantial difference in the amount of time required to complete the flights. For example, the federal fare between St. Louis and New York is a 2½-hour non-stop flight. However, the Missouri fare between St. Louis and New York is a 10-hour flight that involved stops in Dallas and Detroit.

State employees can obtain lower fares than shown in table 1.1 by making advanced reservations. However, it is difficult to plan many business trips with adequate advanced notice to obtain these lower fares or with certainty that the plans will not change. These lower fares also involve restrictions such as being non-refundable tickets and \$100 fees for changing the flight schedule.

Negotiated contracts can provide additional tangible and intangible benefits

Airline contracts can eliminate the following practices:

- Purchasing non-refundable tickets.
- Traveling on Saturday in order to obtain cheaper fares.
- Abusing ticketing practices.

For example, to obtain discounted airfares, Missouri state employees have purchased tickets up to 3 months in advance of the planned departure date. These advance purchased tickets are generally non-refundable and non-transferable. Therefore, if a state employee is unable to make a trip for which he/she has already purchased a ticket, the state is unable to obtain a refund for the ticket or to allow another employee to use the ticket. If the employee makes another trip in the future, the employee could exchange the old ticket for a new ticket less an exchange fee of about \$100 and the difference in the two ticket prices. By obtaining contracts with airlines, non-refundable and non-transferable tickets would cease to be a problem because tickets purchased through contracts are refundable with no exchange fee. In addition, the ticket can be transferred to another employee if the first employee cannot make the trip.

Employee travel on Saturdays can be minimized or eliminated. Many airlines offer low-cost excursion fares, which require passengers to travel on Saturdays.³ The cost difference between excursion tickets and tickets purchased without a Saturday-night stay can be several hundred dollars. State employees could justify the cost of traveling on a Saturday and reimbursement for an extra day's lodging and meals because these costs were less than the ticket prices for flights without a Saturday stay. However, this requires employees to be away from their homes an additional day in order to save the state money. With contract fares, there is no Saturday night stay requirement. The ticket purchased through a contract airline would cost the state the same amount no matter when the employee used it. Additionally, the contract ticket cost may be no

² An example of a situation where a state employee would purchase an airline ticket 3 months in advance is to attend a conference and the date of the conference was known several months in advance.

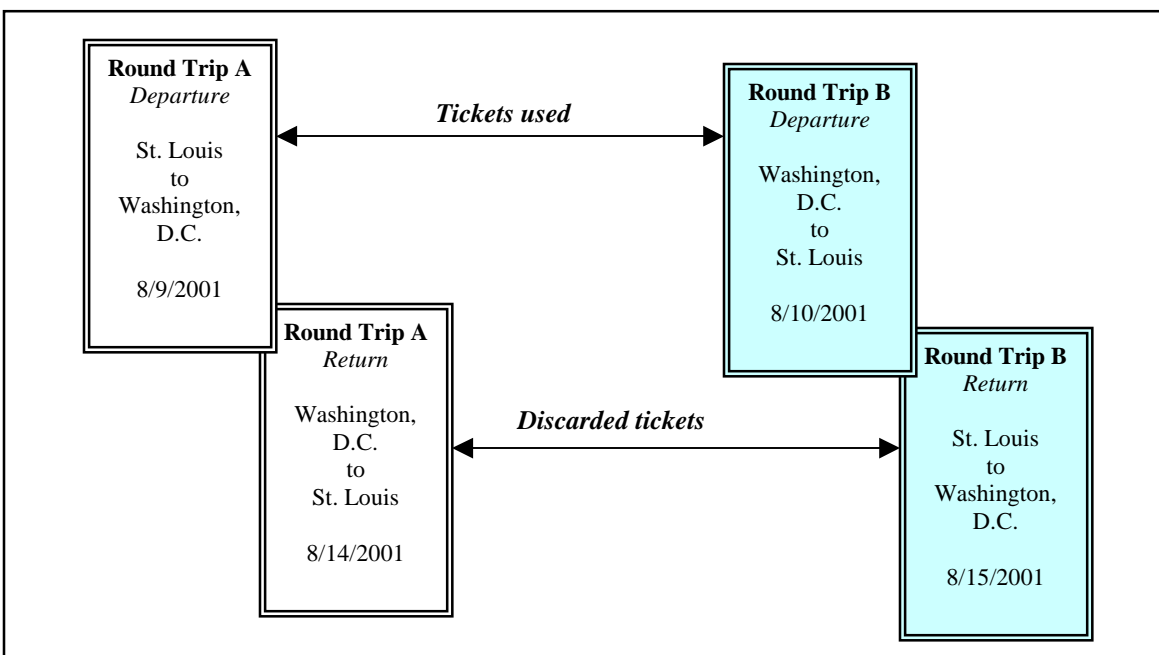
³ After the audit period, some airlines have discontinued the Saturday travel requirement.

more than excursion airfares, and the state would also save the additional cost of meals and lodging for employees to travel on Saturdays.

Negotiating contract airfares could also eliminate abusive ticketing practices

State employees have been involved in the practice known as back-to-back ticketing in order to avoid traveling on Saturdays. In back-to-back ticketing, an individual purchases two sets of round-trip tickets, which require Saturday night stays. These two round-trip tickets will often be cheaper than one round-trip ticket that does not require a Saturday night stay. As shown in the illustration 1.2, the individual will use the departure ticket for round-trip A and the departure ticket for round-trip B to enable the person to travel without having to stay over on a Saturday. The second half of the two sets of tickets is then discarded.

Illustration 1.2: Back-to-Back Ticketing



Source: Prepared by auditors.

Commercial airlines consider back-to-back ticketing as prohibited by the existing airline tariff rules, and if discovered, will often charge an individual or travel agency a penalty for booking these tickets. A travel agency official stated the agency was charged \$5,500 for booking back-to-back tickets for a state department. The official stated the state employee had called to book one set of tickets with one travel agent and then called back at a later date and spoke with a different agent to book the second set of tickets. This state employee did this on several occasions and the airline was able to track the activities through the state employee's frequent flyer miles. The travel agency contacted the responsible state department to obtain reimbursement for the penalty and the department refused to pay. The travel agency was ultimately responsible for paying the charge.

Using the Internet to purchase tickets is not always cost-effective

Although substantial discounts can be realized by purchasing airline tickets through the Internet, it does pose several disadvantages as follows:

Internet
booking can
be time
consuming

- Tickets obtained via the Internet usually involve advanced purchases, are usually non-refundable, and non-transferable.
- Searching the Internet for low airfares can be a time-consuming process, especially for state employees who do not travel by air on a regular basis.
- Ticket information shown on Internet purchases can be confusing. According to a state travel agent, several state employees who purchased tickets via the Internet thought the confirmation numbers shown on the screen represented actual ticketing for a flight. However, when the employees arrived at the air terminal they found they had not actually purchased tickets and had to purchase tickets at substantially higher prices than the prices shown on the Internet purchases.

Official policy related to frequent flier miles is needed

State employees using tickets purchased by state funds are free to redeem frequent flyer miles for their own personal use. The state does not have a policy on the ownership of frequent flier miles, and under current airline regulations the state cannot capture these miles for state use. Three of the eight contiguous states to Missouri and the federal government have policies declaring frequent flier miles earned while flying with tickets purchased by state/federal funds are property of the government. These policies are based on the premise that any benefits derived from the use of these tickets should go to the purchaser of the tickets (the government) and not the user (government employee).

Frequent flier
miles can be
used for
personal trips

Five of the eight contiguous states have not established frequent flier mile policies because their officials said such policies are basically impossible to enforce. States would have to rely on their employees to enroll in frequent flier programs and report their frequent flier miles. While this may be true, policies will help avoid abuses in the use of the frequent flier benefit.

Conclusions

Missouri could potentially save \$1 million or more annually in travel costs by negotiating contracts with commercial airlines to obtain discounted airfares between paired cities such as St. Louis and Washington, D.C. Contracts with airlines would also eliminate the need for employees to buy airline tickets that are non-refundable, to travel on Saturdays and to spend job time searching the Internet for low airfares. Other states and federal government agencies reduce travel costs by using frequent flier miles earned by their employees to reduce the cost of future government business trips. The absence of a state frequent flier policy allows state employees to keep frequent flier miles earned while using tickets purchased with state funds, and therefore the state cannot use these miles to reduce future travel costs. However, if the state entered into

contracts with the airlines as suggested in this report, the frequent flier miles would become property of the state instead of the individual fliers.

Recommendations:

We recommend the Commissioner, Office of Administration:

- 1.1 Analyze air travel by Missouri state employees to identify the cities most frequently visited.
- 1.2 Negotiate with commercial airlines to obtain reduced airfares between paired cities identified in the analysis.
- 1.3 Amend state travel regulations requiring employees to use contract airlines unless job circumstances, such as work schedules, make using non-contract airlines necessary.

Office of Administration Comments

The Office of Administration will convene an interagency work group to review current regulations and practices. Based on the recommendations of the work group, the Commissioner will issue appropriate policies and regulations regarding state travel.

The work group is currently being formed; all 16 state executive departments have been asked to designate someone to serve on the group. The group will begin its task by reviewing the audit findings and current agency travel practices.

2. Decentralization of the State Travel Regulations Has Resulted in Inequitable Travel Policies and Lack of Control over Travel Expenditures

State departments and their divisions⁴ are issuing numerous travel regulations that do not consistently reimburse state employees for meals. The state travel regulation issued by the Office of Administration only states a meal expense shall be in reasonable relationship to the average costs of the cities where the expense is incurred. However, it does not provide an appropriate definition for this amount. The Office of Administration delegated the authority for each department to set their own meal limits in order to give the departments flexibility in controlling their travel budgets. Allowing each department and their divisions to issue their own travel regulations has also resulted in inequity among state employees and duplication of effort in reviewing travel expense reports.

The lack of specific guidance has contributed to inequitable meal allowances

The Office of Administration delegated the authority to issue travel regulations to state directors and to prescribe what are reasonable and necessary travel expenses as they relate to meals. This resulted in the departments and their divisions issuing numerous travel regulations, which limit some state employees to only claim \$14 a day for meal expenses, while other state employees can claim up to \$72 a day, or five times more than the lowest allowed. Accordingly, audit tests showed that while some employees can only spend a total of \$14 a day for breakfast, lunch and dinner, employees in another department have claimed up to \$39 for dinner alone.

Meal limits
range from
\$14 to \$72

According to meal allowance guides issued by the federal government and a commercial firm, several state departments have set meal allowances either well below or well above average costs for Missouri cities. For example, current federal daily meal rates for Missouri cities are \$46, \$42, and \$34 for St. Louis, Kansas City, and Branson respectively; and \$30 for all other Missouri cities.⁶ Employees for one Department of Mental Health division, however, can claim up to \$14 a day while Office of Administration employees can claim up to \$72 in St. Louis, and up to \$63 in all other Missouri cities. Table 2.1 shows meal allowance rates for each department.

⁴ The term “division” for the purpose of this report refers to all divisions, subdivisions, commissions, facilities, or subordinate site locations within a state department.

⁶ The federal rates are based on triennial surveys of menu prices at two- and three-star restaurants.

Table 2.1: Meal Limits by Department

Department	Meal Reimbursement – In State			
	Maximum ¹	Breakfast	Lunch	Dinner
Agriculture	\$18	\$4	\$5	\$9
Conservation	No limit	--	--	--
Corrections	\$50	--	--	--
Economic Development	\$72	--	--	--
Elementary and Secondary Ed.	\$72	--	--	--
Health	\$72	--	--	--
Higher Education	No limit	--	--	--
Insurance	\$46	--	--	--
Labor and Industrial Relations	\$50	\$12	\$12	\$26
Mental Health	\$14-\$26	--	--	--
Natural Resources	\$72	--	--	--
Office of Administration	\$72	--	--	--
Public Safety	\$72	--	--	--
Revenue	\$42.55	\$9.20	\$10.35	\$23
Social Services	\$22.50	\$4.60	\$6.90	\$11
Transportation	No limit	--	--	--

Note: ¹State employees are reimbursed for actual costs up to the amounts shown in the table, but lesser amounts may apply depending on the destination.

Source: Department's responses to auditor questionnaire

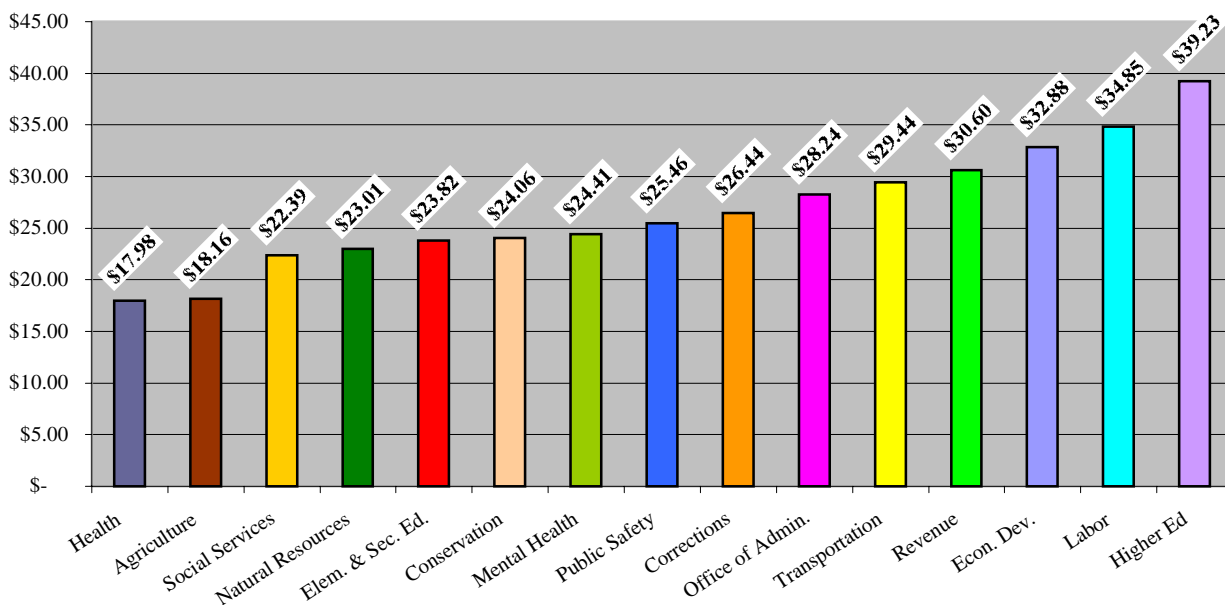
The above allowance rates represent daily limits based on actual expenditures incurred and not daily entitlements. Federal meal allowance rates are basically entitlement rates, because federal employees can claim these amounts even though their actual expenditures may have been less.

Employees in most departments are not claiming the maximum meal expense allowances

Audit tests showed that employees working for departments, whose meal allowances were less than \$30 a day, on the average claimed up to the maximum amount allowed by their departments. For example, Social Services Department employees, whose daily limit was \$23, claimed an average of \$22. Audit tests also showed that employees working for 9 of the 13 departments with no set limits, or limits above \$30, on the average claimed less than \$30 a day. For example, Conservation Department employees, who had no set limit, claimed an average of \$25 a day. However, Departments of Economic Development and Labor claimed an average of \$33 and \$34 a day, respectively.

Meal claims
average less
than \$30 a day

**Chart 2.2: Ranges of Average Daily Meal Spending by Department
June 2000**



Source: Auditor analysis of the departments' June 2000 expense reports

Use of commercial firm's high rates has resulted in higher meal costs and duplicative administrative expenses

Six state departments, including the Office of Administration, use meal allowance rates published by a commercial firm, which has resulted in higher costs for meals being claimed in comparison to other departments' meal expenses. The commercial firm's meal rates include a low, average and high rate for breakfast, lunch and dinner. Each department that uses the commercial firm rates has allowed their employees to claim up to the high rate for meal reimbursements. For example, an employee from one department claimed dinner reimbursement of \$38.68 and \$39.27 in St. Louis during the month of May 2001. Another employee from this department claimed \$38 for dinner in St. Louis in January 2001. The maximum commercial dinner rate published by the commercial firm for St. Louis is \$42.85. Employees with this same department claimed dinners ranging from \$30.26 to \$32.43 for the months of January to May 2001 in Kansas City, which the commercial firm lists a maximum high of \$35.30. These are over twice the amount (\$14) that can be claimed by some Department of Mental Health employees for breakfast, lunch and dinner, combined.

The commercial firm's guide is only available by paid subscription. Five of the six departments using the commercial firm meal guide pay for their own separate subscriptions. The departments are paying the commercial firm up to \$950 annually to obtain the meal rates. The Department of Health pays an annual \$570 subscription cost to the commercial firm and an additional \$95 per quarter for updates. The Department of Economic Development is paying \$596 per year to subscribe to this commercial firm, and also pays an additional \$30 per city to have rates for Springfield and Jefferson City researched on a quarterly basis. The Department of Public Safety stated they purchased the firm's guide in fiscal year 2001, however, in fiscal year 2002 they will probably rely on the Office of Administration's subscription because the cost of the subscription was too expensive.

Five departments paid for same information separately

Multiple travel policies to supplement the state travel regulation have resulted in duplication of effort and lack of control over travel costs

Information provided by the departments and their divisions show they have issued 60 separate travel policies to supplement the state travel regulations. Each department has different procedures for processing expense reports before forwarding them to the Office of Administration for payment. Several departments allow each division to enforce its own policy without review by the department's central office. This decentralization has resulted in (1) an excessive number of employees involved in reviewing and approving travel expense reports, and (2) the departments losing oversight over their divisions' travel expenditures. Table 2.3 shows the number of travel policies the departments and their divisions have issued within the executive branch.

Sixty policies supplement state travel regulations

Table 2.3: Total Number of Policies by Department

	Number of Division Policies
Mental Health	29
Economic Development	10
Public Safety	7
Corrections	3
Agriculture	1
Conservation	1
Health	1
Office of Administration	1
Insurance	1
Labor & Industrial Relations	1
Natural Resources	1
Revenue	1
Social Services	1
Transportation	1
Elementary & Secondary Ed.	1
Higher Education	0
Totals	60

Source: Travel policy survey responses

Decentralization has resulted in significant inefficiencies related to reviewing and processing travel expense reports. For example, within the Department of Mental Health and its divisions, which have 29 separate travel policies, 70 employees are involved in reviewing and processing expense reports. Also, the Department of Economic Development, which has 10 separate travel policies, has 20 employees to review and process expense reports. The Department of Social Services, which only has one travel policy for all divisions and sections, has six employees to review and process expense reports. The Department of Social Services processed more than three times the number of expense reports in fiscal year 2000 than did either the Departments of Mental Health or Economic Development.

As a result of multiple policies and fiscal officers, some departments have lost effective oversight of employees' travel expenses. For example, the Department of Mental Health's central office officials do not review division expense reports prior to forwarding them to the Office of Administration. Such a review would have disclosed that two employees drove separately to Geneva, Wisconsin instead of using airlines, or pairing up to ride together. On another trip, two employees from the same Department of Mental Health division went to Chicago. One employee used commercial airfare to Chicago, but the second employee drove her personal vehicle. The second employee's expense report did not include an analysis to show it was less costly for her to drive than to use commercial airfare to Chicago.

State travel
regulations
inconsistently
enforced

Conclusions

Decentralizing the authority to amend state travel regulations to each department has resulted in many employees not receiving adequate meal reimbursement, while other employees receive excessive meal reimbursement. Decentralization has also resulted in duplication of effort in reviewing and processing travel expense reports and loss of effective oversight of state travel costs.

Recommendations

We recommend the Commissioner, Office of Administration:

- 2.1 Amend state travel regulations to establish standard statewide meal allowance rates, taking into consideration the need for higher rates in larger metropolitan areas.
- 2.2 Direct department directors to establish only one department-wide travel regulation and suspend regulations that have been issued by individual divisions.

Office of Administration Comments

The Office of Administration will convene an interagency work group to review current regulations and practices. Based on the recommendations of the work group, the Commissioner will issue appropriate policies and regulations regarding state travel.

The work group is currently being formed; all 16 state executive departments have been asked to designate someone to serve on the group. The group will begin its task by reviewing the audit findings and current agency travel practices.

3. Departments' Questionable Meal Reimbursement Practices Substantially Increase State Travel Costs and Represent a Federal Tax Liability

State departments are reimbursing their employees for noontime meals for travel that does not involve travel overnight and/or outside their official domicile. According to Internal Revenue Service Publication 463, Travel, Entertainment, Gift, and Car Expenses, the cost of business meals that did not involve overnight travel or travel long enough for the employees to stop for sleep or rest to properly perform their duties is a personal expense and, therefore, is not deductible as a business expense.⁷ Also, if employers reimburse employees for these business meals, federal regulations require employers to report the amount reimbursed as taxable income to the employees. State department officials stated they had not reported these reimbursements as taxable income because they were not aware of the federal requirements. Additional Social Security and Medicare taxes will have to be paid by the state if the departments continue to reimburse employees for these types of meals and report these amounts as taxable income. Eliminating the reimbursement for noontime meals for travel that does not require overnight stay could save the state an estimated \$1.8 million.

State travel regulations allow meal reimbursements without overnight travel

State travel regulations (1 CSR 10-11.010), rule (3) states “officials and employees will be allowed travel expenses when required to travel away from their official domicile on state business. In instances where employees incur breakfast or evening meals when leaving and returning to their official domicile, they should indicate on their expense report that an early departure or late arrival was required to conduct state business.” This rule does not state whether noontime meals are reimbursable when employees leave and return to their official domicile, without incurring overnight travel.

State travel regulations rule (10) states “in certain situations (as in the metropolitan areas of Kansas City, St. Joseph, St. Louis, and Springfield) where it is clearly economical or advantageous to the state, the Office of Administration may authorize reimbursement for meals for employees traveling on state business in the area, regardless of the location of their official domicile. Generally, this will include the noon meal only. This shall apply only to employees who by the nature of their jobs are required to travel and are reimbursed while on state business in their official domicile.” Audit tests show the departments have interpreted this rule to allow employees to be reimbursed for noontime meals while out of the office for official business during the noontime hours, even if they are away less than 2 hours.

Reimbursing employees for meals, which did not involve overnight travel, are not a common practice by other states. Seven of the eight states contiguous to Missouri do not reimburse their employees for noontime meals unless the employees are in overnight travel status. Additionally, federal travel regulations do not authorize reimbursement for meals, unless an employee is in travel status 12 hours or longer.

⁷ According to an IRS publication, the rest requirement is not satisfied by merely napping in a car or stopping an hour to eat lunch.

Costs for noontime meals are substantial

Audit tests of the departments' June 2000 expense reports showed all departments reimbursed employees for noontime meals that did not involve overnight travel. Specifically, sample audit tests showed the departments reimbursed 447 employees for 4,278 noontime meals costing \$22,774. Although the expense reports did not show the number of hours the employees were in travel status during these "day trips," the fact that the employees did not claim reimbursement for breakfast or dinner indicates they were in travel status less than 12 hours. Two departments' travel regulations authorize reimbursement for noontime meals even if their employees are out of their office for only 2 hours. For example, the Department of Social Services' travel policy states an employee leaving his/her office before 11:30 a.m. and returning after 1 p.m. is entitled to reimbursement for his/her noontime meal. Table 3.1 shows (1) totals for all meals reimbursed by each department, (2) the amount of the total that was for noontime meals only (employees did not claim breakfast or dinner), and (3) the percentage of noontime meals to the total amount.

Numerous employees reimbursed for noon meals

Table 3.1: Day Trip Meal Expenditures from Audit Test

Department	Total Meals	Total Noon Meals for Day Trips	Percentage Reimbursed for Noon Meals
Agriculture	\$3,223	\$1,911	59
Natural Resources	\$5,999	\$2,115	35
Conservation	\$16,760	\$5,774	34
Corrections	\$5,433	\$1,640	30
Revenue	\$3,014	\$800	27
Health	\$3,122	\$815	26
Public Safety	\$9,131	\$2,031	22
Higher Education	\$889	\$165	19
Economic Development	\$8,483	\$1,550	18
Mental Health	\$3,223	\$567	18
Social Services	\$19,006	\$3,422	18
Labor and Industrial Relations	\$5,149	\$890	17
Insurance	\$573	\$82	14
Transportation	\$7,326	\$695	9
Elementary & Secondary Education	\$2,323	\$179	8
Office of Administration	\$1,638	\$138	8
Totals	\$95,293	\$22,774	24

Source: Auditor analysis of departments' June 2000 expense reports

An estimated \$1.8 million was reimbursed for noontime meals received during day trips, which the departments should have reported as taxable income to their employees. This estimate was based on total fiscal year 2000 meal expenditures of \$7.4 million and audit tests that showed noontime meal reimbursements were 24 percent of the total meal expenditures.⁸ Since the audit tests did not include a review of expense reports less than \$50, the percent of total meal reimbursements for only noontime meals could be higher.

Reporting meal reimbursement for day trips as taxable income will result in additional state costs

The state will be responsible for contributing Social Security and Medicare taxes, or 7.65 percent on the amounts reimbursed, if the departments continue to reimburse employees for noontime meals that did not involve overnight travel or travel long enough for the employees to stop for sleep or rest. Based on the \$1.8 million estimate of day trip meal reimbursements for fiscal year 2000, the state would have paid an additional \$120,142 in Social Security and Medicare taxes. In addition to increased federal tax liability, the departments will have to develop and/or modify existing manual and automated systems to track and report the costs of meals that are subject to federal taxes.

Conclusions

State travel regulations authorize state employees to be reimbursed for noontime meals while out of their offices, even though they were not required to travel overnight or long enough to require rest. Audit tests indicate the costs to reimburse state employees for meals while the employees were away from their offices for 12 hours or less was an estimated \$1.8 million. According to federal regulations, these reimbursements did not represent legitimate business expenses and should have been reported as taxable income to the employees. Accordingly, the state would have been liable for Social Security and Medicare taxes on the \$1.8 million. Given the issues identified, the Office of Administration needs to consider at least two options: prohibiting reimbursement for noontime meals for short day trips; or ensuring agencies properly report such reimbursements for tax reporting purposes.

Recommendations

We recommend the Commissioner, Office of Administration:

- 3.1 Clarify state travel regulations to specify situations when noontime meals are or are not reimbursable, such as employees must be traveling at least 12 hours.
- 3.2 Notify department directors of the Internal Revenue Service's requirement to track and report these reimbursements as taxable income to employees if the Office of

⁸ This \$7.4 million estimate came from the state centralized accounting system, SAMII. This number is based on object code 2109 for in-state meals and only included expense reports for state employees.

Administration continues to authorize the payment of noontime meals for travel that does not involve an overnight stay.

Office of Administration Comments

The Office of Administration will convene an interagency work group to review current regulations and practices. Based on the recommendations of the work group, the Commissioner will issue appropriate policies and regulations regarding state travel.

The work group is currently being formed; all 16 state executive departments have been asked to designate someone to serve on the group. The group will begin its task by reviewing the audit findings and current agency travel practices.

OBJECTIVE, SCOPE AND METHODOLOGY

Objectives

Our objectives were to determine if state travel regulations (1) provided cost-effective control over the purchase and use of commercial airline tickets, and (2) were consistently implemented by the executive branch departments in controlling the costs of employees' travel when conducting state business.

Scope and Methodology

To accomplish the audit objectives we:

- Reviewed travel expense cost data for the 16 departments of the executive branch for the period July 1, 1999, through June 30, 2000, (state fiscal year 2000). The 16 departments of the executive branch are: Agriculture, Conservation, Corrections, Economic Development, Elementary and Secondary Education, Health; Higher Education, Insurance, Labor and Industrial Relations, Mental Health, Transportation, Natural Resources, Office of Administration, Public Safety, Revenue, and Social Services.

Because most airline tickets are direct billed to the departments, they were not disclosed on employee travel expense reports. As such, we were unable to obtain detailed information on individual airline tickets during our audit period such as date of travel, airline used and the actual cost of the tickets purchased. Even if airline tickets had been available, it would not be possible to determine if another flight would have been more economical, because airline fares change rapidly and it is not possible to know the circumstances in which an airline ticket was booked.

- Obtained completed questionnaires from each of the executive branch departments, containing information regarding their travel regulations, policies, and procedures, and the extent of employee official travel.
- Reviewed the departments' and their divisions' travel regulations.
- Interviewed officials from three Jefferson City travel agencies that book airline reservations for state departments to obtain information regarding airline travel.
- Interviewed officials from the departments of Conservation, Economic Development, Labor and Industrial Relations, Mental Health, Office of Administration, and Social Services to determine how their travel regulations and policies are enforced and expense reports processed.
- Reviewed travel policies and regulations for Missouri's eight contiguous states: Iowa, Illinois, Kentucky, Tennessee, Arkansas, Oklahoma, Kansas and Nebraska, and federal travel policies and regulations as they relate to meals, lodging, air travel, and overnight stay requirements.

APPENDIX I

- Obtained information on daily meal allowance rates that are published by a commercial company and the federal government.
- Reviewed the Office of Administration Travel Regulations (amended August 30, 1996) to determine whether state travel policies and regulations provided effective guidance and control.
- Reviewed applicable federal regulations and U.S. Internal Revenue Service codes and publications regarding meal reimbursements, which qualify as business expenses.
- Obtained an audit sample of expense reports to review for executive branch departments from the state's centralized accounting system.
- Identified all expense reports totaling \$50 or more, excluding mileage reimbursements that were processed during June 2000.⁹
- Reviewed over 20 percent of the expense reports meeting this requirement from each department to obtain information regarding meals, lodging, air travel and miscellaneous expenses. Table I.1 depicts the number of expense reports meeting the audit test requirements and the number reviewed by our office.

⁹ Mileage was not reviewed during this audit because it is a set by state statute for all departments at .03 below the federal reimbursement rate.

APPENDIX I

Table I.1: Audit Test for Expense Reports

Department	Expense Reports Over \$50	Audit test
Social Services	882	185
Conservation	594	133
Public Safety	409	122
Economic Development	401	123
Department of Transportation	386	91
Natural Resources	336	98
Corrections	288	65
Mental Health	282	71
Health	271	77
Elementary & Secondary Education.	193	73
Revenue	170	55
Labor	145	61
Agriculture	131	45
OA	98	33
Insurance	55	27
Higher Education	13	8

Source: State centralized accounting system data for June 2000

¹⁰ Mileage was not reviewed during this audit because it is a set by state statute for all departments at .03 below the federal reimbursement rate.

STATUTES AND CODE OF REGULATIONS

State Statutes and Regulations

State Statute, Section 33.090, RSMo 2000, empowers the Office of Administration to promulgate rules and regulations governing incurring and paying reasonable and necessary travel and subsistence expenses actually incurred on behalf of the state.

To implement the above statute, the Office of Administration issued state regulation (1 CSR 10-11.010), which establishes guidance for all public officials and employees of the State of Missouri who travel on official business for the state. The regulation contains 20 rules, including the following:

- Rule 3 states: “Officials and employees will be allowed travel expenses when required to travel away from their official domicile on state business. Employees should indicate on their expense report that an early departure or late arrival was required to conduct state business in order to claim breakfast or evening meals when leaving or returning to their official domicile. Mileage reimbursement for official use of a private motor vehicle may be claimed within the official domicile.”
- Rule 5 states: “Employees and officials are expected to exercise the same care in incurring expenses as a prudent person would exercise if traveling on personal business. Meal and hotel expenses shall be in reasonable relationship to their average cost for the cities where the expenses are incurred. Hotel expenses shall be at the single rate and air travel is limited to no more than coach fare. The make/model of rental vehicles should be reasonable in relation to their business need.”
- Rule 10 states: “In certain situations (as in the metropolitan areas of Kansas City, St. Joseph, St. Louis, and Springfield) where it is clearly economical or advantageous to the state, the Office of Administration may authorize reimbursement for meals for employees traveling on state business in the area, regardless of the location of their official domicile. Generally, this will include the noon meal only. This shall apply only to employees who by the nature of their jobs are required to travel and are reimbursed while on state business in their official domicile.”
- Rule 15 states: “No official or employee shall be allowed hotel or meals while in their city of official domicile, except as provided in section (10) [(travel rule) (10)] and this section (15) [(travel rule) (15)]. While traveling on state business, employees and officials will not be allowed hotel expenses when it would be advantageous to the state to return to their residence. Reimbursement or direct billing may be made for agency-provided meal expenses within the city of official domicile when it is incurred as part of a department or agency required meeting or department sponsored conference. This represents meals served to officers and employees at conferences and meetings who are interacting and conducting state business during the meal period.”

APPENDIX II

- Rule 18 states: “state department directors are authorized to promulgate and enforce regulations governing travel. Departmental regulations may be more restrictive than these [state] regulations. Departmental regulations shall not grant expenses that are not allowed under the State of Missouri Travel Regulations.”

Federal Regulations and Rules

The United States Internal Revenue Code of 1954, 26 U.S.C. 162 (a) (2) (1958 ed.) allows individuals to claim a deduction for traveling expenses including meals and lodging while “away from home” in pursuit of a trade or business. Internal Revenue Service Publication 463, Travel, Entertainment, Gift, and Car Expenses, states: “You are traveling away from home if 1) Your duties require you to be away from the general area of your tax home (defined later) substantially longer than an ordinary day’s work, and 2) You need to get sleep or rest to meet the demands of your work while away from home.” According to the publication, the rest requirement is not met by merely napping in your car or stopping an hour for lunch. U.S. Code of Federal Regulations (26 CFR 1.62-2) requires that if employers reimburse employees for meals when the employees did not meet the “away from home” requirement, the employers must report the non-away from home reimbursements as wages or other compensation on the employees’ Form W-2, and the amount is subject to withholding and payment of employment taxes, such as Social Security and Medicare taxes.



**AUDIT OF
STATE FLEET MANAGEMENT**

**From The Office Of State Auditor
Claire McCaskill**

*State officials have no assurances the state's
vehicle fleet is efficiently used.*

**Report No. 2001-94
September 25, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

September 2001
www.auditor.state.mo.us

State officials need more assurances that the state's vehicle fleet is efficiently used

This audit details the status of statewide fleet management policies and found ample room for improvement. Audit results were partly based on the 85 responses we received from state entities to an audit survey and tests on a random sample of 180 vehicles from various state entities. The sampling was necessary because state officials do not keep one central database with statewide vehicle information.

Number of state cars still unclear

No one knows how many vehicles the state owns. The lack of a centralized vehicle management database results in inconsistencies among state entities. State entities reported in the audit survey that they owned 15,389 vehicles. This figure includes 8,877 passenger vehicles, which became the focus of this audit. An attempt to reconcile these numbers with the Department of Revenue state license plate records also showed inconsistencies. (See page 2)

State cars underutilized

About 29% of the 180 passenger cars tested by auditors were driven less than 5,000 miles a year. Fleet managers in other states set the benchmark mileage at no less than 15,000 miles a year for passenger vehicles. Low mileage is an indicator that a fleet has too many vehicles or the cars are inefficiently used. (See page 3)

Few vehicle replacement policies exist

Nearly half of the 85 state entities responding to the survey did not have a vehicle replacement policy, which helps maintain a truly cost-effective fleet. Such a policy sets a replacement threshold in an effort to obtain a substantial return on the state's investment and prevent excessive maintenance. Many state entities with replacement policies were keeping all vehicle types for at least 100,000 miles. Federal guidelines set thresholds from 40,000 to 80,000 miles depending on the vehicle type. (See page 4)

Fleet management left up to each state entity

State entities determine the fleet size and how vehicles are used, assigned, maintained or replaced. Each entity may also adopt its own record keeping system and monitoring process. Most departments further decentralized fleet management by division, such as the Department of Mental Health with 25 different groups maintaining separate vehicle

YELLOW SHEET

systems. With no specific guidelines to follow, auditors found several examples of inadequate management including state entities with (See page 7):

- No vehicle management policy.
- No definition of personal use or appropriate incidental use of state cars.
- No justification for how vehicles are assigned.
- No mileage logs kept on vehicles.
- No definition for allowable commuting with state cars.
- No records of maintenance or repairs.
- No records of vehicle operating costs.
- Purchases of vehicles without proper budget authority.

**AUDIT OF
STATE FLEET MANAGEMENT**

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Michael Hartmann, Commissioner
Office of Administration
Jefferson City, MO 65102

The State Auditor's Office performed an audit of state vehicles. The audit included all passenger vehicles owned by the 17 state departments, selected elected officials, and 20 colleges and universities throughout the state. The audit focused on adequate controls for usage through policies and procedures, and the utilization of a vehicle management system to track vehicle costs and mileage.

The objectives of this audit were to determine (1) if the state has adequate policies, procedures, controls, and records for the management of vehicles, and (2) if opportunities exist for more efficient and effective use of state vehicles.

For the purposes of this review, we have used the term "state entities" to include all state departments and their subunits, elected officials, and the colleges and universities. Audit tests disclosed that the state did not have adequate statewide policies and procedures and that policies and procedures at the state entity level were inconsistent or nonexistent. Some state entities did not have policies and procedures governing vehicle maintenance, vehicle replacement, proper use, and vehicle assignment. The state does not have a standardized vehicle management system, which would help to ensure the state efficiently operates the fleet of vehicles.

We concluded that fleet vehicles in the state can and should be better managed and the state needs standardized policies and procedures for all state entities to follow in the management of their vehicle fleets.

The audit was conducted in accordance with applicable standards contained in the *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests of the procedures and records as were appropriate under the circumstances.

Claire McCaskill
State Auditor

June 11, 2001 (fieldwork completion)

The following auditors participated in the preparation of this report:

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RESULTS AND RECOMMENDATIONS

Fleet Vehicles Can Be Better Managed

The state does not know how many vehicles it owns, vehicles are underutilized and not replaced at an optimal point, and some purchases did not comply with normal budgeting procedures. These conditions exist because the state does not have standard vehicle management policies. Instead, the state operates a large, decentralized vehicle fleet where each state entity manages its own fleet. Vehicle management policies at the state entity level were not consistent and, in some cases, did not exist. As a result, there is no assurance that the state's fleet is effectively and efficiently used.

Audit methodology

We surveyed entities¹ of all 17 state departments, selected elected officials, and 26 colleges and universities to determine if they had vehicle management policies and procedures and to determine the number of vehicles in their fleets. Eighty-five entities responded. We summarized the responses and made audit conclusions regarding the adequacy of fleet management policies on a statewide basis. Because vehicle information is not available in a statewide system, we performed some of our audit work and made conclusions based on a stratified random sample of 180 vehicles from the various state entities and reviewed fleet management records when available. (*See Appendix I, page 12.*) We limited our review to the 8,877 passenger vehicles reported to us by state agencies.

No one knows how many vehicles the state owns

The state does not have a standard vehicle management database and state entity records are inconsistent and inadequate. As a result, it is difficult to determine how many vehicles the state owns. State entities reported in audit surveys that they owned a total of 15,839 vehicles as shown in Table 1.1:

Table 1.1 Number of Vehicles Owned

Vehicle Type	Number
Motor graders, cranes, trailers	2,978
Non-passenger vehicles (cargo vans, heavy-duty trucks, buses)	3,984
Passenger vehicles (automobiles, pick-up trucks, sport utility vehicles, passenger vans)	8,877
Total Fleet	15,839

Source: Agency survey responses

The Department of Revenue maintains a record of state license plates issued and we attempted to reconcile the number of vehicles reported to us by state entities to these records. However, the Department of Revenue records consist of 57 computer spreadsheets (one for each state entity). The layout of the spreadsheets is not conducive to any kind of analysis. The spreadsheets were

¹ For the purposes of this audit, we have used the term "state entities" to include all state departments and their subunits, selected elected officials, and the colleges and universities.

not designed to allow any computing or processing capabilities. Instead, each spreadsheet is a list that could not be sorted by model, year, type of vehicle, etc. Reconciling this data with information from individual state entity databases was not possible. Absent reliable state entity databases, we compared the number of vehicles provided to us in response to our surveys of the state entities to the Department of Revenue's spreadsheets on state license plates. This comparison revealed that there were 303 more vehicles reported by state entities than the number licensed. Possible explanations for the differences may include the following:

Vehicle records cannot be reconciled

- Errors in the vehicle records of individual state entities.
- Breakdowns in vehicle licensing procedures by state entities.
- Errors in the Department of Revenue's record.
- The Department of Revenue records did not include Highway Patrol vehicles.
- The number of confidential license plates.

(See Appendix IV, page 16, for the results of this comparison.)

State entities are underutilizing their vehicles

Approximately two-thirds of the 180 vehicles we tested were driven less than 15,000 miles per year. However, annual mileage lower than 15,000 is expected for vehicles used for short trips or special purposes. As a result, we set our audit criteria of underutilization at 5,000 annual miles. We found 52 of the 180 (29%) vehicles were driven less than 5,000 miles during the year. Based on the results of the sample, we estimate the state had a total of 1,763 vehicles that were driven less than 5,000 miles during the year as shown in the table 1.2.

Vehicles were driven less than 5,000 miles in a year

Table 1.2 Number of Vehicles with Less than 5,000 Miles

State Entity (1)	Population (2)	Number Tested (3)	Less than 5,000 miles (4)	Percentage (Col. 4 div Col. 3) (5)	Projected (Col. 2 x Col. 5) (6)
Conservation, Highway Patrol, and Transportation	3,903	60	2	3.3	129
All Other Agencies	3,497	60	12	20.0	699
Colleges/Universities	1,477	60	38	63.3	935
Totals	8,877	180	52		1,763

Source: Agency responses to surveys

Although some of these vehicles may be justified because of the need for short trips or other specialized purposes, it appears the state should be able to significantly reduce the size of its vehicle fleet. The state also needs to include in its standard policies and procedures the circumstances where it is appropriate to operate a vehicle less than 15,000 miles in a year.

According to the Council on Efficient Operations and other benchmarks identified in other states, passenger vehicles in public sector fleets should be driven at least 15,000 miles per year. Low mileage is an indicator that a fleet has too many vehicles or is not using them efficiently. Because of the lack of a standard vehicle management system and inadequate records at various

state entities, mileage information is not readily available. As a result, we determined the annual mileage for a stratified random sample of 180 vehicles (from the groups of vehicles listed below) and projected the results to the population of all vehicles. Table 1.3 summarizes annual miles for the vehicles tested.

Table 1.3 Summary of Number of Vehicles by Miles Driven

Number of vehicles tested				
Annual Miles	Conservation, Highway Patrol, and Transportation	All Other State Agencies	Colleges and Universities	Total
0 to 1,000	0	4	8	12
1,001 to 5,000	2	8	30	40
5,001 to 10,000	8	14	7	29
10,001 to 15,000	16	17	6	39
Over 15,000	34	17	5	56
Not available	0	0	4	4
Totals	60	60	60	180

Source: Auditor analysis of agency records

Vehicle replacement policies are important for maintaining efficiency in fleet costs

Nearly half of the 85 (49%) state entities did not have a vehicle replacement policy. Therefore, these state entities could not ensure that they were maintaining a cost-effective fleet. Without a vehicle replacement policy, state entities cannot assess the appropriate break-even point for deciding to maintain and repair the vehicle or to purchase a new one. The state entities that implemented vehicle replacement policies showed a range of replacement thresholds between 49,500 miles and 150,000 miles depending upon the type of vehicle. Understandably, the Highway Patrol had the lowest threshold (49,500 miles) because of the constant use of the vehicles and the type of use. The remaining state entities with such policies have set vehicle replacement at points ranging from 70,000 to 150,000 miles. The majority of those policies indicate state entities are keeping all vehicle types for at least 100,000 miles. However, the federal General Services Administration uses a range of optimal vehicle replacement thresholds of 60,000 miles (for sedans and station wagons), 50,000 miles (for light-duty trucks), 80,000 miles (for heavy-duty trucks), and 40,000 miles (for four-wheel drive vehicles).

Because of the lack of a standard vehicle management system and inadequate records at various state entities, mileage information is not readily available. As a result, we determined the accumulated mileage for a stratified random sample of 180 vehicles (from the groups of vehicles listed below) and projected the results to the population of all vehicles. In our test of 180 vehicles, we found 30 that had over 100,000 miles. These 30 vehicles were owned by 18 different state entities. Although 12 of these 18 entities had vehicle replacement policies, they still operated vehicles with excessive mileage. Based on the results of our sample, we estimate the state owns a total of 1,442 vehicles with over 100,000 miles as shown in table 1.4.

Table 1.4 Vehicles with More than 100,000 Miles

<i>State Entity (1)</i>	<i>Population (2)</i>	<i>Number Tested (3)</i>	<i>Over 100,000 (4)</i>	<i>Percentage (Col. 4 div Col. 3) (5)</i>	<i>Projection (Col. 2 x Col. 5) (6)</i>
Conservation, Highway Patrol, and Transportation	3,903	60	4	6.7	261
All Other Agencies	3,497	60	16	26.7	934
Colleges/Universities	1,477	60	10	16.7	247
Totals	8,877	180	30		1,442

Source: Agency responses to surveys

(See Appendix III, page 15, for list of the 30 vehicles noted in our test that exceeded 100,000 miles.)

Replacing vehicles at the appropriate time is important to obtain a substantial return on the state's investment and prevent excessive maintenance and operating costs.

The replacement of vehicles can be better controlled if agencies are required to comply with the budget process

We noted purchases of vehicles that were not specifically requested as decision items on agency budgets. Instead, the vehicles were purchased from the agency's core budget. Because of this, the Governor's office, the Division of Budget and Planning, and the General Assembly's oversight and approval functions were limited.

The state attempts to control the replacement of vehicles somewhat through the budget process. Budget instructions published by the Division of Budget and Planning state that:

"Replacement vehicle requests should include information on the mileage of each vehicle as of June 30th. The information is needed to establish consistent application of replacement criteria in the event the funding for vehicles is provided. In addition, the requests for cars should assume cost estimates for a four door mid-size sedan or compact where appropriate, unless specific justification is provided for some other class of car."

Even though budget instructions indicate that vehicle purchases should be itemized in the budget request, the Division of Budget and Planning told us there is no specific prohibition against agencies purchasing vehicles out of their core budget.

We compiled a list of vehicle purchases made from the General Revenue Fund from April 1, 1999, through the lapse period of July 31, 1999, and noted 53 state entities who purchased vehicles totaling \$3,584,000. We reviewed the approved budgets for 17 of these 53 entities that purchased \$592,700 of the \$3,584,000 in vehicles to determine if the state entities budgeted for these vehicle purchases. Ten of the 17 entities we reviewed purchased vehicles totaling \$352,237 that were not specifically requested as decision items on state entity

State entities
did not follow
budget
instructions

budgets. Table 1.5 shows the state entities that did not follow the budget instructions for the vehicles purchased.

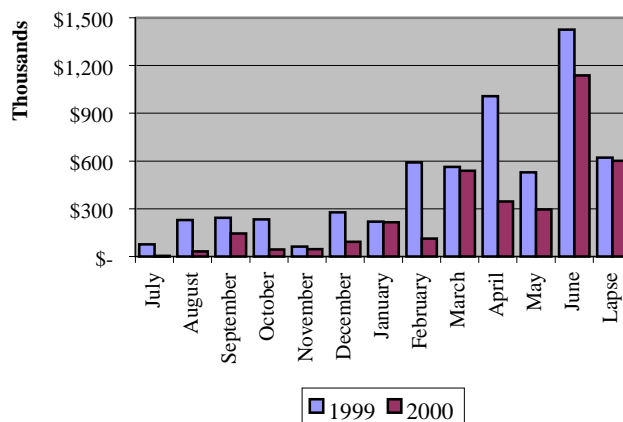
Table 1.5 Non-Budgeted Vehicle Purchases

State Entity	<i>Amount of</i>		<i>Amount of</i>
	Vehicle Purchases	Month Purchased	Appropriation Lapsed
Secretary of State	\$20,761	July 99	\$503
Attorney General	\$40,744	April-May 99	\$0
Judicial Proceedings and Review	\$24,404	May 99	\$179
OA Division of Facilities Management	\$16,343	June 99	\$22,361
DED Administrative Services	\$13,250	July 99	\$105,486
DLIR Board of Mediation	\$13,250	June 99	\$1,781
DMH Nevada Habilitation Center	\$16,964	June 99	\$416
DMH Springfield Regional Center	\$45,525	June-July 99	\$1
Department of Revenue	\$160,996	June 99	\$30,810

Source: Agency budget documentation and purchase orders

In addition, some vehicles purchased exceeded the class of automobile specified in the budget instructions and the budget did not include the required specific justification. Since agencies are allowed to make their own decisions about when to purchase vehicles and there is a lack of centralized procedures and controls, the state does not know the agency rationale and justification for purchasing the vehicles. Chart 1.1 illustrates agency spending by month for vehicles during fiscal year 1999 and 2000:

Chart 1.1: Amount of Vehicle Purchases by Month



Source: Analysis of agency records

Given the large amounts spent on vehicle purchases each year, the state should have controls and procedures to ensure these purchases are properly authorized in the budget.

Fleet management is accomplished independently at state entities

There are no specific guidelines for the state entities to follow in establishing management programs for their fleets. State entities determine the size of their fleets, how vehicles are used, assigned, maintained, and when to replace or surplus vehicles. State entities may also adopt their own policies, record keeping systems, and fleet monitoring processes. Most departments decentralize vehicle management even more by allowing their divisions, agencies, regional offices, and facilities to manage their own vehicle fleets. For example, within the Department of Mental Health there are at least 25 different organizational groups that maintain their own system and procedures for vehicles.

The authority for setting state rules for state travel and subsistence comes within the scope of the Commissioner of Administration under Section 33.090, Missouri Revised Statutes (RSMo) 2000. The Commissioner issued state travel regulations including Rule 9, which states, “travel may be accomplished by plane, train, bus, private or state-owned automobile, rented automobile or taxi, whichever method serves the requirements of the state most economically and advantageously.” Although the state travel regulations include these provisions, the Office of Administration has very little guidance for state entities to follow in making decisions about the most economical and advantageous method of travel.

Fleet vehicle policies and procedures either did not exist or were not adequate

Based on responses to our survey, 27 of the 85 (32%) state entities did not have an overall vehicle management policy, while 58 did have a policy (68%). Ideally, a vehicle management policy should address maintenance schedules, replacement cycles, vehicle usage, and vehicle assignment. The 85 respondents, as shown in table 1.6, had a wide disparity in policies addressing these issues.

Table 1.6 Extent of Vehicle Management Policies

<i>State Entity Vehicle Management Policies</i>		
	Number	
Policy	With	Without
Overall	58	27
Maintenance	20	65
Replacement	43	42
Use	41	44
Assignment	41	44

Source: Agency survey responses

The 27 entities that did not have an overall vehicle management policy are subject to misuse and mismanagement of the fleet. The 27 entities were responsible for 1,281 vehicles. Without guidance, individual users cannot be held accountable for the proper use of the vehicles and fleet managers cannot be held accountable for the condition of the fleet.

Fleet users and managers need guidance

Some of the state entities used insufficient rationale to explain why they did not have a vehicle management policy. For example, some respondents told us that policies were not necessary due

to the small size of their organization and fleet. However, there was no correlation between the size of the state entity and the existence or lack of vehicle management policies.

State entities need vehicle maintenance policies

Audit tests showed that 65 of 85 (76%) respondents to survey questionnaires did not have any vehicle maintenance policies. Vehicle maintenance is a critical element for any vehicle management policy. Without such policies, the fleet's condition is left in the hands of the vehicle operators. As a result, these state entities may not perform routine preventive maintenance at pre-established intervals. Vehicle maintenance should include regularly scheduled preventive maintenance and inspection. The lack of such policies and procedures may also increase the cost of owning and operating vehicles.

Personal and incidental use were not defined

Forty-four of the 85 (51%) state entities did not have a policy concerning the proper use of state vehicles. As a result, individual users did not have proper guidance or a definition of proper use. Without guidance and policies, employees are more apt to misuse vehicles for personal matters. Policies need to clearly outline personal use and define appropriate incidental use. The policy also needs to cover when it would not be appropriate to transport non-state employees.

Record keeping for vehicle use needs improvement

Eight of the 85 (9%) state entities did not maintain vehicle usage logs. These eight entities are listed in the table 1.7:

Table 1.7 State Entities that Did Not Use Vehicle Logs

State Entity	Number of Passenger Vehicles
Harris-Stowe State College	5
Lincoln University	19
Metropolitan Community Colleges	21
Mineral Area Community College	22
Southeast Missouri State University	131
Southwest Missouri State University	98
University of Missouri – Rolla	69
University of Missouri – Kansas City	49
Total	414

Source: Agency survey responses

To ensure vehicles are properly used and policies are followed, vehicle usage logs should be maintained and properly reviewed. Vehicle logs should include information on the driver, the date used, beginning and ending odometer readings, and the destination and purpose of the trip.

Most state entities do not have a policy on vehicle assignment procedures

Forty-four of the 85 (51%) state entities did not have a policy to cover vehicle assignment procedures. The state needs proper vehicle assignment policies to promote a more effective and efficient use of vehicle resources. Such policies would ensure that vehicles are assigned only to appropriate individuals or job functions and ensure only eligible employees use pooled vehicles for appropriate purposes.

Policies
needed for
assigning
vehicles

The policy also needs to define commuting and specify the instances when commuting is acceptable. The policy needs to specifically define when a vehicle is justified because the employee is on-call. As an alternative, the state could reimburse the employee for the use of a personal automobile if they were actually called in for an emergency. The best interest of the state should prevail when making decisions to assign vehicles or allow commuting.

State entities need to maintain fleet databases in standard format

The state does not have a statewide fleet management system that provides state entities with current and adequate records. Of the 85 state entities, 17 (20%) indicated they do not have a vehicle management system database. These state entities own 953 (11%) of the state's fleet of passenger vehicles. The Missouri Department of Transportation has a vehicle management system; however, officials reported to us that their system is not accurate nor complete because it does not integrate well with the state's new accounting system. Because of this lack of integration, Department of Transportation has not been able to maintain an accurate and complete database for its fleet of 1,643 passenger vehicles. As a result, a significant percentage of state vehicles are not subject to economy and efficiency benefits inherent in a vehicle management system database.

Inconsistent
data collected
on fleet
vehicles

A vehicle management system database should include basic vehicle identification information to help manage the fleet:

- Vehicle's equipment or license number.
- Fuel and oil usage and costs.
- Periodic and cumulative mileage totals, utilization, and maintenance and repair history (including costs).

A vehicle management system database can increase fleet efficiency by providing data to help agencies control fleet size and condition. Knowledge of various types of utilization statistics (i.e., mileage, number of trips, number of people traveling, etc.) is needed to determine the appropriate fleet size. Analyses of information collected in the database could be used to decide on fleet composition, justify new vehicle purchases, and show if state entities meet vehicle needs cost-effectively.

Some state entities did not have sufficient information in their vehicle management systems

Test results revealed varying levels of vehicle management system information available at the state entities. Even though state entities reported to us that they maintained a vehicle management system, their system was not able to provide certain information as explained below:

Vehicle management systems could improve

- Linn State Technical College and Southwest Missouri State University officials could not provide operating cost information for their vehicles.
- The Department of Mental Health – Bellefontaine Habilitation Center, Central Missouri State University, Linn State Technical College, and Southwest Missouri State University could not tell us how many miles were driven on their vehicles during the year.
- Details of maintenance and repair history were not maintained or were not available for the twelve vehicles tested at the Department of Corrections, and one vehicle each tested at the University of Missouri – Columbia, Linn State Technical College, and Southeast Missouri State University. The Department of Corrections could not provide fuel costs information for ten of the twelve vehicles we tested.

As a result, these and some other state entities are lacking information crucial to efficient and effective management of their vehicle resources.

Conclusions

The audit disclosed that there is a need for a standardized approach by all state entities to the management of their fleets. Many state entities lack good written policies and procedures to effectively and efficiently manage the state's investment in vehicles. All state entities could improve their fleet management systems and databases.

Recommendations

We recommend the Commissioner, Office of Administration, set statewide policy for fleet management and ensure it includes the minimum requirements for a vehicle management program as outlined in the report. The policy should include the following requirements:

- Minimum mileage use requirements.
- Vehicle replacement policies, including replacement thresholds by vehicle type.
- Vehicle purchasing and budgeting procedures.
- Preventive maintenance, including maintenance schedules.
- Allowable and unallowable uses and the records required to account for such use.
- Justification for assigning vehicles to individuals.
- Justification for commuting.

Office of Administration Response

The Office of Administration will convene an interagency work group to develop and recommend policies governing the acquisition, assignment, maintenance and use of state vehicles. Based on the recommendations of the work group, the Commissioner will issue appropriate fleet management policies to executive agency officials.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objectives of this audit were to determine (1) if the state has adequate policies, procedures, controls, and records for the management of vehicles, and (2) if opportunities exist for more efficient and effective use of state vehicles.

Scope and Methodology

To accomplish the audit objectives we:

- Reviewed applicable state statutes, code of state regulations, pertinent reports of the Council on Efficient Operations, fleet vehicle related audit reports of other state auditors, and various articles and publications pertaining to fleet vehicle management.
- Obtained information from 85 state entities from 17 state departments, selected elected officials, and 20 colleges and universities regarding the existence of fleet vehicle policies, the number of vehicles owned (by type), and vehicle management systems used.
- Reviewed state entity policies for key fleet management provisions and the number of vehicles affected by these policies.
- Compiled a database of 15,839 state vehicles.
- Obtained Department of Revenue state vehicle license plate records.
- Tested a stratified random sample of 180 vehicles from the three groups (strata) as shown in *Appendix II, page 13*.
- Interviewed fleet managers to clarify policies and procedures.

We sent questionnaires to 17 state agencies, elected officials and colleges and universities to obtain information on state-owned vehicles. Eighty-five entities responded and identified 15,839 vehicles. For audit purposes, we limited audit tests to the 8,877 passenger vehicles in the universe of 15,839 vehicles.

The audit was made in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests of the procedures and records as were considered appropriate under the circumstances.

SAMPLE METHODOLOGY AND RESULTS

Audit Universe

The audit universe consisted of 8,877 passenger vehicles owned by state entities. We stratified the universe into three groups based on the number of passenger vehicles owned.

Table II.1: Number of passenger vehicles

Group Number	Audit Group	Number of vehicles	Percent of total
1	Department of Transportation	1,643	19
	Highway Patrol	1,188	13
	Department of Conservation	<u>1,072</u>	<u>12</u>
	Total – largest three departments	<u>3,903</u>	<u>44</u>
2	Other state agencies	3,497	39
3	Colleges and universities	<u>1,477</u>	<u>17</u>
	Total – all state entities	8,877	100

Source: Prepared by auditors based on survey responses

Sample Design

We selected a stratified random sample of 180 vehicles from the three audit groups noted above. The sample size of 180 was based on a stratified attribute sampling design at the 90 percent confidence level with a 5 percent precision and expected error rate of 6 percent. The sample items were randomly selected from each of the three groups. The samples were used to measure the number of vehicles the state owns that (i) were driven less than 5,000 miles during the year, and (ii) had accumulated mileage over 100,000 miles.

Sample Results

Based on the results of the sample, we estimate the state had a total of 1,763 vehicles that were driven less than 5,000 miles during the year.

APPENDIX II

Table II.2: State Vehicles With Less Than 5,000 Miles

	Conservation, Highway Patrol, and Transportation	All other Agencies	Colleges And Universities	Total
Population	3,903	3,497	1,477	8,877
Sample size	60	60	60	180
Less than 5,000 miles	2	12	38	52
Projected vehicles driven less than 5,000 miles:				
Point estimate error rate	3.3 %	20.0 %	63.3 %	19.9 %
Point estimate quantity	129	699	935	1,763
Upper limit error rate				24.0 %
Upper limit quantity				2,130
Lower limit error rate				15.8 %
Lower limit quantity				1,403

Source: Auditor's analysis

Based on the results of the sample, we estimate the state owns a total of 1,442 vehicles with over 100,000 miles.

Table II.3: State Vehicles With Over 100,000 Miles

	Conservation, Highway Patrol, and Transportation	All other Agencies	Colleges And Universities	Total
Population	3,903	3,497	1,477	8,877
Sample size	60	60	60	180
Over 100,000 miles	4	16	10	30
Projected vehicles over 100,000 miles:				
Point estimate error rate	6.7 %	26.7 %	16.7 %	16.2 %
Point estimate quantity	261	934	247	1,442
Upper limit error rate				11.6 %
Upper limit quantity				1,030
Lower limit error rate				20.8 %
Lower limit quantity				1,846

Source: Auditor's analysis

APPENDIX III**LIST OF SAMPLED VEHICLES WITH OVER 100,000 MILES**

In a sample of 180 vehicles, we found 30 vehicles with over 100,000 miles at 18 entities as follows:

State Entity	Mileage	Does the entity have a replacement policy?
Department of Corrections	100,957	No
Department of Corrections	107,560	No
Department of Corrections	141,362	No
Department of Higher Education	113,242	No
Department of Mental Health - Bellefontaine Habilitation Center	132,465	No
University of Missouri - Rolla	129,156	No
Central Missouri State University	104,239	No
Central Missouri State University	124,182	No
Central Missouri State University	135,197	No
Linn State Technical College	152,178	No
Department of Agriculture	131,760	Yes
Department of Natural Resources	100,109	Yes
Department of Natural Resources	105,332	Yes
Department of Natural Resources	109,942	Yes
Department of Public Safety, Adjutant General	126,657	Yes
Department of Mental Health - Central Office	127,992	Yes
Department of Mental Health - St. Louis Regional Center	123,507	Yes
Department of Mental Health - SE Missouri Mental Health Center	179,913	Yes
Department of Health	125,431	Yes
Department of Revenue	128,056	Yes
Department of Social Services	164,059	Yes
Department of Transportation	116,300	Yes
Department of Transportation	124,016	Yes
Department of Transportation	127,182	Yes
Department of Transportation	151,761	Yes
University of Missouri - Columbia	110,241	Yes
University of Missouri - Columbia	121,106	Yes
University of Missouri - Columbia	158,070	Yes
University of Missouri - Columbia	163,243	Yes
Northwest Missouri State University	131,843	Yes

**COMPARISON OF NUMBER OF VEHICLES PER STATE ENTITY RECORDS AND THE
DEPARTMENT OF REVENUE (DOR) LICENSE PLATE RECORDS**

State Entity	Number of Vehicles per:		Difference
	Entity	DOR	
Attorney General	36	27	9
Secretary of State	13	13	0
State Treasurer	3	3	0
Office of State Courts Administrator	26	25	1
Department of Agriculture	271	283	(12)
Department of Conservation	1,229	1,304	(75)
Office of Administration	130	153	(23)
Department of Corrections	704	699	5
Department of Economic Development	167	135	32
Department of Elementary and Secondary Education	174	175	(1)
Department of Health	40	52	(12)
Department of Higher Education	9	9	0
Department of Insurance	6	6	0
Department of Labor and Industrial Relations	34	36	(2)
Department of Mental Health	841	877	(36)
Department of Natural Resources	744	692	52
Department of Public Safety	350	235	115
Missouri Highway Patrol	1,216	0	1,216
Department of Revenue	146	225	(79)
Department of Social Services	426	471	(45)
Department of Transportation	4,063	4,784	(721)
Central Missouri State University	158	176	(18)
Crowder College	74	78	(4)
Harris-Stowe State College	8	8	0
Lincoln University	28	76	(48)
Linn State Technical College	74	75	(1)
Metropolitan Community Colleges	22	32	(10)
Mineral Area College	24	22	2
Missouri Southern State University	31	43	(12)
Missouri Western State University	36	42	(6)
North Central Missouri College	24	0	24
Northwest Missouri State University	132	131	1
Southeast Missouri State University	226	138	88
Southwest Missouri State University	121	173	(52)
State Fair Community College	10	13	(3)
St. Louis Community Colleges	64	0	64
Truman State University	51	60	(9)
University of Missouri - Rolla	104	114	(10)
University of Missouri - Columbia	882	1,008	(126)
University of Missouri - Kansas City	84	97	(13)
University of Missouri - St. Louis	80	68	12
Total Number of Vehicles	12,861	12,558	303

APPENDIX V

SURVEY RESPONDENTS, NUMBER OF VEHICLES, AND SURVEY RESULTS

State Entity	Number of Passenger Vehicles	Has a Vehicle Policy?	Has a Vehicle Maintenance Policy?	Has a Vehicle Replacement Policy?	Has a Vehicle Use Policy?	Has a Vehicle Assignment Policy?	Uses a Vehicle Management System?	Uses Vehicle Logs?
Attorney General	36	NO	NO	Yes	NO	NO	NO	Yes
Secretary of State	11	NO	NO	NO	NO	NO	NO	Yes
State Treasurer	2	Yes	Yes	NO	NO	Yes	Yes	Yes
Office of State Courts Administrator	26	Yes	NO	NO	Yes	Yes	Yes	Yes
Department of Agriculture	240	NO	NO	Yes	NO	NO	Yes	Yes
Department of Conservation	1,072	Yes	Yes	Yes	NO	Yes	Yes	Yes
Office of Administration	124	Yes	NO	Yes	Yes	Yes	Yes	Yes
Department of Corrections (DOC)	644	Yes	Yes	NO	Yes	Yes	NO	Yes
DOC - Fulton Reception and Diagnostic Center	35	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Department of Economic Development (DED) - Administrative Services	20	Yes	NO	Yes	Yes	Yes	Yes	Yes
Safety	38	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DED - Division of Professional Registration	69	NO	NO	Yes	NO	NO	Yes	Yes
DED - Division of Finance	3	NO	NO	Yes	NO	NO	Yes	Yes
DED - Division of Tourism	3	NO	NO	Yes	NO	NO	NO	Yes
DED - Division of Workforce Development	6	Yes	NO	Yes	Yes	Yes	Yes	Yes
DED - Missouri Arts Council	2	Yes	Yes	NO	Yes	NO	NO	Yes
DED - Office of Public Counsel	1	Yes	NO	NO	NO	Yes	Yes	Yes
DED - Public Service Commission	22	Yes	NO	Yes	Yes	Yes	Yes	Yes
Department of Elementary and Secondary Education	62	Yes	NO	Yes	Yes	Yes	Yes	Yes
Department of Health	38	Yes	NO	Yes	Yes	Yes	Yes	Yes
Department of Higher Education	9	Yes	NO	NO	Yes	Yes	Yes	Yes
Department of Insurance	6	NO	NO	Yes	NO	NO	NO	Yes
Department of Labor and Industrial Relations	29	Yes	NO	NO	Yes	NO	NO	Yes

APPENDIX V

SURVEY RESPONDENTS, NUMBER OF VEHICLES, AND SURVEY RESULTS

State Entity	Number of Passenger Vehicles	Has a Vehicle Policy?	Has a Vehicle Maintenance Policy?	Has a Vehicle Replacement Policy?	Has a Vehicle Use Policy?	Has a Vehicle Assignment Policy?	Uses a Vehicle Management System?	Uses Vehicle Logs?
Office	39	Yes	NO	Yes	NO	Yes	Yes	Yes
DMH - Albany Regional Center	17	Yes	NO	Yes	Yes	Yes	Yes	Yes
DMH - Central Missouri Regional Center	24	NO	NO	NO	NO	NO	NO	Yes
DMH - Cottonwood Regional Center	7	Yes	NO	NO	Yes	Yes	Yes	Yes
DMH - Fulton State Hospital	21	Yes	Yes	NO	NO	NO	Yes	Yes
DMH - Hannibal Regional Center	23	Yes	NO	Yes	NO	Yes	Yes	Yes
DMH - Hawthorn Children's Psychiatric Hospital	11	Yes	NO	NO	Yes	NO	NO	Yes
DMH - Higginsville Habilitation Center	59	Yes	NO	Yes	NO	Yes	Yes	Yes
DMH - Joplin Regional Center	14	Yes	Yes	Yes	NO	NO	Yes	Yes
DMH - Kansas City Regional Center	9	Yes	Yes	NO	NO	Yes	Yes	Yes
DMH - Kirksville Regional Center	22	NO	NO	Yes	NO	NO	Yes	Yes
DMH - Marshall Habilitation Center	61	Yes	NO	NO	Yes	Yes	Yes	Yes
DMH - Metropolitan St. Louis Psychiatric Center	8	Yes	NO	NO	NO	NO	Yes	Yes
DMH - Mid Missouri Mental Health Center	8	Yes	Yes	NO	Yes	Yes	Yes	Yes
DMH - Nevada Habilitation Center	25	NO	NO	NO	NO	NO	Yes	Yes
DMH - NW Missouri Psychiatric Rehab Service	33	NO	NO	NO	NO	NO	Yes	Yes
DMH - Poplar Bluff Regional Center	22	NO	NO	NO	NO	NO	Yes	Yes
DMH - Rolla Regional Center	26	NO	NO	Yes	NO	NO	Yes	Yes
DMH - SE Missouri Mental Health Center	17	Yes	NO	Yes	NO	NO	Yes	Yes
DMH - Sikeston Regional Center	24	Yes	NO	NO	Yes	Yes	Yes	Yes
DMH - SE Missouri Residential Services	32	Yes	NO	NO	NO	NO	NO	Yes
DMH - Springfield Regional Center	13	Yes	NO	Yes	NO	NO	NO	Yes
DMH - St. Louis Regional Center	67	Yes	NO	Yes	Yes	NO	Yes	Yes
DMH - SW Missouri Psychiatric Rehab Center	8	Yes	NO	Yes	Yes	Yes	Yes	Yes

APPENDIX V

SURVEY RESPONDENTS, NUMBER OF VEHICLES, AND SURVEY RESULTS

State Entity	Number of Passenger Vehicles	Has a Vehicle Policy?	Has a Vehicle Maintenance Policy?	Has a Vehicle Replacement Policy?	Has a Vehicle Use Policy?	Has a Vehicle Assignment Policy?	Uses a Vehicle Management System?	Uses Vehicle Logs?
DMH - Western Missouri Mental Health Center	28	Yes	Yes	NO	Yes	Yes	Yes	Yes
DMH - Bellefontaine Habilitation Center	61	Yes	NO	NO	Yes	Yes	Yes	Yes
Department of Natural Resources	569	Yes	NO	Yes	Yes	Yes	Yes	Yes
DPS - Director's Office	7	NO	NO	Yes	NO	NO	Yes	Yes
Department of Public Safety (DPS) - Adjutant General's Office	38	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DPS - Capitol Police	11	NO	NO	NO	NO	NO	Yes	Yes
DPS - Fire Safety	51	Yes	Yes	NO	Yes	NO	Yes	Yes
DPS - Highway Safety	6	Yes	NO	NO	Yes	NO	NO	Yes
DPS - Liquor Control	15	NO	NO	NO	NO	NO	Yes	Yes
DPS - State Emergency Management Agency	12	Yes	NO	Yes	Yes	Yes	Yes	Yes
DPS - Veteran's Commission	38	NO	NO	NO	NO	NO	Yes	Yes
DPS - Water Patrol	119	Yes	NO	Yes	Yes	NO	Yes	Yes
Missouri Highway Patrol	1,188	Yes	Yes	Yes	NO	Yes	Yes	Yes
Department of Revenue (DOR)	58	Yes	NO	Yes	Yes	Yes	Yes	Yes
DOR - State Tax Commission	3	Yes	NO	NO	Yes	Yes	Yes	Yes
Missouri Lottery	74	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Department of Social Services	391	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Department of Transportation	1,643	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Central Missouri State University	98	Yes	NO	NO	NO	Yes	Yes	Yes
Crowder College	28	NO	NO	NO	NO	NO	Yes	Yes
Harris-Stowe State College	5	NO	NO	NO	NO	NO	NO	NO
Lincoln University	19	Yes	NO	NO	NO	Yes	NO	NO
Linn State Technical College	42	NO	NO	NO	NO	NO	Yes	Yes

APPENDIX V

SURVEY RESPONDENTS, NUMBER OF VEHICLES, AND SURVEY RESULTS

State Entity	Number of Passenger Vehicles	Has a Vehicle Policy?	Has a Vehicle Maintenance Policy?	Has a Vehicle Replacement Policy?	Has a Vehicle Use Policy?	Has a Vehicle Assignment Policy?	Uses a Vehicle Management System?	Uses Vehicle Logs?
Metropolitan Community Colleges	21	NO	NO	NO	NO	NO	NO	NO
Mineral Area College	22	NO	NO	NO	NO	NO	Yes	NO
Missouri Southern State University	22	Yes	NO	NO	Yes	NO	Yes	Yes
Missouri Western State University	27	NO	NO	Yes	NO	NO	Yes	Yes
North Central Missouri College	22	NO	NO	NO	NO	NO	NO	Yes
Northwest Missouri State University	58	Yes	NO	Yes	Yes	Yes	Yes	Yes
Southeast Missouri State University	131	NO	NO	NO	NO	NO	Yes	NO
Southwest Missouri State University	98	NO	NO	NO	NO	NO	Yes	NO
State Fair Community College	7	NO	NO	Yes	NO	NO	Yes	Yes
St. Louis Community Colleges	49	Yes	NO	Yes	NO	NO	Yes	Yes
Truman State University	44	Yes	Yes	Yes	Yes	Yes	Yes	Yes
University of Missouri - Rolla	69	Yes	Yes	NO	Yes	Yes	NO	NO
University of Missouri - Columbia	611	Yes	NO	Yes	Yes	NO	Yes	Yes
University of Missouri - Kansas City	49	Yes	Yes	NO	Yes	Yes	Yes	NO
University of Missouri - St. Louis	55	Yes	NO	Yes	Yes	NO	Yes	Yes
Total Number of Passenger Vehicles	8,877							
Total Entities Yes		58	20	43	41	41	68	77
Total Entities No		27	65	42	44	44	17	8
Percentage Yes		68%	23%	51%	48%	48%	80%	91%
Percentage No		32%	77%	49%	52%	52%	20%	9%
Total Vehicles Yes		7,883	7,420	7,029	5,219	6,756	7,924	8,463
Total Vehicles No		994	1,457	1,848	3,658	2,121	953	414

APPENDIX V

SURVEY RESPONDENTS, NUMBER OF VEHICLES, AND SURVEY RESULTS

State Entity	Number of Passenger Vehicles	Has a Vehicle Policy?	Has a Vehicle Maintenance Policy?	Has a Vehicle Replacement Policy?	Has a Vehicle Use Policy?	Has a Vehicle Assignment Policy?	Uses a Vehicle Management System?	Uses Vehicle Logs?
Percentage Yes		89%	84%	79%	59%	76%	89%	95%
Percentage No		11%	16%	21%	41%	24%	11%	5%



**CRAWFORD COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-93
September 24, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Crawford, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Crawford County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county has not sufficiently reduced its general revenue property tax levy to reduce property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by Crawford County voters under state law. Procedural errors, together with actual sales tax collections exceeding estimated amounts has resulted in the county having collected excess property tax revenues. Additional reductions will need to be made in future years to the property tax levy to fully adjust for the \$35,898 excess property taxes collected in prior years.
- Bids were not always solicited, nor was bid documentation always retained for various purchases made by the county during the audit period. The County Commission paid \$92,535 for a paving project which was not awarded to the low bidder. The paving project was bid twice and the same company was the low bidder each time. The county paid an additional \$8,000 on this project because they did not select the low bidder. In the minutes the County Commission indicated that they awarded the contract to the high bidder because the firm was located in the county.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Crawford County's Associate County Commissioners salaries were each increased approximately \$5,000 yearly according to the County Clerk.

(over)

YELLOW SHEET

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,000 for the two years ended December 31, 2000, should be repaid.

- The County Collector has not prepared or filed annual settlements for the years ended February 28 (29) 2001, 2000, and 1999, with the County Commission as required by state law. A draft of the settlement for the year ended February 28, 2001 was prepared upon request in April 2001. Various amounts on the draft were inaccurate and did not agree to the tax books, some activity was not included, and the draft settlement did not balance. In addition, the County Collector does not reconcile daily collections to paid tax receipts or deposits in the bank account and does not compare the reconciled monthly bank balance to the related liabilities. For example, at February 28, 2001, identified liabilities totaled approximately \$1,500 more than the reconciled bank balance. Other concerns regarding the County Collector's operations were also noted.
- The financial statement for the year ended December 31, 1999 was not published until January 17, 2001. The County Clerk stated that the financial statement was not published because of problems caused by the conversion to a new computerized accounting system in March 1999 and the amounts had to be manually recalculated to prepare an accurate financial statement for publication. In addition, the activity of some county funds was not included as required.

The audit also includes some matters related to the purchase of land, a reimbursement not received, fringe benefits, fixed assets, reporting of expenditures of federal awards, property tax system, E911 Board, and the Crawford County Nursing Service, upon which the county should consider and take appropriate corrective action. Several of these issues had been noted in prior audits.

CRAWFORD COUNTY, MISSOURI

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CRAWFORD COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Crawford County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Crawford County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Crawford County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Crawford County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Crawford County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 28, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Crawford County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

June 28, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Heather M. Thompson
Audit Staff:	Norma Payne
	Jay Ross



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Crawford County, Missouri

We have audited the special-purpose financial statements of various funds of Crawford County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Crawford County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Crawford County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Crawford County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

June 28, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 55,521	1,991,860	2,008,662	38,719
Special Road and Bridge	1,251,305	1,772,032	1,712,469	1,310,868
Assessment	22,394	145,954	135,806	32,542
Law Enforcement Training	5,112	8,079	6,234	6,957
Prosecuting Attorney Training	3,089	1,281	2,402	1,968
ADA Capital Improvement	62,414	3,866	39	66,241
Handicap	133,718	8,284	0	142,002
Courthouse and Jail Capital Improvement	105,968	117,093	98,131	124,930
Prosecuting Attorney Bad Check	4,945	9,869	13,288	1,526
Prosecuting Attorney Delinquent Tax	1,226	74	50	1,250
Records Preservation	5,096	11,782	9,746	7,132
Law Enforcement Equipment	3,112	8,428	7,814	3,726
Sheriff's Special	11,235	39,260	32,537	17,958
Children's Trust	5,505	1,292	6,000	797
Special Law Enforcement	3,746	2,471	4,900	1,317
Emergency 911	97,716	372,659	358,046	112,329
Family Access	951	90	0	1,041
Missouri Department of Conservation	15,711	0	7,981	7,730
Circuit Clerk Interest	306	10,684	8,094	2,896
Associate Circuit Interest	1,770	4,726	2,779	3,717
Law Library	23,620	11,191	14,752	20,059
Election Service	0	909	0	909
Senior Citizens Service	0	7,783	0	7,783
Total	\$ 1,814,460	4,529,667	4,429,730	1,914,397

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CRAWFORD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 27,022	1,853,656	1,825,157	55,521
Special Road and Bridge	959,051	1,900,438	1,608,184	1,251,305
Assessment	25,812	165,400	168,818	22,394
Law Enforcement Training	1,884	11,073	7,845	5,112
Prosecuting Attorney Training	3,405	1,525	1,841	3,089
ADA Capital Improvement	57,120	6,957	1,663	62,414
Handicap	125,826	7,892	0	133,718
Courthouse and Jail Capital Improvement	40,525	106,263	40,820	105,968
Prosecuting Attorney Bad Check	5,721	10,209	10,985	4,945
Prosecuting Attorney Delinquent Tax	1,154	72	0	1,226
Records Preservation	4,749	13,247	12,900	5,096
Law Enforcement Equipment	6,345	8,669	11,902	3,112
Sheriff's Special	42,569	53,133	84,467	11,235
Children's Trust	4,293	1,212	0	5,505
Special Law Enforcement	10,454	4,416	11,124	3,746
Emergency 911	154,517	362,495	419,296	97,716
Family Access	0	951	0	951
Missouri Department of Conservation	0	69,300	53,589	15,711
Circuit Clerk Interest	7	7,728	7,429	306
Associate Circuit Interest	3,669	4,080	5,979	1,770
Law Library	15,141	10,599	2,120	23,620
Total	\$ 1,489,264	4,599,315	4,274,119	1,814,460

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 4,743,794	4,494,374	(249,420)	4,258,169	4,506,657	248,488
DISBURSEMENTS	5,375,857	4,404,105	971,752	4,696,510	4,205,002	491,508
RECEIPTS OVER (UNDER) DISBURSEMENTS	(632,063)	90,269	722,332	(438,341)	301,655	739,996
CASH, JANUARY 1	1,788,764	1,788,764	0	1,470,447	1,470,447	0
CASH, DECEMBER 31	1,156,701	1,879,033	722,332	1,032,106	1,772,102	739,996
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	201,957	137,474	(64,483)	135,000	138,147	3,147
Sales taxes	800,000	797,469	(2,531)	729,604	734,433	4,829
Intergovernmental	604,438	570,556	(33,882)	566,268	526,297	(39,971)
Charges for services	425,000	369,912	(55,088)	397,000	382,600	(14,400)
Interest	7,500	8,605	1,105	6,000	6,382	382
Other	34,700	70,742	36,042	27,500	31,052	3,552
Transfers in	37,484	37,102	(382)	39,200	34,745	(4,455)
Total Receipts	2,111,079	1,991,860	(119,219)	1,900,572	1,853,656	(46,916)
DISBURSEMENTS						
County Commission	83,097	82,268	829	72,216	72,004	212
County Clerk	78,216	76,805	1,411	80,351	78,970	1,381
Elections	74,393	84,074	(9,681)	9,500	8,131	1,369
Buildings and grounds	67,997	63,234	4,763	70,000	66,977	3,023
Employee fringe benefits	3,000	17,820	(14,820)	165,875	138,819	27,056
County Treasurer	32,296	31,218	1,078	29,458	28,163	1,295
County Collector	98,406	95,146	3,260	82,111	81,882	229
Ex Officio Recorder of Deeds	46,104	43,158	2,946	38,177	37,358	819
Circuit Clerk	13,200	10,979	2,221	13,400	12,387	1,013
Associate Circuit Court	9,100	8,914	186	9,800	9,157	643
Court administration	9,250	8,878	372	9,925	9,374	551
Public Administrator	29,070	35,117	(6,047)	26,475	19,823	6,652
Sheriff	421,449	471,160	(49,711)	382,035	376,747	5,288
Jail	300,550	305,509	(4,959)	208,660	275,203	(66,543)
Prosecuting Attorney	130,750	133,468	(2,718)	107,990	104,189	3,801
Juvenile Officer	48,794	40,766	8,028	47,337	46,428	909
County Coroner	16,115	13,542	2,573	12,700	11,621	1,079
Other general county government	157,737	121,507	36,230	152,760	142,183	10,577
Child Support	97,787	97,677	110	82,780	78,279	4,501
Public health and welfare services	250,996	254,216	(3,220)	242,994	214,673	28,321
Emergency Fund	60,079	13,206	46,873	55,657	12,789	42,868
Total Disbursements	2,028,386	2,008,662	19,724	1,900,201	1,825,157	75,044
RECEIPTS OVER (UNDER) DISBURSEMENTS	82,693	(16,802)	(99,495)	371	28,499	28,128
CASH, JANUARY 1	55,521	55,521	0	27,022	27,022	0
CASH, DECEMBER 31	138,214	38,719	(99,495)	27,393	55,521	28,128

Exhibit B

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	394,000	347,675	(46,325)	357,500	361,830	4,330
Sales taxes	654,000	627,077	(26,923)	555,000	598,598	43,598
Intergovernmental	775,400	710,144	(65,256)	710,000	861,052	151,052
Charges for services	1,200	2,564	1,364	2,000	1,193	(807)
Interest	61,000	84,557	23,557	71,000	72,450	1,450
Other	1,260	15	(1,245)	500	5,315	4,815
Total Receipts	1,886,860	1,772,032	(114,828)	1,696,000	1,900,438	204,438
DISBURSEMENTS						
Salaries	567,000	526,877	40,123	520,000	476,838	43,162
Employee fringe benefits	137,500	119,013	18,487	126,000	109,840	16,160
Supplies	191,000	172,467	18,533	191,700	157,082	34,618
Insurance	16,000	12,592	3,408	18,000	11,178	6,822
Road and bridge materials	505,000	449,111	55,889	355,000	394,161	(39,161)
Equipment repairs	110,000	71,256	38,744	125,000	123,048	1,952
Rentals	5,000	0	5,000	0	0	0
Equipment purchases	690,000	166,044	523,956	260,000	250,428	9,572
Construction, repair, and maintenance	75,000	34,588	40,412	240,000	51,609	188,391
Other	126,000	123,861	2,139	28,500	0	28,500
Transfers out	36,660	36,660	0	34,000	34,000	0
Total Disbursements	2,459,160	1,712,469	746,691	1,898,200	1,608,184	290,016
RECEIPTS OVER (UNDER) DISBURSEMENTS	(572,300)	59,563	631,863	(202,200)	292,254	494,454
CASH, JANUARY 1	1,251,305	1,251,305	0	959,051	959,051	0
CASH, DECEMBER 31	679,005	1,310,868	631,863	756,851	1,251,305	494,454
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	146,096	140,833	(5,263)	156,000	161,455	5,455
Interest	3,000	3,444	444	3,500	2,694	(806)
Other	100	57	(43)	100	80	(20)
Charges for services	1,200	1,620	420	2,500	1,171	(1,329)
Total Receipts	150,396	145,954	(4,442)	162,100	165,400	3,300
DISBURSEMENTS						
Assessor	139,996	135,806	4,190	169,293	168,818	475
Total Disbursements	139,996	135,806	4,190	169,293	168,818	475
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,400	10,148	(252)	(7,193)	(3,418)	3,775
CASH, JANUARY 1	22,394	22,394	0	25,812	25,812	0
CASH, DECEMBER 31	32,794	32,542	(252)	18,619	22,394	3,775

Exhibit B

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	6,130	5,377	(753)	4,000	6,138	2,138
Intergovernmental	4,000	2,702	(1,298)	3,300	4,935	1,635
Total Receipts	10,130	8,079	(2,051)	7,300	11,073	3,773
DISBURSEMENTS						
Sheriff	8,000	6,234	1,766	7,600	7,845	(245)
Total Disbursements	8,000	6,234	1,766	7,600	7,845	(245)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,130	1,845	(285)	(300)	3,228	3,528
CASH, JANUARY 1	5,112	5,112	0	1,884	1,884	0
CASH, DECEMBER 31	7,242	6,957	(285)	1,584	5,112	3,528
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,680	1,281	(399)	2,030	1,382	(648)
Intergovernmental	0	0	0	0	143	143
Total Receipts	1,680	1,281	(399)	2,030	1,525	(505)
DISBURSEMENTS						
Prosecuting Attorney	1,900	2,402	(502)	1,750	1,841	(91)
Total Disbursements	1,900	2,402	(502)	1,750	1,841	(91)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(220)	(1,121)	(901)	280	(316)	(596)
CASH, JANUARY 1	3,089	3,089	0	3,405	3,405	0
CASH, DECEMBER 31	2,869	1,968	(901)	3,685	3,089	(596)
<u>ADA CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales tax	0	0	0	2,000	3,163	1,163
Interest	3,000	3,866	866	2,500	3,794	1,294
Total Receipts	3,000	3,866	866	4,500	6,957	2,457
DISBURSEMENTS						
Other	26,200	39	26,161	0	1,663	(1,663)
Total Disbursements	26,200	39	26,161	0	1,663	(1,663)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(23,200)	3,827	27,027	4,500	5,294	794
CASH, JANUARY 1	62,414	62,414	0	57,120	57,120	0
CASH, DECEMBER 31	39,214	66,241	27,027	61,620	62,414	794

Exhibit B

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HANDICAP FUND</u>						
RECEIPTS						
Interest	5,000	8,284	3,284	8,000	7,892	(108)
Total Receipts	5,000	8,284	3,284	8,000	7,892	(108)
DISBURSEMENTS						
Building purchase	100,000	0	100,000	100,000	0	100,000
Total Disbursements	100,000	0	100,000	100,000	0	100,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(95,000)	8,284	103,284	(92,000)	7,892	99,892
CASH, JANUARY 1	133,718	133,718	0	125,826	125,826	0
CASH, DECEMBER 31	38,718	142,002	103,284	33,826	133,718	99,892
<u>COURTHOUSE AND JAIL CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales taxes	100,000	110,661	10,661	90,000	102,472	12,472
Interest	4,000	6,432	2,432	3,000	3,791	791
Total Receipts	104,000	117,093	13,093	93,000	106,263	13,263
DISBURSEMENTS						
Equipment	181,000	98,131	82,869	112,000	40,820	71,180
Total Disbursements	181,000	98,131	82,869	112,000	40,820	71,180
RECEIPTS OVER (UNDER) DISBURSEMENTS	(77,000)	18,962	95,962	(19,000)	65,443	84,443
CASH, JANUARY 1	105,968	105,968	0	40,525	40,525	0
CASH, DECEMBER 31	28,968	124,930	95,962	21,525	105,968	84,443
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	15,000	9,525	(5,475)	15,000	9,905	(5,095)
Interest	300	303	3	0	289	289
Other	20	41	21	0	15	15
Total Receipts	15,320	9,869	(5,451)	15,000	10,209	(4,791)
DISBURSEMENTS						
Prosecuting Attorney	10,700	13,288	(2,588)	12,000	10,985	1,015
Total Disbursements	10,700	13,288	(2,588)	12,000	10,985	1,015
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,620	(3,419)	(8,039)	3,000	(776)	(3,776)
CASH, JANUARY 1	4,945	4,945	0	5,721	5,721	0
CASH, DECEMBER 31	9,565	1,526	(8,039)	8,721	4,945	(3,776)

Exhibit B

CRAWFORD COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Interest	80	74	(6)	90	72	(18)
Total Receipts	80	74	(6)	90	72	(18)
DISBURSEMENTS						
Prosecuting Attorney	600	50	550	600	0	600
Total Disbursements	600	50	550	600	0	600
RECEIPTS OVER (UNDER) DISBURSEMENTS	(520)	24	544	(510)	72	582
CASH, JANUARY 1	1,226	1,226	0	1,154	1,154	0
CASH, DECEMBER 31	706	1,250	544	644	1,226	582
<u>RECORDS PRESERVATION FUND</u>						
RECEIPTS						
Charges for services	13,000	11,408	(1,592)	14,000	12,966	(1,034)
Interest	300	374	74	500	281	(219)
Total Receipts	13,300	11,782	(1,518)	14,500	13,247	(1,253)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	17,600	9,746	7,854	17,050	12,900	4,150
Total Disbursements	17,600	9,746	7,854	17,050	12,900	4,150
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,300)	2,036	6,336	(2,550)	347	2,897
CASH, JANUARY 1	5,096	5,096	0	4,749	4,749	0
CASH, DECEMBER 31	796	7,132	6,336	2,199	5,096	2,897
<u>LAW ENFORCEMENT EQUIPMENT FUND</u>						
RECEIPTS						
Charges for services	11,200	8,428	(2,772)	7,000	8,669	1,669
Total Receipts	11,200	8,428	(2,772)	7,000	8,669	1,669
DISBURSEMENTS						
Sheriff	14,000	7,814	6,186	12,000	11,902	98
Total Disbursements	14,000	7,814	6,186	12,000	11,902	98
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,800)	614	3,414	(5,000)	(3,233)	1,767
CASH, JANUARY 1	3,112	3,112	0	6,345	6,345	0
CASH, DECEMBER 31	312	3,726	3,414	1,345	3,112	1,767

Exhibit B

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S SPECIAL FUND</u>						
RECEIPTS						
Charges for services	50,000	38,237	(11,763)	47,000	51,284	4,284
Interest	1,800	1,023	(777)	1,900	1,849	(51)
Total Receipts	51,800	39,260	(12,540)	48,900	53,133	4,233
DISBURSEMENTS						
Sheriff	10,000	32,537	(22,537)	61,000	84,467	(23,467)
Total Disbursements	10,000	32,537	(22,537)	61,000	84,467	(23,467)
RECEIPTS OVER (UNDER) DISBURSEMENTS	41,800	6,723	(35,077)	(12,100)	(31,334)	(19,234)
CASH, JANUARY 1	11,235	11,235	0	42,569	42,569	0
CASH, DECEMBER 31	53,035	17,958	(35,077)	30,469	11,235	(19,234)
<u>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Charges for services	900	973	73	1,000	896	(104)
Interest	320	319	(1)	400	316	(84)
Total Receipts	1,220	1,292	72	1,400	1,212	(188)
DISBURSEMENTS						
Payments to shelter	4,000	6,000	(2,000)	4,000	0	4,000
Total Disbursements	4,000	6,000	(2,000)	4,000	0	4,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,780)	(4,708)	(1,928)	(2,600)	1,212	3,812
CASH, JANUARY 1	5,505	5,505	0	4,293	4,293	0
CASH, DECEMBER 31	2,725	797	(1,928)	1,693	5,505	3,812
<u>SPECIAL LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Charges for services	6,000	2,350	(3,650)	9,000	3,792	(5,208)
Interest	700	121	(579)	200	624	424
Total Receipts	6,700	2,471	(4,229)	9,200	4,416	(4,784)
DISBURSEMENTS						
Salaries	9,000	4,900	4,100	18,000	11,124	6,876
Total Disbursements	9,000	4,900	4,100	18,000	11,124	6,876
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,300)	(2,429)	(129)	(8,800)	(6,708)	2,092
CASH, JANUARY 1	3,746	3,746	0	10,454	10,454	0
CASH, DECEMBER 31	1,446	1,317	(129)	1,654	3,746	2,092

Exhibit B

CRAWFORD COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Sales tax	371,019	366,960	(4,059)	285,577	350,947	65,370
Interest	0	3,097	3,097	3,000	2,720	(280)
Other	0	2,602	2,602	0	8,828	8,828
Total Receipts	371,019	372,659	1,640	288,577	362,495	73,918
DISBURSEMENTS						
Salaries	133,423	148,775	(15,352)	156,756	141,538	15,218
Employee fringe benefits	19,850	16,699	3,151	25,000	18,242	6,758
Program expense	116,636	162,618	(45,982)	82,640	133,917	(51,277)
Equipment	43,000	8,360	34,640	68,300	0	68,300
Repairs	6,500	910	5,590	0	7,570	(7,570)
Insurance	11,800	10,461	1,339	10,000	9,027	973
Miscellaneous	18,395	10,223	8,172	35,120	14,002	21,118
Tax anticipation note	0	0	0	5,000	95,000	(90,000)
Total Disbursements	349,604	358,046	(8,442)	382,816	419,296	(36,480)
RECEIPTS OVER (UNDER) DISBURSEMENTS	21,415	14,613	(6,802)	(94,239)	(56,801)	37,438
CASH, JANUARY 1	97,716	97,716	0	154,517	154,517	0
CASH, DECEMBER 31	119,131	112,329	(6,802)	60,278	97,716	37,438
<u>FAMILY ACCESS FUND</u>						
RECEIPTS						
Charges for services	1,000	30	(970)			
Interest	10	60	50			
Total Receipts	1,010	90	(920)			
DISBURSEMENTS						
Other	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,010	90	(920)			
CASH, JANUARY 1	951	951	0			
CASH, DECEMBER 31	1,961	1,041	(920)			
<u>MISSOURI DEPARTMENT OF CONSERVATION FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0			
Total Receipts	0	0	0			
DISBURSEMENTS						
Bird's Nest Access project	15,711	7,981	7,730			
Total Disbursements	15,711	7,981	7,730			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,711)	(7,981)	7,730			
CASH, JANUARY 1	15,711	15,711	0			
CASH, DECEMBER 31	\$ 0	7,730	7,730			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

CRAWFORD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Crawford County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Senior Citizens Service Board or the Emergency 911(E911) Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	2000 and 1999
Associate Circuit Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999
Election Service Fund	2000
Senior Citizens Service Fund	2000
Family Access Fund	1999
Missouri Department of Conservation Fund	1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Training Fund	2000 and 1999
Sheriff's Special Fund	2000 and 1999
Emergency 911 Fund	2000 and 1999
Prosecuting Attorney Bad Check Fund	2000
Children's Trust Fund	2000
Law Enforcement Training Fund	1999
ADA Capital Improvement Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	2000 and 1999
Associate Circuit Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999
Handicap Fund	1999
Prosecuting Attorney Delinquent Tax Fund	1999
Children's Trust Fund	1999
Family Access Fund	1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

The E911 Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the E911 Board's custodial bank in the E911 Board's name.

The Senior Citizens Service Board's deposits at December 31, 2000, were entirely covered by federal depositary insurance or by collateral securities held by the Senior Citizens Service Board's custodial bank in the Senior Citizens Service Board's name.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

CRAWFORD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9127	\$ 0	49,900
		ERO045-0127	43,664	16,288
		ERO045-1127	13,125	0
	Program Total		<u>56,789</u>	<u>66,188</u>
Office of Administration -				
10.665	Schools and Roads - Grants to States	N/A	71,229	77,955
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	N/A	9,065	33,469
16.unknown	Equitable Sharing of Seized and Forfeited Property	98-DEA-351744	0	8,782
Passed through state:				
Department of Public Safety -				
16.540	Juvenile Justice and Delinquency Prevention	98-JFJ7-38	0	15,117
		99-JFJ4-51	7,793	5,058
	Program Total		<u>7,793</u>	<u>20,175</u>
16.575	Crime Victim Assistance	99-SSVF-0021	0	15,144
		2000-SSVF-0019	6,967	5,419
	Program Total		<u>6,967</u>	<u>20,563</u>
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-028	0	168,533
State Emergency Management Agency -				
20.703	Hazardous Material Emergency Preparedness	N/A	1,955	0

Schedule

CRAWFORD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct program-				
93.268	Immunization Grants	N/A	1,114	2,125
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERO146-9127CLPP	0	220
		ERO146-0127CLPP	56	0
	Program Total		<u>56</u>	<u>220</u>
93.268	Immunization Grants	N/A	26,843	17,313
Department of Social Services -				
93.563	Child Support Enforcement	N/A	62,694	55,790
Department of Health -				
93.575	Child Care and Development Block Grant	ERO146-9127	0	2,040
		ERO146-0127	2,198	303
	Program Total		<u>2,198</u>	<u>2,343</u>
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-9	0	4,679
		ERO161-0	6,991	2,292
		ERO161-1	693	0
	Program Total		<u>7,684</u>	<u>6,971</u>
93.940	HIV Prevention Activities - Health Department Based	N/A	24	21
93.991	Preventive Health and Health Services Block Grant	N/A	320	188

Schedule

CRAWFORD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
93.994	Maternal and Child Health Services Block Grant to the States	ERO146-9127	0	14,598
		ERO146-0127	14,691	4,120
		ERO146-1127	2,005	0
		ERO146-9127FP	0	2,768
		ERO146-0127FP	2,295	608
		ERO146-1127FP	574	0
		N/A	1,598	938
	Program Total		<u>21,163</u>	<u>23,032</u>
	Total Expenditures of Federal Awards		\$ <u><u>275,894</u></u>	<u><u>503,668</u></u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

CRAWFORD COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Crawford County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Of the amounts for Immunization Grants (CFDA number 93.268), \$26,843 and \$15,753 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$320 and \$188 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1598 and \$938 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Crawford County, Missouri

Compliance

We have audited the compliance of Crawford County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Crawford County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Crawford County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Crawford County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

June 28, 2001 (fieldwork completion date)

Schedule

CRAWFORD COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? yes x no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.665	Schools and Roads-Grants to States
20.205	Highway Planning and Construction
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

CRAWFORD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

CRAWFORD COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

CRAWFORD COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Crawford County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001. We also have audited the compliance of Crawford County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Senate Bill 40 Board is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and other applicable information.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Crawford County and of its compliance with the types of compliance requirements applicable to each of its major federal

programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. County Procedures

- A.1. Bids were not always solicited, nor was bid documentation always retained for various purchases made by the county during the audit period. Examples of items purchased for which bids were not solicited or adequate documentation could not be located were as follows:

Rock Base	\$11,012
Mower parts	7,770
M-30 Oil	14,400

The County bids all rock purchases once each year. For the purchase indicated above, the rock was purchased from a vendor other than the company which was awarded the bid. In addition, the price paid for the rock was higher than the contracted amount. No documentation was retained as to why the county did not purchase from the county's contracted vendor.

2. The County Commission paid \$92,535 for a paving project which was not awarded to the low bidder. Due to a miscommunication regarding the materials to be used, the paving project was bid twice and the same company was the low bidder each time. In the minutes the County Commission indicated that they awarded the contract to the high bidder because the firm was located in the county. While the county believes the reason given was a valid justification to meet the criteria of "lowest and best" bid, the county paid an additional \$8,000 on this project because they did not select the low bidder.

Section 50.660, RSMo 2000, requires the advertisement for bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper publication notices when available, bids received, the basis and justification for awarding bids, and documentation of all discussions with vendors.

- B. In September and October 2000, the county purchased two separate pieces of land for additional storage space for road and bridge equipment. The county did not obtain an independent appraisal to value the properties prior to the purchases and apparently negotiated with the owners for the final purchase prices. The county's records show that the county paid approximately \$6,700 and \$15,200, respectively, for the two pieces of land. The County Commission indicated that these particular pieces of land were needed because they were adjacent to the current road and bridge shed, but there was no documentation of the selection process used to identify other available pieces of property which might have met the county's needs.

Independent appraisals as well as documentation of the selection process and price negotiations are necessary to ensure that fair prices are paid and all alternatives are considered. Complete justification for the selection process should be thoroughly documented.

- C. The County Commission has not received reimbursement for an invoice of approximately \$5,055 which was paid on February 7, 2000. During the two years ended December 31, 2000, the county received reimbursements from the Missouri Department of Transportation (MoDOT) for bridge rehabilitation expenditures under the Highway Planning and Construction program; however, the county did not ensure all the reimbursements were claimed. Apparently a reimbursement claim for the expenditure had been sent back to the county due to a mathematical error. However, the required information was not returned to MoDOT and no one followed up to ensure all claims were submitted and paid. When we brought this matter to the attention of the County Clerk, she contacted MoDOT. However, as of June 28, 2001, the county still had not received notification whether MoDOT will pay the late claim.

To maximize revenues, the County Commission should ensure that procedures are in place to monitor reimbursements. In addition, discrepancies between reimbursements claimed and amounts received must be investigated and resolved in a timely manner. The county should continue to seek reimbursement for the \$5,055 from MoDOT.

- D. The county has not sufficiently reduced its general revenue property tax levy to reduce property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by Crawford County voters under the provisions of Section 67.505, RSMo 2000.

Following are the calculations of the property tax rollback and sales tax collections for the two years ended December 31, 2000, and excess property taxes of prior years:

		Year Ended December 31,	
		2000	1999
ACTUAL SALES TAX REVENUES	\$	797,469	734,433
Required percentage of revenue reduction	X	50%	50%
Required property tax revenue reduction		398,735	367,217
Assessed Valuation		165,938,922	157,157,401
General Revenue Fund tax levy reduction (per \$100 of assessed valuation)	X	0.2315	0.2300
Actual property tax revenue reduction		384,149	361,462
EXCESS PROPERTY TAX REVENUES COLLECTED		14,586	5,755
Excess property tax revenue collections from prior years		21,312	15,557
NET EXCESS	\$	35,898	21,312

The County Clerk considered the under-reduction from 1998 when calculating the roll back for 1999 but did not consider the cumulative effect of other prior years. In addition, the County Clerk did not consider the effect of any prior years in calculating the roll back for 2000. These procedural errors, together with actual sales tax collections exceeding estimated amounts has resulted in the county having collected excess property tax revenues. When calculating the General Revenue Fund property tax levy in August 2001, the county included a reduction of \$5,000 to begin addressing the excess prior collections. Additional reductions will need to be made in future years to the property tax levy to fully adjust for the \$35,898 excess property taxes collected in prior years.

Section 67.505.3, RSMo 2000, provides budgeted property taxes are to be reduced by voter-approved percentages of sales tax revenue. This section also provides for actual sales tax revenue of the preceding year that is over or under that year's estimated sales tax revenue to be reflected in the subsequent year's property tax revenues roll back calculation.

WE RECOMMEND the County Commission:

- A. Solicit bids for all items in accordance with state law. Documentation of bids solicited and justification of bid awards should be maintained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Ensure justification of the selection process is thoroughly documented and an independent appraisal is obtained for future land purchases.

- C. Ensure procedures are in place to monitor reimbursements due to the County and investigate and resolve reimbursements not received on a timely basis.
- D. Ensure appropriate adjustments are made to the levy in the future to reflect excess property taxes collected in prior years.

AUDITEE'S RESPONSE

- A. *The County Commission indicated they agree with the recommendation and that it is their policy to bid purchases as required by statute. They indicated they will try harder in the future to ensure bidding is done when needed. They also indicated they will better document extenuating circumstances and justifications for bid awards as applicable.*
- B. *The County Commission indicated they agree with the recommendation and will better document the selection process for any future land purchases. In addition, they indicated they would consider obtaining independent appraisals and will also check with the County Assessor regarding the reasonableness of the purchase price for future land purchases.*
- C. *The County Commission indicated they agree with the recommendation. The County Clerk stated that she will continue to follow-up on the unpaid reimbursement with MoDOT. She also stated she would set up a system to track and monitor receivables on future projects.*
- D. *The County Commission and County Clerk indicated they agree with the recommendation. They stated that, as noted in the finding, they have adjusted the current tax levy to address some of the prior excess collections. They indicated that due to a large strain on the General Revenue Fund this year, they did not believe they could reduce the levy any further for the current year, but they plan to address the remaining excess collections when calculating the tax levy in future years.*

2. Salaries and Fringe Benefits
--

- A. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Crawford County's Associate County Commissioners salaries were each increased approximately \$5,000 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based upon the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,000 for the two years ended December 31, 2000, should be repaid. In addition, in light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- B. The County has separated its road and bridge operation into two districts, with separate staff and records for each. Both districts' foremen and one mechanic are provided county-owned vehicles. The County Commission indicated the road and bridge foremen are on-call 24 hours a day due to possible emergency situations and the mechanic has his personal tools in the county vehicle; however, there is no written policy allowing the use of these vehicles for commuting purposes. The Presiding Commissioner and County Clerk estimated that each of the three employees commutes approximately 20 miles roundtrip daily in the county-owned vehicles.

IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that distinguish between business and personal usage. The county does not require such usage logs.

Procedures have not been established to ensure the IRS guidelines are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

The above condition was noted in two previous audit reports. In their response to the prior report, the County Commission indicated that a written policy specifying when county employees would be required to drive county owned vehicles to and from work would be developed. However, such a written policy has still not been developed at this time.

WE RECOMMEND the County Commission:

- A. Review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Comply with IRS guidelines for the reporting of fringe benefits relating to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding appropriate use of county vehicles for commuting purposes.

AUDITEE'S RESPONSE

- A. *The County Commission indicated they plan to rely on guidance from the Prosecuting Attorney regarding the ruling concerning the Associate Commissioners' salaries. They also indicated that the Prosecuting Attorney has been asked to submit a request to the Office of*

Attorney General for an opinion on whether the monies are required to be paid back. The commission indicated they plan to take no further action until they have received such guidance.

- B. *The County Commission indicated that as of early 2001, the mechanic is no longer allowed to take the county vehicle home. The County Commission indicated they agree with the recommendation and they will develop a formal policy requiring the foremen to take the county vehicles home since they are considered to be on-call 24 hours per day. The County Commission plans to develop this policy immediately.*

3. Financial Reporting

- A. The financial statement for the year ended December 31, 1999 was not published until January 17, 2001. The County Clerk stated that the financial statement was not published because of problems caused by the conversion to a new computerized accounting system in March 1999. The County Clerk's and Treasurer's records did not balance at year-end due to these conversion errors and the County Clerk had to recalculate the amounts manually to prepare an accurate financial statement for publication. However, these recalculations were not performed timely.

Section 50.800, RSMo 2000, requires the county to prepare and publish financial statements on or before the first Monday in March of each year. The publishing of complete and timely financial statements, besides meeting statutory requirements, will provide information to citizens as to the operations of their county government and how tax dollars are spent.

A similar condition was noted in our prior report.

- B. The published annual financial statements did not include the activity of some county funds as required. Section 50.800, RSMo 2000, requires that the financial statements show receipts or revenues, and disbursements or expenditures, and beginning and ending balances for all county funds. In addition, for the Emergency 911 Fund and the Senate Bill 40 Board Fund, the published financial statements showed only the amounts passed through the County Treasurer. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.
- C. Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county does not have procedures in place to adequately track federal awards for preparation of the SEFA. The SEFA prepared for the two years ended December 31, 2000 and 1999, contained some errors and omissions. For example, expenditures

relating to a few federal grants were reported incorrectly or not included on the schedules. The programs reported did not include the required pass-through grantor's number. In addition, some non-federal funds were included.

For the SEFA to adequately reflect the county's federal financial assistance expenditures, it is necessary that all federal financial expenditures be properly reported. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal awards.

WE RECOMMEND the County Commission:

- A. Publish financial statements timely as required by state law.
- B. Ensure information for all county funds is properly included in the annual published financial statements.
- C. Ensure that the County Clerk prepares a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

AUDITEE'S RESPONSE

- A. *The County Clerk agrees with the recommendation and stated she would attempt to publish the financial statements more timely in the future.*
- B. *The County Clerk agrees with the recommendation and stated that she would attempt to obtain the needed information from the various applicable officials and county boards for inclusion in the published financial statements in the future.*
- C. *The County Clerk agrees with the recommendation and stated she will work more closely with the Nursing Service and other county officials to track and report federal expenditures more accurately when preparing the next schedule of expenditures of federal awards.*

4. Fixed Assets

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In the past, the County Clerk has been primarily responsible for these records. Our review of the fixed asset records and procedures revealed the following concerns:

- A. The County Clerk maintains a computerized inventory listing of fixed assets held by county officials; however, additions are not added to fixed asset records as they occur. In addition, the County Clerk does not periodically reconcile equipment purchases with additions to the fixed asset records. During our review of county

expenditures, we noted several fixed assets which were purchased but were not added to the listing. Performing this reconciliation would ensure all purchases have been added to fixed asset records.

- B. The county does not have formal procedures for disposing of county owned property. Written authorization is not consistently obtained from the County Commission. Currently, when an item is no longer needed or useful, the officeholder or department head will dispose of the property or place the item in storage without getting written approval from the County Commission. As a result, the County Commission and the County Clerk are not always aware of the disposal and may not remove the item from the fixed asset records.

Written authorization for the disposal of property is necessary to lessen the possibility of misuse and to provide adequate support for changes to the fixed asset records.

Adequate general fixed asset records are necessary to meet statutory requirements, secure better internal control over county property, and provide a basis for determining proper insurance coverage for county property.

Effective August 28, 1999, Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

Similar conditions were noted in two previous audit reports.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

AUDITEE'S RESPONSE

The County Commission indicated they agree with the recommendation and that they plan to develop a written policy for fixed assets by January 2002. The County Clerk stated her office is now trying to monitor invoices for fixed asset purchases to ensure applicable assets are added to the inventory listing as the items are received.

The county's assessment lists and tax books are maintained on a computerized property tax system. The County Assessor inputs the assessed valuation data, the County Clerk inputs the tax rates, extends and prints the tax books, and the County Collector collects the taxes. In our review of controls relating to the property tax computer system, we noted the following concerns:

- A. The County Clerk does not maintain an account book with the County Collector. An account book would summarize all taxes being charged to the County Collector, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These amounts could then be verified by the County Clerk from aggregate abstracts, tax books, court orders, monthly collection reports, and totals of all charges and credits. A complete account book would help the County Clerk ensure that the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Commission to verify the Collector's annual settlement.

Some of these records and controls are also required by various sections of state law, which are intended to establish some checks and balances related to the collection of property taxes. It is apparent that the County Clerk and the County Commission have not verified the County Collector's annual settlements since, as noted in MAR 6.A., the County Collector has not filed an annual settlement for the last three tax years ending February 28, 2001.

- B. The County Assessor's office is responsible for entering property tax addition and abatement information into the property tax system. However, the County Collector can also make changes to the tax records, as well as posting manual changes directly to the printed tax books. While a listing of additions and abatements is printed and submitted to the County Clerk's office for the County Commissioners' approval, there is no independent and subsequent comparison of additions and abatements approved by the County Commission to actual changes to the property tax books.

Section 137.260, RSMo 2000, requires that the tax book only be changed by the clerk of the county commission under order of the county commission. Controls should be established so that the County Clerk maintains a file of all additions and abatements that are provided to the County Collector by the County Assessor and periodically reconciles this information to changes made to the property tax data.

- C. Passwords and other procedures are not in place to limit access to the various property tax data files and programs utilized by the County Assessor and County Collector. The County Assessor's and County Collector's personnel have access to programs and data files of the property tax system. Lack of such passwords and procedures provides the potential for personnel to make undetected and unauthorized changes to information.

To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals. A system of passwords and other procedures can be used to properly restrict access. A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

WE AGAIN RECOMMEND:

- A. The County Clerk appropriately maintain her account book with the County Collector and the County Commission use it to verify the County Collector's annual settlement.
- B. The County Commission or County Clerk establish procedures to agree approved addition and abatement orders with related changes made to the property tax data.
- C. The County Commission consult with their programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.

AUDITEE'S RESPONSE

- A. *The County Clerk indicated she agrees with the recommendation and will work to prepare an account book that she and the County Commission can use to verify the County Collector's future annual settlements.*
- B. *The County Commission indicated they agree with the recommendation and would like to develop a process where they can give prior approval to such changes. They stated they will discuss the issue with the County Collector and the County Assessor in order to establish better procedures for approving additions and abatements. The County Commission stated they will implement this recommendation by January 2002.*
- C. *The County Commission indicated they agree this recommendation should be implemented. They stated they will work with the county's programmer, the County Collector, and the County Assessor to establish password controls by January 2002.*

6. County Collector's Accounting Controls and Procedures

The County Collector is responsible for collecting and distributing property taxes for most political subdivisions within the county. During the years ended February 28, 2001 and 2000, the County Collector collected property taxes totaling approximately \$8.0 million and \$7.8 million, respectively. During our review, we noted the following concerns:

- A. The County Collector is required by Section 139.160, RSMo 2000, to file an annual settlement with the County Clerk by the first Monday in March of each year. The County Collector has not prepared or filed annual settlements for the years ended February 28(29) 2001, 2000, and 1999, with the County Commission. A draft of the

settlement for the year ended February 28, 2001 was prepared upon our request in April 2001. We noted that various amounts on the draft were inaccurate and did not agree to the tax books, some activity was not included, and the draft settlement did not balance.

In order for the County Clerk and County Commission to properly verify the various tax books and tax collections, it is imperative the County Collector file annual settlements on a timely basis. In addition, timely annual settlements are an essential part of the checks and balances system established by state law.

- B.1. The County Collector does not reconcile monies collected to paid tax receipts, daily abstracted report of collections or deposits in the bank account. The Collector records the total monies received each day in a notebook, which the Deputy Collector then reconciles to the daily abstracted report of collections. However, the Collector does not attempt to reconcile the daily abstracted report of collections or the amounts recorded in the notebook to the actual paid tax receipts or to the deposits in the bank account. As a result, the County Collector's deposits into the bank account do not always agree to the total of the tax collections for that day.
- 2. In addition, the County Collector does not perform adequate monthly reconciliations between the amounts in his bank account, various liabilities, and other reconciling items to which the cash balance relates. The County Collector prepares monthly bank reconciliations; however, sometimes the reconciled bank balance does not agree to the checkbook balance or liabilities and the County Collector does not investigate or attempt to explain the differences. For example, the reconciled bank balance at February 28, 2001 totaled approximately \$1,121,500 while identified liabilities totaled approximately \$1,123,000.

Proper internal control procedures would include reconciling the paid tax receipts to the daily abstracted report of collections and to deposits in the bank account. Any differences should be fully investigated and explained on the reconciliation. Without performing this reconciliation, the County Collector has no assurance that all monies received are deposited in the bank account or that all payments were properly recorded in the computer system. In addition, adequate monthly reconciliations are necessary to ensure that all receipts and disbursements are properly accounted for and that the cash balance can be properly identified to appropriate liabilities and other reconciling items.

This condition was noted in our prior report.

- C. As previously reported, while the County Collector deposits receipts in the bank account daily, he does not deposit the receipts intact. The change fund is not maintained at a set amount, some cash receipts are used to make small refunds, and some tax bills are credited with full payment even when the amount received is a few dollars less than the amount due. Along with the lack of reconciliations described in part B1 above, the failure to deposit receipts intact makes it difficult to ensure all monies collected have been deposited.

To adequately safeguard against theft or misuse of funds and to provide assurance over assets, all receipts should be deposited intact daily.

This condition was noted in two previous audit reports.

- D. The County Collector holds his funds at a different bank than the county's depository bank. The County Collector did not maintain documentation that he formally solicited proposals for his banking services in recent years and did not have a written agreement with his bank. In addition, the County Collector only received approximately a 2.25 percent interest rate on his funds while the county received approximately a 5.61 percent interest rate on its monies from its depository bank.

To ensure he is receiving competitive rates for interest earnings and service charges, the County Collector should solicit bids for banking services periodically and should enter into a contract with his bank, outlining the terms agreed to and the services to be received.

WE RECOMMEND the County Collector:

- A. File annual settlements annually as required by statute.
- B. Reconcile daily cash collections and the daily report of collections from the computer system to the paid tax receipts and the deposits into the bank account. In addition, the Collector should reconcile the amounts in his bank account to related liabilities and other reconciling items on a monthly basis. Any differences should be investigated and explained on the reconciliations.
- C. Deposit all monies received intact daily. If a change fund is needed, it should be maintained at an established amount. In addition, the practice of using receipts to make cash refunds should be discontinued.
- D. Periodically solicit proposals for banking services to ensure service charges and interest earnings are competitive and enter into a written agreement with his bank.

AUDITEE'S RESPONSE

- A. *The County Collector indicated that after the conversion to a new computerized property tax system in tax year 1999, they had concerns with the accuracy of the data they were obtaining to prepare the annual settlements. He indicated that they focused their efforts on ensuring that property taxes collected and abstracted were properly paid out to the taxing authorities. He stated he would make an effort to prepare annual settlements timely in the future.*

- B. *The County Collector indicated that while he agrees with the recommendation, he does not have the time and personnel to ensure these procedures are performed during the busy season. He indicated during the busy season his staff is focused on attending to taxpayers, posting payments and making daily deposits. The County Collector stated that he would attempt to implement the recommendation in September 2001 and will perform the reconciliations as time allows.*
- C. *The County Collector indicated his staff tries to deposit intact. He indicated he did not think it would be practical to discontinue using cash receipts to make small refunds, however he indicated he would try to better document cash receipt overages and underages in the daily cash receipts book to balance the tax receipts with the monies deposited.*
- D. *The County Collector stated that he has solicited proposals for banking services periodically, but has not retained the documentation. He indicated that in June 2001 the banks submitted new proposals for the handling of other county funds and that he awarded the contract for his account to his current bank based on its proposal. He indicated that the interest rate in the new proposal is competitive with the county's bank. The County Collector also stated he will contact the bank immediately to develop a written depository agreement.*

7. Nursing Service Accounting Controls and Procedures
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The Crawford County Nursing Service receives funds from various state and federal grants, as well as miscellaneous fees and donations. The following concerns were noted during our review of the Crawford County Nursing Service's accounting procedures:

- A. Receipt slips are not always prenumbered and are not issued for some monies received. Additionally, the receipt slips issued do not indicate the method of payment. As a result, the nursing service cannot reconcile the composition of receipt slips to the composition of transmittals to the County Treasurer. In addition, checks and money orders are not restrictively endorsed until transmittals are prepared. To adequately safeguard receipts and account for monies received, prenumbered receipt slips should be issued for all monies received and the composition of receipt slips should be reconciled to the composition of transmittals. In addition, checks and money orders should be restrictively endorsed immediately upon receipt.
- B. Receipts are not transmitted to the County Treasurer on a timely basis. Receipts are transmitted approximately once per week. During our cash count on April 9, 2001, we noted over \$400 in family planning and vital record fee receipts that had been on hand approximately one to two weeks. To adequately safeguard against theft or misuse of funds and to provide assurance that all receipts are properly transmitted, receipts should be transmitted on a daily basis or when accumulated receipts exceed \$100.
- C. The nursing service receives federal and state funds under various programs through the state Department of Health. The nursing service does not maintain summary records which track the amounts billed and the subsequent amounts received for

these various grants. Also, records pertaining to program expenditures and related reimbursements were not maintained in an organized fashion.

To adequately account for the various programs, the nursing service should develop summary records to monitor billings and the receipt of reimbursements.

WE RECOMMEND the Nursing Service:

- A. Issue prenumbered receipt slips for all monies received, include the method of payment on all receipt slips, reconcile the composition of receipt slips to the composition of transmittals to the County Treasurer and restrictively endorse all checks and money orders immediately upon receipt.
- B. Transmit monies to the County Treasurer daily or when accumulated receipts exceed \$100.
- C. Retain records in an organized manner and develop summary records to track the amounts billed and reimbursements received.

AUDITEE'S RESPONSE

- A. *The Nursing Service Administrator stated they have already implemented this recommendation. She indicated they have now hand-numbered all receipt slip books on hand, are issuing receipt slips for all monies received, are noting the method of payment on the receipt slips and are reconciling to the composition of monies turned over to the County Treasurer. She also stated all checks are now restrictively endorsed when received.*
- B. *The Nursing Service Administrator stated she agrees with the recommendation and said they are transmitting money more frequently and are trying to turn monies over to the County Treasurer as soon as possible after accumulated receipts exceed \$100.*
- C. *The Nursing Service Administrator stated she agrees with the recommendation and said she has now set up a ledger to track billings and reimbursements for each of the various state and federal grants.*

8.

E911

The E911 Director is responsible for preparing and submitting an annual budget to the E911 Board of Trustees for approval. The E911 Board then forwards the annual budget to the County Clerk for submission to the State Auditor's Office with the budgets of various other county funds. The following problems were noted regarding the E911 budgets.

- A. Actual expenditures exceeded budgeted amounts during the years ended December 31, 2000 and 1999 by approximately \$8,400 and \$36,500, respectively. The overspending was partly due to the unbudgeted repayment of old outstanding debt

and a tax anticipation note. No budget amendments authorizing the additional expenditures were prepared or filed.

It was ruled in *State ex rel. Strong v. Cribb*, 364 Mo. 1122, 273 S.W. 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.662, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted.

- B. Although the prior years' receipt and disbursement detail is derived from information entered by the E911 Director on the computerized accounting records, several inaccuracies were noted in the actual information presented for 2000 and 1999 and the budgets were not mathematically accurate. The budgets also did not include all projected receipts, including proceeds of \$95,000 from a tax anticipation note. In addition, the actual revenue category amounts were not accurate and did not agree between the 1999 and 2000 budgets. The total revenues per the budget detail pages were approximately \$100,000 greater than the total revenues reported on cash reconciliation page of the budget.

A complete, accurate and well-planned budget can serve as a useful management tool by establishing specific cost expectations and providing a means to effectively monitor costs and financial condition.

WE RECOMMEND the E911 Board:

- A. Not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and budgets properly amended and filed with the County Clerk and the State Auditor's Office.
- B. Ensure that complete and accurate budgets that reflect all actual and anticipated revenues and expenditures are prepared.

AUDITEE'S RESPONSE

- A. *The E911 Director stated that he agrees with the recommendation. He indicated that he will monitor the budget activity more closely and will ensure the budgets are properly amended if actual expenditures are expected to exceed budgeted amounts.*
- B. *The E911 Director stated that he agrees with the recommendation. He stated they are planning to hire a consultant to provide assistance as needed in accounting and budget preparation and will ensure that budgets are complete and accurate in the future.*

This report is intended for the information of the management of Crawford County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

CRAWFORD COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Crawford County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the three years ended December 31, 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices and Financial Reporting

- A. Formal budgets were not prepared and filed with the State Auditor's office for various county funds.
- B. Actual expenditures exceeded budgeted amounts for several funds.
- C. For the year ended December 31, 1994, a deficit General Revenue Fund balance was budgeted in the amount of \$10,739.
- D. The county did not publish the annual financial statements in a timely manner.
- E. The General Revenue Fund still owed the Special Road and Bridge Fund for prior excess three percent administrative fee transfers totaling approximately \$38,000.

Recommendation:

The County Commission:

- A. Ensure financial information for all special revenue funds is considered prior to finalization of the annual budgets and budgets be prepared for all county funds.
- B. Keep expenditures within the legal budgetary limits.
- C. Ensure that expenditures are limited to available resources and maintain balanced budgets as required by law.
- D. Publish financial statements timely as required by state law.
- E. Authorize the transfer of approximately \$38,000 from the General Revenue Fund to the Special Road and Bridge Fund.

Status:

- A& B. Not implemented. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.
- D. Not implemented. See MAR No. 3.
- E. Implemented. While the County Commission did not transfer the \$38,000 from the General Revenue Fund to the Road and Bridge Fund, administrative transfers from the Road and Bridge Fund to the General Fund in recent years have been less than the maximum allowed and have more than offset the previous amount owed to the Road and Bridge Fund.

2. Road and Bridge Equipment Controls and Procedures

- A. The county did not maintain a culvert pipe inventory record, nor did they perform a reconciliation between culvert pipe purchases and usage.
- B. The county did not have a written policy regarding the use of county-owned vehicles by road and bridge foremen and mechanics for commuting purposes. The county also did not follow Internal Revenue Service (IRS) guidelines for the reporting of fringe benefits relating to county-owned vehicles.

Recommendation:

The County Commission:

- A. Maintain a culvert pipe inventory record and periodically reconcile purchases, usage, and culvert pipes on hand.
- B. Comply with IRS guidelines for the reporting of fringe benefits relating to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding appropriate use of county vehicles for commuting purposes.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 2.

3. County Commissioners' Mileage

Mileage claims of a former County Commissioner for use of his personal vehicle for county business lacked adequate and sufficient supporting documentation. In addition, the mileage reports submitted by another County Commissioner only indicated "road work" as the purpose and indicated the vehicle was driven very few personal miles.

Recommendation:

The County Commission provide complete and adequate documentation to support all mileage incurred. If such documentation cannot be provided, the Commissioners should be required to repay any unsubstantiated amounts.

Status:

Implemented.

4. Capital Improvement Sales Tax for the Handicapped Building

The County did not obtain legal guidance or develop a plan for the use of sales tax monies previously collected and dedicated for the purpose of building a workshop for the handicapped.

Recommendation:

The County Commission request legal guidance from the county Prosecuting Attorney or the State Attorney General on how these sales tax monies can be spent and develop a plan for the use of the monies on a timely basis.

Status:

Partially implemented. At December 31, 2000 the balance of the Handicap Building Fund was approximately \$142,000. The County Commission has received guidance from the Prosecuting Attorney indicating the funds must be spent on purchasing, constructing, or maintaining a workshop building as authorized by Chapter 205, RSMo and the ballot language. The County Commission has had several discussions with the Senate Bill 40 Board and the current workshop building's owner regarding purchasing the current facility and donating or leasing it to the Senate Bill 40 Board. However, a plan has not been finalized and the monies still have not been disbursed. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Enhanced 911

See our audit report on Crawford County, Missouri, for the two years ended December 31, 1998 (report number 99-79).

6. Federal Financial Assistance

- A. The county did not establish cash management control procedures to ensure federal monies were disbursed timely.
- B. The county was unable to provide documentation, such as timesheets, to support some of the reimbursement claims filed for the federal grant to operate the Cash Crop Program. As a result, costs of \$777 were questioned.

Recommendation:

The County Commission:

- A. Ensure federal monies are disbursed on a timely basis.
- B. Resolve the questioned costs with the grantor agency.

Status:

- A. Partially implemented. During our audit, we noted one reimbursement, totaling approximately \$4,900, that was not disbursed within three days of receipt. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. While the County Commission has not resolved the questioned costs with the grantor agency; the county is no longer involved in the Operation Cash Crop Program. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Personnel Policies and Procedures

- A. County employee timesheets submitted to the County Clerk indicated only the total number of hours worked each month rather than a breakdown by day of the actual hours worked by the employee. In addition, the County Clerk's office did not maintain records of compensatory time earned or used for some employees.
- B. The County Clerk did not prepare an IRS Form 1099-MISC for all applicable payments.

Recommendation:

The County Commission:

- A. Require all county employees to complete time sheets which reflect actual time worked and leave taken. In addition, control records of compensatory time should be maintained by the County Clerk's office for all county employees.

- B. Require the County Clerk issue IRS Forms 1099-MISC for all applicable expenditures, as required.

Status:

- A. Implemented.
- B. Not implemented. During our test of expenditures, we noted one instance in which the County Clerk did not issue an IRS Form 1099-MISC when applicable. Although not repeated in the current MAR, our recommendation remains as stated above.

8. General Fixed Asset Records and Procedures

- A. Annual listings of additions and deletions made during the year, as well as a listing of fixed assets at December 31 of each year, were not prepared from the computerized fixed asset records.
- B. The county did not have an established method of disposing of property, including obtaining written authorization from the County Commission.
- C. Property additions were not always recorded on the fixed asset records and some items were recorded at an amount different from the actual cost.
- D. The County Clerk did not document that she performed annual inventories of fixed assets as required by state law.

Recommendation:

- A. The County Clerk prepare listings of property additions and deletions and reconcile such listings to expenditures and authorizations for property disposal on a periodic basis. In addition, the County Clerk should generate and maintain a year end computerized general fixed asset listing.
- B. The County Commission establish a formal method of disposing of general fixed assets. Written authorization for all property dispositions should be obtained.
- C. The County Clerk properly record all general fixed asset additions.
- D. The County Clerk perform and document her review of annual inventories of fixed assets as required by state law.

Status:

- A. Partially implemented. While the County Clerk can now prepare annual listings of property additions and deletions, such listings are not reconciled to expenditure records and authorizations for property disposal on a periodic basis. Although not repeated in the current MAR, our recommendation remains as stated above.
- B&C. Not implemented. See MAR No. 4.
- D. Implemented.

9. Property Tax System

- A. The County Clerk did not maintain an account book with the County Collector.
- B. The County Assessor made changes to the property taxes for additions and abatements without obtaining prior approval from the County Commission. In addition, the County Assessor did not notify the County Clerk of such changes.
- C. Passwords and user identifications (IDs) for the property tax computer system were not changed periodically by the County Assessor, County Collector, and County Clerk.
- D. The County Clerk did not accurately prepare annual abstracts of assessed valuations and property tax collections.

Recommendation:

- A. The County Clerk appropriately maintain her account book with the County Collector and the County Commission use it to verify the County Collector's annual settlement.
- B. The Assessor notify the County Clerk and obtain approval from the County Commission when making additions and abatements.
- C. The County Commission establish procedures to periodically change passwords and user IDs and restrict access to computer files to only those individuals who need to use the information.
- D. The County Clerk ensure aggregate abstracts are accurate and the County Collector review the aggregate abstracts for errors.

Status:

- A&B. Not implemented. See MAR No. 5.

- C. Partially implemented. The County Commission receives and approves monthly reports listing additions and abatements. However, the Commission does not reconcile the additions and abatements to the property tax records. See MAR No. 5.
- D. Partially implemented. While the County Clerk now uses the proper methodology to prepare the aggregate abstracts, an addition error was made on the 1999 aggregate abstract. Although not repeated in our current MAR, our recommendation remains as stated above.

10. County Collector's Accounting Controls and Procedures

- A. The County Collector did not perform adequate monthly reconciliations between amounts in the bank account, various liabilities, and other reconciling items to which the cash balance relates.
- B. The County Collector did not deposit receipts intact, did not maintain the change fund at a set amount, and used some cash collections to make small refunds.
- C. Surtax collections were improperly allocated to the various political subdivisions.
- D. The County Collector's bank account balance was not adequately collateralized at various times.
- E. The County Collector did not include prior years' delinquent personal property tax amounts on his annual settlements.

Recommendation:

The County Collector:

- A. Reconcile the amounts in his bank account to the related liabilities and other reconciling items on a monthly basis. Any differences should be investigated and explained on the reconciliations.
- B. Deposit all monies received intact daily. If a change fund is needed, it should be maintained at an established amount. In addition, the practice of using receipts to make cash refunds should be discontinued.
- C. Calculate the percentages that should have been used for each of the two years ended February 28, 1997, and apply these percentages to the respective surtax collections. The newly calculated distributions should be compared to the actual distributions and adjustments made to future distributions for material variances. Future distributions of surtax collections should then take into consideration the current assessed valuation for Subclass 3 commercial property for each year compared to the 1984 valuation for each political subdivision as required by state law.

- D. Ensure adequate collateral securities are pledged for all funds on deposit in excess of FDIC coverage.
- E. Ensure that all delinquent tax amounts are properly recorded on the annual settlements.

Status:

A,B,
& E. Not implemented. See MAR No. 6.

C&D. Implemented.

11. Sheriff's Accounting Controls and Procedures

- A. Receipts were not deposited intact on a timely basis and receipts were not posted to cash control records on a timely basis.
- B. Bond monies were not turned over to the Associate Circuit Court on a timely basis.
- C. The Sheriff did not remit fees to the County Treasurer on a monthly basis.
- D. Checks received through the mail were not restrictively endorsed until the deposit was made.
- E. The method of payment was not always indicated on the receipt slips.

Recommendation:

The Sheriff:

- A. Deposit receipts intact daily or when accumulated receipts exceed \$100 and post all receipts to the cash control records on a timely basis.
- B. Ensure bond monies are remitted to the Associate Circuit Court on a timely basis.
- C. Remit all fees to the County Treasurer on a monthly basis.
- D. Restrictively endorse checks immediately upon receipt.
- E. Indicate the method of payment on receipt slips and reconcile the composition of receipts to the amounts deposited.

Status:

A, B,
D&E. Implemented.

C. Not implemented. During our audit, we noted several reports that were not turned over until the end of the following month. In addition, the January 2000 report was not turned over until March 30, 2000. Although not repeated in our current MAR, our recommendation remains as stated above.

12. Ex Officio Recorder's Controls and Procedures

Accounting duties were not adequately segregated and there was no documentation that monthly bank reconciliations were performed.

Recommendation:

The Ex Officio Recorder ensure that accounting duties are adequately segregated and/or that independent reviews are performed and documented as necessary. In addition, monthly bank reconciliations should be performed.

Status:

Implemented. While accounting duties still are not adequately segregated, monthly bank reconciliations are now prepared by the Deputy Recorder and reviewed and approved by the Ex Officio Recorder of Deeds. The Ex Officio Recorder of Deeds also now reconciles reports of monies collected to deposits into the bank account.

13. Prosecuting Attorney's Accounting Controls and Procedures

- A. Bad check collection fees were only deposited approximately four times a month.
- B. A sequential listing of computer-generated receipt slips issued for fee and restitution monies was not prepared and a comparison of receipts to fees recorded in bad check cases was not performed.
- C. The Prosecuting Attorney did not advertise for bids for the purchase of office computer equipment, but rather solicited bids through telephone calls.

Recommendation:

The Prosecuting Attorney:

- A. Deposit all monies daily or when the accumulation of receipts exceeds \$100.

- B. Compare the numerical sequence of receipt slips to fees distributed and reconcile all payments received to deposits made.
- C. Advertise for bids on all purchases of \$3,000 or more in accordance with Section 50.660, RSMo 1995.

Status:

A, B,
&C. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

CRAWFORD COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1829, the county of Crawford was named after William H. Crawford, a Georgia statesman. Crawford county is a county-organized, third-class county and is part of the 42nd Judicial Circuit. The county seat is Steelville.

Crawford County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Crawford County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 485,149	13	499,977	13
Sales taxes	1,424,546	38	1,333,031	36
Federal and state aid	1,280,700	34	1,387,349	37
Fees, interest, and other	573,497	15	533,737	14
Total	\$ 3,763,892	100	3,754,094	100

The following chart shows how Crawford County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 1,044,217	28	1,010,969	29
Public safety	964,445	26	814,188	24
Highways and roads	1,712,469	46	1,608,184	47
Total	\$ 3,721,131	100	3,433,341	100

The county maintains approximately 31 county bridges and 585 miles of county roads.

The county's population was 14,828 in 1970 and 19,173 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	105.1	102.8	61.4	30.8	18.3
Personal property		45.4	40.9	13.5	6.7	4.0
Railroad and utilities		17.3	16.2	6.3	6.1	4.7
Total	\$	167.8	159.9	81.2	43.6	27.0

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Crawford County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
General Revenue Fund	\$	.0790	.0800
Special Road and Bridge Fund		.2203	.2200
Senior Citizens Service Fund		.0500	N/A
Senate Bill 40 Board Fund		.1000	.1000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

Year Ended February 28 (29),		
	2001 *	2000 *
State of Missouri	\$ 49,839	48,763
General Revenue Fund	137,812	134,878
Special Road and Bridge Fund	362,021	353,289
Assessment Fund	79,112	77,234
Hospital	21,314	20,372
Senate Bill 40 Board Fund	161,146	157,885
School districts	5,563,505	5,445,377
Library district	154,858	151,669
Ambulance district	441,234	435,104
Fire protection district	247,552	243,789
Junior College	212,676	210,800
County Employees' Retirement Fund	38,229	38,540
Senior Citizen's Service Fund	65,538	0
Cities	5,254	6,327
Surtax	120,553	121,239
County Clerk	376	409
Commissions and fees:		
Official	169	181
General Revenue Fund	158,363	156,709
Total	\$ <u>7,819,551</u>	<u>7,602,565</u>

* Preliminary totals, pending completion of the annual settlements.

Percentages of current taxes collected were as follows:

Year Ended February 28 (29),		
	2001	2000
Real estate	89 %	89 %
Personal property	88	86
Railroad and utilities	100	100

Crawford County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0500	None	50 %
Capital improvements	.0500	2003	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Art Hughes, Presiding Commissioner	\$	25,299	24,572
Bobby Ray, Associate Commissioner		23,249	22,572
Fred Hartung, Associate Commissioner		23,249	22,572
Connie Smith, County Clerk		35,226	34,200
Sid Pearson, Prosecuting Attorney		41,715	40,500
Albert Englebrecht, Jr., Sheriff		37,080	36,000
Lucille Giles, County Treasurer		26,067	25,308
Paul Hutson, County Coroner		6,695	6,500
Lois Dicus, Public Administrator *		10,000	10,000
Daniel Gladden, County Collector, year ended February 28 (29),	37,427	36,337	
Kerry Summers, County Assessor, year ended August 31, **		36,126	35,100
Jim Adams, County Surveyor ***		0	0

* Includes fees received from probate cases.

** Includes \$900 annual compensation received from the state.

*** Compensation on a fee basis.

State-Paid Officials:

Karen McPeters, Circuit Clerk and Ex Officio Recorder of Deeds	46,127	44,292
J. Kent Howald, Associate Circuit Judge	97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	0	0
Circuit Clerk and Ex Officio Recorder of Deeds	2	5 *
County Clerk	4 **	0
Prosecuting Attorney	10 ***	0
Sheriff	25 ****	0
County Treasurer	0	0
County Coroner	1 *	0
Public Administrator	0	0
County Collector	4 **	0
County Assessor	3	0
County Surveyor	0	0
Associate/Probate Division	0	6 *
Road and Bridge	21	0
Nursing Service	7 *	0
Total	<u>77</u>	<u>11</u>

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Crawford County's share of the 42nd Judicial Circuit's expenses is 31 percent.

- * Includes one part-time employee
- ** Includes two part-time employees
- *** Includes five part-time employees
- **** Includes three part-time employees



**BARRY COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-92
September 24, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Barry, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Barry County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The Developmentally Disabled Board has accumulated a significant cash reserve without any specific plans for its use. During the two years ended December 31, 2000 receipts exceeded disbursements by \$148,076, resulting in the cash balance of the Developmentally Disabled Board Fund increasing from \$258,310 at December 31, 1998 to \$406,386 at December 31, 2000. The Developmentally Disabled Board should determine its future needs, and consider such information when setting future property tax levies.
- Prior audit reports have addressed the inadequacy of the Circuit Clerk's accounting records. While the Circuit Clerk responded in previous audits that recommendations would be implemented, conditions have not improved. This audit identified weaknesses such as untimely deposits, inaccurate bank reconciliations, and no accounting for liabilities.
- Several weaknesses were identified in the offices of the Prosecuting Attorney and the Associate Circuit Court, including inadequate segregation of duties, inadequate receipting procedures, and not properly accounting for liabilities.
- The county does not have adequate procedures in place to track federal awards for the preparation of the schedule of expenditures of federal awards. Federal expenditures were understated by \$264,832. For the schedule to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

(over)

YELLOW SHEET

- Federal surplus property totaling \$1,015 was purchased by the county and provided to the Monett Sportsmen League for their use. State and federal regulations require surplus property to be used by the authorized public agency making the purchase for promoting public services.
- Actual expenditures exceeded budgeted amounts for several funds. County officials recognized expenditures were going to exceed budgetary amounts and believed they could not amend the budget; however, county officials did not discontinue spending from these funds.

The audit also includes some matters related to budgetary practices, collateral security, general fixed assets, personnel, County Collector procedures, and the Juvenile Division, upon which the county should consider and take appropriate corrective action. Several of these issues had been noted in prior audits.

BARRY COUNTY, MISSOURI

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FINANCIAL SECTION

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CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Barry County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Barry County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Barry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Barry County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Barry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 30, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Barry County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 30, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA
In-Charge Auditor:	Amy E. Fast
Audit Staff:	Ted Fugitt, CPA
	Jay Ross
	Donald Troy Royer



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Barry County, Missouri

We have audited the special-purpose financial statements of various funds of Barry County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Barry County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Barry County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Barry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 30, 2001 (fieldwork completion date)

Financial Statements

Exhibit A

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,697,182	2,676,378	2,132,377	2,241,183
Special Road and Bridge	294,643	241,680	317,273	219,050
Assessment	806	306,767	307,015	558
Law Enforcement Training	8,009	6,693	11,500	3,202
Prosecuting Attorney Training	2,907	1,697	1,916	2,688
Recorder Microfilm	70,223	20,529	54,343	36,409
Prosecuting Attorney Delinquent Tax	7,078	766	3,769	4,075
Sheriff Special Law Enforcement	3,269	1,589	1,110	3,748
Liberty Common Road District	10,927	12,391	9,277	14,041
Prosecuting Attorney Bad Check	20,303	35,301	49,818	5,786
Sheriff	7,491	44,010	40,324	11,177
Peace Officer Standards Training	4,203	2,351	660	5,894
Local Emergency Planning Commission	18,821	18,268	19,237	17,852
DARE	1,019	38	1,057	0
Shelter Home	574	1,158	1,105	627
Special Road District	0	3,108,577	3,108,577	0
Associate Circuit Division Interest	4,773	736	3,213	2,296
Circuit Clerk Interest	5,548	12,039	11,506	6,081
Developmentally Disabled Board	349,999	206,734	150,347	406,386
Election	0	1,975	284	1,691
Community Development Block Grant	0	270,700	270,700	0
Law Library	27,760	8,453	288	35,925
Total	\$ 2,535,535	6,978,830	6,495,696	3,018,669

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

BARRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,417,309	2,483,632	2,203,759	1,697,182
Special Road and Bridge	398,840	239,064	343,261	294,643
Assessment	19,469	265,059	283,722	806
Law Enforcement Training	7,566	7,065	6,622	8,009
Prosecuting Attorney Training	2,064	1,800	957	2,907
Recorder Microfilm	52,328	25,073	7,178	70,223
Prosecuting Attorney Delinquent Tax	5,661	1,417	0	7,078
Sheriff Special Law Enforcement	6,955	1,670	5,356	3,269
Liberty Common Road District	17,861	11,487	18,421	10,927
Prosecuting Attorney Bad Check	13,544	47,928	41,169	20,303
Sheriff	12,676	33,131	38,316	7,491
Peace Officer Standards Training	1,912	2,966	675	4,203
Local Emergency Planning Commission	26,777	1,171	9,127	18,821
DARE	8,119	233	7,333	1,019
Shelter Home	796	1,045	1,267	574
Special Road District	0	2,944,018	2,944,018	0
Associate Circuit Division Interest	3,950	1,113	290	4,773
Circuit Clerk Interest	8,997	7,291	10,740	5,548
Developmentally Disabled Board	258,310	191,455	99,766	349,999
Community Development Block Grant	0	22,174	22,174	0
Law Library	21,156	7,987	1,383	27,760
Total	\$ 2,284,290	6,296,779	6,045,534	2,535,535

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

BARRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 6,580,224	6,970,377	390,153	5,937,964	6,266,618	328,654
DISBURSEMENTS	6,952,307	6,495,408	456,899	6,541,005	6,021,977	519,028
RECEIPTS OVER (UNDER) DISBURSEMENTS	(372,083)	474,969	847,052	(603,041)	244,641	847,682
CASH, JANUARY 1	2,508,100	2,507,775	(325)	2,261,178	2,263,134	1,956
CASH, DECEMBER 31	2,136,017	2,982,744	846,727	1,658,137	2,507,775	849,638
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	20,000	20,664	664	19,922	21,136	1,214
Sales taxes	1,443,072	1,491,230	48,158	1,312,000	1,355,642	43,642
Intergovernmental	308,858	418,354	109,496	277,280	386,315	109,035
Charges for services	454,000	491,093	37,093	429,500	456,040	26,540
Interest	55,000	106,174	51,174	49,000	70,175	21,175
Other	127,350	125,496	(1,854)	63,950	148,246	84,296
Transfers in	19,750	23,367	3,617	101,944	46,078	(55,866)
Total Receipts	2,428,030	2,676,378	248,348	2,253,596	2,483,632	230,036
DISBURSEMENTS						
County Commission	106,222	90,876	15,346	83,798	78,748	5,050
County Clerk	61,995	61,175	820	59,380	58,787	593
Elections	107,600	118,135	(10,535)	61,400	58,353	3,047
Buildings and grounds	89,030	85,368	3,662	95,700	83,309	12,391
Employee fringe benefits	261,008	247,118	13,890	215,195	209,422	5,773
County Treasurer	31,989	31,799	190	30,943	30,586	357
County Collector	100,640	98,306	2,334	98,888	94,803	4,085
Ex Officio Recorder of Deeds	36,985	34,239	2,746	34,215	34,252	(37)
Circuit Clerk	15,800	22,798	(6,998)	18,150	18,788	(638)
Associate Circuit (Probate)	24,500	18,995	5,505	21,800	19,336	2,464
Court administration	5,775	5,341	434	6,331	4,171	2,160
Sheriff	512,393	525,526	(13,133)	485,957	473,429	12,528
Jail	314,322	296,822	17,500	281,137	261,952	19,185
Prosecuting Attorney	191,050	206,946	(15,896)	150,385	154,859	(4,474)
Juvenile Officer	106,210	98,758	7,452	161,750	131,499	30,251
County Coroner	20,266	12,784	7,482	20,096	18,181	1,915
Emergency Management	7,200	7,200	0	7,540	7,200	340
Capital Projects	200,000	2,958	197,042	407,300	220,621	186,679
Other	196,191	160,233	35,958	212,030	172,505	39,525
Transfers out	64,714	7,000	57,714	32,922	72,958	(40,036)
Emergency Fund	100,000	0	100,000	100,000	0	100,000
Total Disbursements	2,553,890	2,132,377	421,513	2,584,917	2,203,759	381,158
RECEIPTS OVER (UNDER) DISBURSEMENTS	(125,860)	544,001	669,861	(331,321)	279,873	611,194
CASH, JANUARY 1	1,697,182	1,697,182	0	1,417,309	1,417,309	0
CASH, DECEMBER 31	1,571,322	2,241,183	669,861	1,085,988	1,697,182	611,194

Exhibit B

BARRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	84,000	89,759	5,759	78,100	84,120	6,020
Intergovernmental	93,870	119,919	26,049	124,280	128,342	4,062
Interest	12,000	23,214	11,214	20,000	22,617	2,617
Other	0	8,788	8,788	0	3,985	3,985
Total Receipts	189,870	241,680	51,810	222,380	239,064	16,684
DISBURSEMENTS						
Equipment	14,000	15,245	(1,245)	60,000	0	60,000
Construction, repair, and maintenance	270,000	259,576	10,424	350,000	308,156	41,844
Other	46,250	42,452	3,798	0	35,105	(35,105)
Total Disbursements	330,250	317,273	12,977	410,000	343,261	66,739
RECEIPTS OVER (UNDER) DISBURSEMENTS	(140,380)	(75,593)	64,787	(187,620)	(104,197)	83,423
CASH, JANUARY 1	294,643	294,643	0	398,840	398,840	0
CASH, DECEMBER 31	154,263	219,050	64,787	211,220	294,643	83,423
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	269,862	286,956	17,094	250,450	247,569	(2,881)
Charges for services	16,500	9,768	(6,732)	10,000	9,985	(15)
Interest	3,000	3,043	43	4,500	2,505	(1,995)
Transfers in	64,714	7,000	(57,714)	32,922	5,000	(27,922)
Total Receipts	354,076	306,767	(47,309)	297,872	265,059	(32,813)
DISBURSEMENTS						
Assessor	354,076	307,015	47,061	297,872	283,722	14,150
Total Disbursements	354,076	307,015	47,061	297,872	283,722	14,150
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(248)	(248)	0	(18,663)	(18,663)
CASH, JANUARY 1	806	806	0	19,469	19,469	0
CASH, DECEMBER 31	806	558	(248)	19,469	806	(18,663)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	7,100	6,693	(407)	5,500	7,065	1,565
Total Receipts	7,100	6,693	(407)	5,500	7,065	1,565
DISBURSEMENTS						
Sheriff	10,000	11,500	(1,500)	10,000	6,622	3,378
Total Disbursements	10,000	11,500	(1,500)	10,000	6,622	3,378
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,900)	(4,807)	(1,907)	(4,500)	443	4,943
CASH, JANUARY 1	8,009	8,009	0	7,566	7,566	0
CASH, DECEMBER 31	5,109	3,202	(1,907)	3,066	8,009	4,943

Exhibit B

BARRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,800	1,697	(103)	1,600	1,800	200
Total Receipts	1,800	1,697	(103)	1,600	1,800	200
DISBURSEMENTS						
Prosecuting Attorney	2,500	1,916	584	2,180	957	1,223
Total Disbursements	2,500	1,916	584	2,180	957	1,223
RECEIPTS OVER (UNDER) DISBURSEMENTS	(700)	(219)	481	(580)	843	1,423
CASH, JANUARY 1	2,907	2,907	0	2,064	2,064	0
CASH, DECEMBER 31	2,207	2,688	481	1,484	2,907	1,423
<u>RECORDER MICROFILM FUND</u>						
RECEIPTS						
Charges for services	18,000	17,838	(162)	21,300	22,284	984
Interest	2,800	2,691	(109)	2,200	2,789	589
Total Receipts	20,800	20,529	(271)	23,500	25,073	1,573
DISBURSEMENTS						
Ex-Officio Recorder of Deeds	52,500	54,343	(1,843)	33,000	7,178	25,822
Total Disbursements	52,500	54,343	(1,843)	33,000	7,178	25,822
RECEIPTS OVER (UNDER) DISBURSEMENTS	(31,700)	(33,814)	(2,114)	(9,500)	17,895	27,395
CASH, JANUARY 1	70,223	70,223	0	52,328	52,328	0
CASH, DECEMBER 31	38,523	36,409	(2,114)	42,828	70,223	27,395
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	1,200	387	(813)	1,000	1,129	129
Interest	280	379	99	180	288	108
Total Receipts	1,480	766	(714)	1,180	1,417	237
DISBURSEMENTS						
Prosecuting Attorney	2,500	3,769	(1,269)	2,500	0	2,500
Total Disbursements	2,500	3,769	(1,269)	2,500	0	2,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,020)	(3,003)	(1,983)	(1,320)	1,417	2,737
CASH, JANUARY 1	7,078	7,078	0	5,661	5,661	0
CASH, DECEMBER 31	6,058	4,075	(1,983)	4,341	7,078	2,737

Exhibit B

BARRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF SPECIAL LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Interest	200	164	(36)	300	245	(55)
Other	1,300	1,425	125	1,200	1,425	225
Total Receipts	1,500	1,589	89	1,500	1,670	170
DISBURSEMENTS						
Sheriff	3,200	1,110	2,090	8,000	5,356	2,644
Total Disbursements	3,200	1,110	2,090	8,000	5,356	2,644
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,700)	479	2,179	(6,500)	(3,686)	2,814
CASH, JANUARY 1	3,269	3,269	0	6,955	6,955	0
CASH, DECEMBER 31	1,569	3,748	2,179	455	3,269	2,814
<u>LIBERTY COMMON ROAD DISTRICT FUND</u>						
RECEIPTS						
Property taxes	500	514	14	475	510	35
Sales taxes	5,850	6,468	618	5,800	5,839	39
Intergovernmental revenues	4,000	4,469	469	4,200	4,109	(91)
Interest	900	841	(59)	850	1,029	179
Other	0	99	99	0	0	0
Total Receipts	11,250	12,391	1,141	11,325	11,487	162
DISBURSEMENTS						
Construction, repair and maintenance	19,500	8,966	10,534	20,000	18,171	1,829
Other	500	311	189	500	164	336
Transfers out	0	0	0	0	86	(86)
Total Disbursements	20,000	9,277	10,723	20,500	18,421	2,079
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,750)	3,114	11,864	(9,175)	(6,934)	2,241
CASH, JANUARY 1	10,927	10,927	0	17,861	17,861	0
CASH, DECEMBER 31	2,177	14,041	11,864	8,686	10,927	2,241
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	36,000	34,046	(1,954)	29,000	35,508	6,508
Interest	1,600	1,255	(345)	1,500	1,528	28
Transfers in	0	0	0	11,678	10,892	(786)
Total Receipts	37,600	35,301	(2,299)	42,178	47,928	5,750
DISBURSEMENTS						
Prosecuting Attorney	30,250	26,451	3,799	23,000	15,603	7,397
Transfers out	19,750	23,367	(3,617)	25,000	25,566	(566)
Total Disbursements	50,000	49,818	182	48,000	41,169	6,831
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,400)	(14,517)	(2,117)	(5,822)	6,759	12,581
CASH, JANUARY 1	20,303	20,303	0	13,544	13,544	0
CASH, DECEMBER 31	7,903	5,786	(2,117)	7,722	20,303	12,581

Exhibit B

BARRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF FUND</u>						
RECEIPTS						
Charges for services	33,000	43,559	10,559	30,000	32,703	2,703
Interest	300	451	151	300	428	128
Total Receipts	33,300	44,010	10,710	30,300	33,131	2,831
DISBURSEMENTS						
Sheriff	40,500	40,324	176	41,000	38,316	2,684
Total Disbursements	40,500	40,324	176	41,000	38,316	2,684
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,200)	3,686	10,886	(10,700)	(5,185)	5,515
CASH, JANUARY 1	7,491	7,491	0	12,676	12,676	0
CASH, DECEMBER 31	291	11,177	10,886	1,976	7,491	5,515
<u>PEACE OFFICER STANDARDS TRAINING</u>						
RECEIPTS						
Intergovernmental	2,900	2,129	(771)	2,370	2,865	495
Interest	100	222	122	30	101	71
Total Receipts	3,000	2,351	(649)	2,400	2,966	566
DISBURSEMENTS						
Training	3,500	660	2,840	3,500	675	2,825
Total Disbursements	3,500	660	2,840	3,500	675	2,825
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	1,691	2,191	(1,100)	2,291	3,391
CASH, JANUARY 1	4,203	4,203	0	1,912	1,912	0
CASH, DECEMBER 31	3,703	5,894	2,191	812	4,203	3,391
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	5,517	15,810	10,293	5,000	0	(5,000)
Interest	800	1,336	536	900	1,171	271
Other	0	1,122	1,122	0	0	0
Total Receipts	6,317	18,268	11,951	5,900	1,171	(4,729)
DISBURSEMENTS						
Office Expenditures	4,550	8,300	(3,750)	750	1,794	(1,044)
Equipment	3,600	6,606	(3,006)	10,600	6,053	4,547
Training	2,300	4,103	(1,803)	1,000	1,280	(280)
Other	1,200	228	972	0	0	0
Total Disbursements	11,650	19,237	(7,587)	12,350	9,127	3,223
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,333)	(969)	4,364	(6,450)	(7,956)	(1,506)
CASH, JANUARY 1	18,821	18,821	0	26,777	26,777	0
CASH, DECEMBER 31	13,488	17,852	4,364	20,327	18,821	(1,506)

Exhibit B

BARRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DARE FUND</u>						
RECEIPTS						
Interest	20	38	18	300	233	(67)
Total Receipts	20	38	18	300	233	(67)
DISBURSEMENTS						
Sheriff	1,039	1,057	(18)	8,286	7,333	953
Total Disbursements	1,039	1,057	(18)	8,286	7,333	953
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,019)	(1,019)	0	(7,986)	(7,100)	886
CASH, JANUARY 1	1,019	1,019	0	8,119	8,119	0
CASH, DECEMBER 31	0	0	0	133	1,019	886
<u>SHELTER HOME FUND</u>						
RECEIPTS						
Charges for services	1,000	1,140	140	1,332	1,030	(302)
Interest	12	18	6	18	15	(3)
Total Receipts	1,012	1,158	146	1,350	1,045	(305)
DISBURSEMENTS						
Domestic violence shelter	1,074	1,105	(31)	1,350	1,267	83
Total Disbursements	1,074	1,105	(31)	1,350	1,267	83
RECEIPTS OVER (UNDER) DISBURSEMENTS	(62)	53	115	0	(222)	(222)
CASH, JANUARY 1	574	574	0	796	796	0
CASH, DECEMBER 31	512	627	115	796	574	(222)
<u>SPECIAL ROAD DISTRICT FUND</u>						
RECEIPTS						
Property taxes	508,700	531,277	22,577	482,000	508,356	26,356
Sales taxes	1,429,248	1,481,545	52,297	1,350,000	1,330,553	(19,447)
Intergovernmental revenues	1,066,780	1,095,592	28,812	1,024,550	1,048,043	23,493
Interest	0	163	163	0	0	0
Transfers in	0	0	0	0	57,066	57,066
Total Receipts	3,004,728	3,108,577	103,849	2,856,550	2,944,018	87,468
DISBURSEMENTS						
Distributions to special road districts	2,934,951	3,039,031	(104,080)	2,826,874	2,855,678	(28,804)
Administration	30,902	31,838	(936)	29,676	30,329	(653)
Tax Increment Financing	38,875	37,708	1,167	0	37,585	(37,585)
Transfers out	0	0	0	0	20,426	(20,426)
Total Disbursements	3,004,728	3,108,577	(103,849)	2,856,550	2,944,018	(87,468)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0

Exhibit B

BARRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	1,000	618	(382)	1,500	1,098	(402)
Other	0	118	118	0	15	15
Total Receipts	1,000	736	(264)	1,500	1,113	(387)
DISBURSEMENTS						
Associate Circuit Division	3,000	3,213	(213)	2,500	290	2,210
Total Disbursements	3,000	3,213	(213)	2,500	290	2,210
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	(2,477)	(477)	(1,000)	823	1,823
CASH, JANUARY 1	5,140	4,773	(367)	3,925	3,950	25
CASH, DECEMBER 31	3,140	2,296	(844)	2,925	4,773	1,848
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	6,500	12,039	5,539	6,600	6,526	(74)
Other	0	0	0	0	765	765
Total Receipts	6,500	12,039	5,539	6,600	7,291	691
DISBURSEMENTS						
Circuit Clerk	8,000	11,506	(3,506)	13,000	10,740	2,260
Total Disbursements	8,000	11,506	(3,506)	13,000	10,740	2,260
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,500)	533	2,033	(6,400)	(3,449)	2,951
CASH, JANUARY 1	5,506	5,548	42	7,066	8,997	1,931
CASH, DECEMBER 31	4,006	6,081	2,075	666	5,548	4,882
<u>DEVELOPMENTALLY DISABLED BOARD FUND</u>						
RECEIPTS						
Property taxes	182,470	192,710	10,240	164,433	181,658	17,225
Intergovernmental	0	350	350	0	53	53
Interest	9,000	13,674	4,674	8,000	9,744	1,744
Total Receipts	191,470	206,734	15,264	172,433	191,455	19,022
DISBURSEMENTS						
Office expenditures	2,500	159	2,341	2,500	142	2,358
Insurance and bonds	4,000	1,718	2,282	3,000	1,805	1,195
Developmentally disabled services	214,274	148,470	65,804	180,000	97,819	82,181
Total Disbursements	220,774	150,347	70,427	185,500	99,766	85,734
RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,304)	56,387	85,691	(13,067)	91,689	104,756
CASH, JANUARY 1	349,999	349,999	0	258,310	258,310	0
CASH, DECEMBER 31	320,695	406,386	85,691	245,243	349,999	104,756

Exhibit B

BARRY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION FUND</u>						
RECEIPTS						
Charges for services	1,500	1,932	432			
Interest	45	43	(2)			
Total Receipts	1,545	1,975	430			
DISBURSEMENTS						
Election Services	1,300	284	1,016			
Total Disbursements	1,300	284	1,016			
RECEIPTS OVER (UNDER) DISBURSEMENTS	245	1,691	1,446			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	245	1,691	1,446			
<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental revenues	277,826	270,700	(7,126)			
Total Receipts	277,826	270,700	(7,126)			
DISBURSEMENTS						
Administration	7,126	0	7,126			
Fire protection facility	270,700	270,700	0			
Total Disbursements	277,826	270,700	7,126			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

BARRY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Barry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Law Library Fund for the years ended December 31, 2000 and 1999, and the Community Development Block Grant Fund for the year ended December 31, 1999.

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2000
Recorder Microfilm Fund	2000
Prosecuting Attorney Delinquent Tax Fund	2000
Local Emergency Planning Commission Fund	2000
DARE Fund	2000
Shelter Home Fund	2000
Special Road District Fund	2000 and 1999
Associate Court Interest Fund	2000
Circuit Clerk Interest Fund	2000

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2000 and 1999 did not include the Community Development Block Grant Fund.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

Of the county's bank balance at December 31, 2000, \$597,446 was covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name, and \$2,335,589 was covered by collateral held by the Federal Reserve, but not in the county's name. Of the county's bank balance at December 31, 1999, \$1,207,893 was covered by the federal depository insurance or by collateral securities held by the county's custodial bank in the county's name, and \$1,269,991 was covered by collateral held by the pledging bank's safekeeping department but not in the county's name.

The deposits of the Developmentally Disabled Board at December 31, 2000 and 1999, were entirely covered by federal depository insurance or by collateral securities held by the custodial banks in the name of the Developmentally Disabled Board.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed for the county and the Developmentally Disabled Board at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

BARRY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Direct Program:				
10.unknown	Cooperative Law/Cannabis Agreement	N/A	\$ 1,200	845
Passed through state:				
Department of Social Services -				
10.550	Food Distribution	N/A	0	63
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9104	0	88,980
		ER0045-0104	100,079	40,421
		ERS045-1104W	34,675	0
	Program Total		134,754	129,401
10.559	Summer Food Service Program for Children	ERS146-0104I	57	0
Office of Administration -				
10.665	Schools and Roads - Grants to States	N/A	77,928	85,384
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	99-PF-02	270,700	22,174
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	97-UM-WX-0639	16,622	31,726
Passed through:				
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	0	1,218
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-005(14)	736	0
20.703	SEMA - Hazardous Material Emergency Preparedness	N/A	2,672	0

Schedule

BARRY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct program -				
93.268	Immunization Grants	N/A	10,382	1,416
Passed through state:				
Department of Health -				
93.268	Immunization Grants	N/A	56,455	55,497
		PGA064-0104M	8,273	5,110
	Program Total		64,728	60,607
Department of Social Services -				
93.563	Child Support Enforcement	N/A	0	2,769
Department of Health -				
93.575	Child Care and Development Block Grant	ER0146-9104CCH	0	2,500
		PGA067-0104C	2,225	275
		PGA067-1104C	535	0
		PG0067-9104	0	2,395
		PGA067-0104S	2,745	675
		PGA067-1104S	570	0
	Program Total		6,075	5,845
Department of Social Services -				
93.667	Social Services Block Grant	ERO-172-119	0	6,845
		ERO-172-083	62,570	32,314
		ERO-172-084	47,502	55,891
	Program Total		110,072	95,050
Department of Health -				
93.940	HIV Prevention	N/A	0	6
93.991	Preventive Health and Health Services Block Grant	ERO146-0104	165	0
		N/A	672	661
	Program Total		837	661
93.994	Maternal and Child Health Services Block Grant to the States	ER0175-9104FP	0	9,453
		ERS175-0104F	5,520	2,346
		ERS175-1104FP	2,070	0
		ER0146-9104MCH	0	22,095
		ERS146-0104M	20,402	6,112
		ERS146-1104M	3,860	0
		N/A	0	237
		N/A	3,360	3,303
			35,212	43,546
Total Expenditures of Federal Awards			\$ 731,975	480,711

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

BARRY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Barry County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services.

Of the amounts for Immunization Grants (CFDA number 93.268), \$56,455 and \$55,497 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$672 and \$661 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$3,360 and \$3,303 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$270,000 and \$18,000 to a subrecipient under the Community Development Block Grants/State's Program (CFDA number 14.228) during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Barry County, Missouri

Compliance

We have audited the compliance of Barry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Barry County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

Internal Control Over Compliance

The management of Barry County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended for the information of the management of Barry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 30, 2001 (fieldwork completion date)

Schedule

BARRY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

_____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses?

_____ yes x none reported

Noncompliance material to the financial statements
noted?

_____ yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified?

_____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses?

 x yes _____ none reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133?

 x yes _____ no

Identification of major programs:

CFDA or
Other Identifying

Number

Program Title

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Schools and Roads – Grants to States
14.228	Community Development Block Grant/State's Program

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes

_____ x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1.

Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ER0045-9104, ER0045-0104, ERS045-1104W
Award Year:	2000 and 1999
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads – Grants to States
Pass-Through Entity Identifying Number:	N/A
Award Year:	2000 and 1999
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grant/State's Program
Pass-Through Entity	
Identifying Number:	97-PF-02
Award Year:	2000 and 1999
Questioned Costs:	Not applicable

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. The county prepared a SEFA for the years ended December 31, 2000 and 1999; however, some program expenditures were omitted, most notably, \$163,312 passed through the Office of Administration. In addition, expenditures reported for the Health Center Immunization Grants were understated by \$101,520 for the two-year period.

For the federal financial schedules to adequately reflect the county's federal financial assistance expenditures, it is necessary that all federal financial expenditures be properly reported. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We will attempt to ensure all programs are listed on the SEFA schedule provided with the 2002 budget.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

BARRY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Barry County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1998.

98-1 Omission of Budgetary Information

Budgets were not prepared for some county funds.

Recommendation:

The County Commission and other applicable officials ensure budgets are prepared for all county funds as required by state law.

Status:

Partially implemented. Budgets were prepared for all county funds except the Law Library Fund for the years ended December 31, 2000 and 1999, and the Community Development Block Grant Fund for the year ended December 31, 1999. While not repeated in the current finding, our recommendation remains as stated above.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

BARRY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

BARRY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Barry County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 30, 2001. We also have audited the compliance of Barry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 30, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Barry County Health Center is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and other applicable information.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Barry County but do not meet

the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.	County Expenditures
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- A. Actual expenditures exceeded budgeted amounts for the following funds:

Fund	<u>Year Ended December 31,</u>	
	<u>2000</u>	<u>1999</u>
Special Road District Fund	\$103,849	\$87,468
Law Enforcement Training Fund	1,500	N/A
Recorders Micro-Film Fund	1,843	N/A
Prosecuting Attorney Delinquent Sales Tax Fund	1,269	N/A
Circuit Clerk Interest Fund	3,506	N/A
Shelter Home Fund	31	N/A
Local Emergency Planning Commission Fund	7,587	N/A
DARE	18	N/A
Associate Circuit Interest Fund	213	N/A

It appears county officials recognized expenditures were going to exceed budgetary amounts and believed they could not amend the budget; however, county officials did not discontinue spending from these funds.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo.1122, 273 S.W.2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

A similar condition was noted in our prior report.

- B. During our review of the acquisition and use of federal surplus property from the State Agency for Surplus Property (SASP) we noted property being purchased by the county and provided to the Monett Sportsmen League for their use. Of the purchases totaling \$1,015, only \$485 was reimbursed to the county by the Monett Sportsmen League. In addition, surplus property totaling \$39 was purchased by the county in 1999 and immediately sold to County Commissioner Mackey for his personal use. Items purchased included miscellaneous tools, clothing, kitchen supplies, and chairs. According to state and federal regulations, surplus property acquired through the state

must be used by the authorized public agency making the purchase for promoting public services for the residents of the political subdivision. Property not used in compliance with state and federal regulations may be subject to recovery and the county may be required to reimburse the original cost of the items.

- C. The county contracts with several small cities within the county to provide police protection. The county pays the officer \$16 per hour, of which approximately one half is for salary and one half is for vehicle expense for the use of his personal vehicle. The county only reported the salary portion on form W-2, as payments related to vehicle expense were not reported. However, the county does not require the officer to provide documentation regarding the vehicle expense. During the years ending December 31, 2000 and 1999, the county paid the officer approximately \$11,200 and \$31,200, respectively, for both salary and mileage.

IRS Regulations 1.62-2(h) and 31.3401(a)-4(b) specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure that IRS regulations are followed. As a result, the county may be subject to penalties and/or fines for failure to report all taxable benefits.

The county should require documentation to support payments for vehicle expenses such as monthly reports of mileage indicating the number of miles traveled by date, the nature of the business, and locations traveled. Any payments to officers which are above the amount of documented expenses should be treated as compensation and should be subject to payroll withholdings and reported on W-2 forms.

WE RECOMMEND the County Commission:

- A. Ensure expenditures are kept within the amounts budgeted. If additional disbursements are necessary, the circumstances should be fully documented and the budgets properly amended.
- B. Contact the SASP to resolve this matter, and ensure that future purchases from SASP be made in compliance with state and federal regulations.
- C. Obtain documentation to support payments for vehicle expenses, and report undocumented payments on W-2 forms. Amended W-2 forms should be prepared for undocumented expense payments made in prior years.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will monitor the funds we have control over. We do not have control over the Circuit Clerk and Associate Court Funds.*

- B. *We will contact the State Agency for Surplus Property by the end of September 2001, and in the future we will attempt to be in compliance.*
- C. *We have implemented this process, and in the future we will reimburse only documented expenses and the rest will be paid as salary. We will discuss amending the prior year W-2 forms.*

Associate Commissioner Mackey provided the following response:

- B. *In the early part of 1999, I visited the Surplus Property building in Jefferson City to see what type of mess hall equipment and appliances might be available for equipping a kitchen in the building to be renovated at the location of our anticipated parks and recreation site for Barry County. As I was departing the building, a gentleman asked if I could not find anything that I might use. I told him that I could use some cold weather clothing if the next bridge dedication was as cold as the last. I told him I also had obtained 10 ml rifles for Post 91 of the American Legion. We use these rifles for the honor detail at the cemetery when burying veterans. I, with others, attempt to maintain these weapons and keep them in a status that they will fire when used. I also told him that I helped others in cleaning and some maintenance of the shot guns used in the high school lifetime sports class. Last year we instructed approximately 70 boys and girls in gun safety on how to shoot trap. I told him some small tools could be useful in maintenance. He replied, "Sounds reasonable to me". I picked up the various items, signed the paper and departed Jefferson City. I used poor judgment, and am very sorry and embarrassed by this situation. I would like to do whatever is necessary to take care of this situation, hopefully today.*

2. County Deposits and Controls
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- A. The amount of collateral securities pledged by the county's depository bank at January 20, 2000, was insufficient by approximately \$2,400,000 to cover monies in the custody of the County Treasurer. While the County Treasurer indicated she routinely monitors the security of county funds and contacted the bank to request additional security during this time period, adequate collateral was not pledged by the county's depository bank during January 2000.

Section 110.020, RSMo 2000, provides that the value of the securities pledged should at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation (FDIC). Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

- B. The county's assessment lists and tax books are maintained on a computerized property tax system. The county does not have an adequate password system. Currently the Assessor's office has one assigned password that is used by all employees of the office and is not changed on a routine basis. Employees of the County Collector's office have their own passwords, but these passwords are only changed when an employee terminates employment rather than on a regular basis.

A unique password should be assigned to each user, and these passwords should be kept confidential and be changed periodically to prevent unauthorized access to computer files. In addition, passwords should adequately restrict the capabilities of the respective user to only those duties the user has been authorized to perform.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission:

- A. Implement procedures to ensure collateral securities pledged by the depository banks are sufficient to protect monies at all times.
- B. Implement a password system which requires each user be assigned a unique password, and require passwords to be changed periodically

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *In 2001 we implemented a procedure to obtain documentation of the pledged securities from the bank prior to depositing any large sums of money.*
- B. *We will issue a written request by the end of September 2001 to the County Assessor and the County Collector to implement this recommendation.*

3. General Fixed Assets

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. Currently, the County Clerk maintains a computerized inventory listing of fixed assets held by county officials. However, during our review of equipment purchases, we noted four of nine items were not recorded on the county's general fixed asset listing. These items were purchased for approximately \$38,000. Additions to the inventory listing are not reconciled to equipment expenditures to ensure all fixed assets are properly recorded. Also quarterly inspections of county owned land and buildings are not performed.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. Section 49.093, RSMo 2000, also provides for quarterly inspections by the County Commission of all county land and buildings.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, quarterly inspections of all county land and buildings should be performed.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will develop a written policy by January 2002, and beginning in September 2001 we will perform quarterly inspections.

4. County Collector

- A. The county has written contracts which provide for the county to collect property taxes for the cities in the county. The County Collector and county receive a fee of five percent and two percent, respectively, withheld from all taxes collected. In addition, the County Collector receives a penalty charge of five percent on delinquent taxes collected from the taxpayers

There is no city ordinance authorizing the five percent penalty collected on delinquent taxes. Section 52.290.1, RSMo 2000, provides for a five percent penalty to be collected from the taxpayer, and the proceeds are to be distributed two-fifths to the county general fund and three-fifths to the county employees' retirement fund. However, the County Collector personally retains these penalties. During the two years ended February 28, 2001, the County Collector collected and retained \$3,027 in 5 percent penalties collected for city taxes. Any add on fee or penalty charged to taxpayers must be based on state law or city ordinance.

A similar condition was noted in our prior report.

- B. The method of payment received (cash, check, and money order) is not consistently indicated on the paid tax receipts. As a result, the composition of monies received

cannot be reconciled to the compositions of monies deposited. To ensure receipts are deposited intact, the method of payments received should be indicated and reconciled to the composition of bank deposits.

WE RECOMMEND the County Collector:

- A. And the County Commission ensure penalty amounts prescribed in contracts are based upon applicable state laws or city ordinances.
- B. Indicate the method of payment on paid tax receipts, and reconcile the composition of receipts to the composition of monies deposited.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

- A. *I have already contacted all the cities, and ordinances will be in place by September 11, 2001.*
- B. *We are now trying diligently to indicate the method of payment on all tax statements and we are reconciling receipts to deposits.*

The County Commission provided the following response:

- A. *We will discuss this recommendation with the County Collector.*

5. Circuit Clerk's Accounting Controls and Procedures
--

Prior audit reports have addressed the inadequacy of the Circuit Clerk's accounting records. While the Circuit Clerk responded in previous audits that recommendations would be implemented, conditions have not improved. The Circuit Clerk's office handles receipts in the form of cash and checks for court costs, bonds, and child support which are deposited into the Circuit Clerk's Fee Account or Child Support Account. Records maintained by the Circuit Clerk indicate receipts were approximately \$884,000 and \$2,558,000 during the years ended December 31, 2000 and 1999, respectively. Beginning in December 1999 the State of Missouri began collecting some child support payments.

- A. Fee account receipts are not deposited on a timely basis. While they usually deposit once a week, we noted receipts received January 3 thru January 19, 2001 totaling \$4,246 were not deposited until January 19, 2001. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
- B. At December 31, 2000, 75 checks from the fee account totaling \$2,291 and 40 checks from the child support account totaling \$1,634 have been outstanding for over one

year. Several of these outstanding checks date back to 1997 and 1998. An attempt should be made to locate the payees of these old outstanding checks and checks should be reissued, if possible. If the payee cannot be located or identified, Chapter 447, RSMo 2000 provides for these monies to be paid to the State's Unclaimed Property.

- C. Accurate bank reconciliations are not prepared for the fee account. The Circuit Clerk included a \$26,000 bank account that had been closed since April, 2000 in both the book and bank balances on the December 31, 2000 reconciliation. Without maintaining accurate records of cash balances and preparing accurate monthly bank reconciliations, there is little assurance cash receipts and disbursements are properly handled and recorded, or that bank or book errors will be detected and corrected in a timely manner.
- D. The Circuit Clerk maintains a computerized spreadsheet of liabilities for the fee account. At December 31, 2000, the spreadsheet included approximately 2,700 items totaling \$240,356. While the total of the spreadsheet appeared to agree to the Circuit Clerk's reconciled bank balance, we found numerous errors on the spreadsheet as well as errors on the Circuit Clerk's bank reconciliation as noted in part C above. Considering the numerous errors noted, it appears the spreadsheet is inadequate. Our review of the open items spreadsheet revealed the following concerns:
 - 1. We reviewed 23 items on the spreadsheet and attempted to agree the amounts to a related case file or other record. Of the 23 items we reviewed, 16 were incorrect according to documentation reviewed. One case was listed as having a \$2,500 liability at December 31, 2000; however, the case file indicated that the liability had been paid out in 1997.
 - 2. The spreadsheet included \$52,175 labeled as "unidentified" as well as \$4,648 labeled as "holdover" that court personnel could not identify to a related case file. In addition, we noted that the amount labeled as "unidentified" varied from month to month.
 - 3. The spreadsheet included an entry for \$50,000 for a certificate of deposit; however, since this certificate of deposit did not represent any particular case or liability, it should not have been included on the spreadsheet. This correction alone would result in a \$50,000 increase in the amount of unidentified liabilities.

An accurate listing of open items should be maintained and reconciled to the related cash balance monthly to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Considering the numerous inaccuracies identified on the spreadsheet prepared by the Circuit Clerk, it appears this reconciliation has not been properly performed. Further, the Circuit Clerk should attempt to determine the reason for any unidentified liabilities that are determined to exist, and if proper disposition cannot be determined, dispose of them in accordance with state law.

- E. The Circuit Clerk maintains a petty cash fund used for small expenditures such as office supplies. This fund is made up of monies received for providing copies and performing criminal searches for investigators. No record is maintained of receipts, disbursements or cash balance for this fund. Invoices or other documentation of disbursements are not retained to support expenditures from the fund. A cash count on January 24, 2001 identified \$127 of petty cash on hand and the Circuit Clerk estimated he spends approximately \$75 annually from this fund.

These fees represent accountable fees and should be remitted to the county treasury. Section 50.370, RSMo 2000, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.

WE RECOMMEND the Circuit Clerk:

- A. Deposit fee account receipts daily or when accumulated receipts exceed \$100.
- B. Adopt procedures to routinely follow-up on old outstanding checks and reissue them if the payee can be located. If the payee cannot be located or identified, these monies should be disposed of in accordance with state law.
- C. Prepare complete and accurate monthly bank reconciliations, and ensure the book balance is accurate and reconciles to the bank balance.
- D. Conduct a case by case review to determine the accuracy of each entry on the open items listing. Once an accurate open items listing is established, reconcile it to the cash balance to ensure records are in balance, and sufficient funds are available for the payment of all liabilities. Any monies remaining unidentified should be disposed of in accordance with unclaimed property statutes.
- E. Deposit all monies intact into the Circuit Clerk's official bank account and disburse all fees to the county treasury monthly. If a petty cash fund is determined to be necessary, it should be funded by the county and a log of petty cash fund transactions, including invoices for expenditures, should be maintained to properly document the financial activity of the fund.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *I will try to deposit weekly.*
- B. *Over \$750 of these old outstanding checks have been reissued, and additional funds have been sent to the family support center. I will try to get the remaining outstanding checks taken care of by January 2002.*

- C. *This account had been removed from all accounting records, but had not been removed from the reconciliation. It is now off the monthly reconciliation.*
- D. *As time permits, we are currently working on correcting the open items list. With our current shortage of staff, a completion date cannot be estimated.*
- E. *These are minimal monies. I believe it is a waste of time for us, and the County Commission to issue checks for these small expenditures.*

6. Prosecuting Attorney's Controls and Procedures
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The Prosecuting Attorney collects fees and restitution on bad checks and delinquent sales tax payments. The Prosecuting Attorney's office requests bad check offenders remit two money orders, one payable to the merchant for restitution and one payable to Barry County for the administrative fee. The Prosecuting Attorney does not maintain a bank account and transmits the administrative fee directly to the County Treasurer.

- A. Accounting and bookkeeping duties are not adequately segregated. One individual is responsible for receiving, recording, and transmitting monies. There is no documented review of accounting records performed by the Prosecuting Attorney or another supervisor. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed and documented.
- B. Our review of receipts noted the following concerns:
 - 1. Receipts slips are not issued for monies received. To adequately account for all receipts, pre-numbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly.
 - 2. Administrative Fees are not always transmitted to the County Treasurer timely. For example, administrative fees totaling \$140 received on April 12, 13, and 18, 2000 were not transmitted to the County Treasurer until May 22, 2000. While fees were transmitted to the County Treasurer numerous times between April 12 and May 22, there appears to be no reason why some monies were held for several weeks while other monies were transmitted. To adequately safeguard receipts and reduce the risk of loss, theft or misuse of funds, receipts should be transmitted to the County Treasurer or when accumulated receipts exceed \$100.
 - 3. Daily collection reports generated from the bad check computer system are not reconciled to fees transmitted to the County Treasurer. As a result, monies transmitted to the County Treasurer often did not agree to the

collection reports. We noted numerous instances where money orders for fees recorded on the daily collection report were either transmitted several days earlier or several days later than the date of the collection report.

To ensure all receipts are properly accounted for, the money orders transmitted to the County Treasurer should be reconciled to the daily collection reports.

4. Money orders and cashier's checks for administrative fees are not always restrictively endorsed immediately upon receipt. Instead, they are endorsed by the bad check clerk at the time of transmittal to the County Treasurer. Considering money orders without the payee indicated are routinely received by the Prosecuting Attorney, it is even more important for immediate restrictive endorsements. Also, money orders are often kept in an unsecured location on top of the clerk's desk until transmittal is made. Prompt restrictive endorsement of money orders decreases the possibility of theft or misuse of funds. In addition, money orders should be kept in a secured location until transmitted to the County Treasurer.

- B. A log or other record is not maintained to account for all bad check complaints filed with the Prosecuting Attorney and their ultimate disposition. A bad check complaint log would provide a record of all such complaints filed with the Prosecuting Attorney and provide more assurance that all receipts and disbursements related to these cases are properly handled.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned complaint number, the date the check was received by the prosecutors office, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including the date payment was received and transmitted to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.

- D. Our review of the Prosecuting Attorney's computer system indicated the following areas where improvements are needed:

1. Backup disks of computerized bad check information are not stored in an off-site location. As a result, they are susceptible to the same damage as the master files. Backup disks should be stored off-site to provide increased assurance that any lost data can be recreated.
2. The Bad Check accounting software does not have a password system or procedures to restrict access to the computer systems. Access to the system is not limited through the use of passwords.

To establish individual responsibility as well as help preserve the integrity of computer programs and data files, access to computerized records should be limited to those persons who need to use the information. A system of unique IDs and passwords should be used to properly restrict access. These IDs and passwords should be known only to the employee to which it is assigned and should be changed periodically.

- E. A monthly report of bad check fees turned over to the County Treasurer is not filed with the County Commission. Section 50.370, RSMo 2000, requires that an itemized list of fees collected be filed by county officials with the County Commission monthly.
- F. Section 136.150 RSMo, allows the Prosecuting Attorney to collect delinquent state taxes referred from the Missouri Department of Revenue (DOR). Delinquent sales tax payments are transmitted directly to DOR, and the Prosecuting Attorney receives a collection fee of 20 percent of the amount collected. The Prosecuting Attorney does not compare taxes collected to collection fees received from DOR to ensure all collection fees are received. During our review, we noted one instance where collection fees had not been received by DOR for tax payments transmitted to the state. These collection fees totaled \$382 and dated back to 1999.

To ensure all delinquent tax fees are received from DOR, the Prosecuting Attorney should compare taxes transmitted to the state to collection fees received.

- G. The Prosecuting Attorney's employees responsible for collecting monies are not bonded. The Prosecuting Attorney should consider obtaining bond coverage for all employees with access to monies to better protect the county from risk of loss.

WE RECOMMEND the Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible, or ensure periodic supervisory reviews are performed and documented.
- B.1. Issue pre-numbered receipt slips for all monies received and account for the numerical sequence of receipt slips.
 - 2. Transmit administrative fees to the County Treasurer daily or when accumulated receipts exceed \$100.
 - 3. Reconcile money orders transmitted to the County Treasurer to daily collection reports.
 - 4. Ensure money orders are restrictively endorsed immediately upon receipt and kept in a secure location until transmitted to the County Treasurer.
- C. Maintain a log to account for all bad check complaints filed with the Prosecuting Attorney's office and their ultimate disposition.

- D.1. Ensure computerized bad check records are stored in a secure, off-site location.
- 2. Establish improved procedures to restrict access to computer files, through the use of unique IDs and passwords, to only those individuals who need to use the information.
- E. File a monthly report of bad check fees in accordance with state law.
- F. Compare taxes transmitted to DOR to collection fees received.
- G. Obtain bond coverage for all employees responsible for handling monies.

AUDITEE'S RESPONSE

The Assistant Prosecuting Attorney provided the following response:

- A. *This recommendation will be followed to the extent possible.*
- B.1. *Our programmer for the bad check program has been contacted and the program will be updated within 60 days.*
- B.2-C. *These procedures are currently in place.*
- D. *A back up tape is now stored off-site.*
- E & F. *These recommendations will now be followed.*
- G. *This recommendation will be taken under consideration with a decision to be made at a later date.*

7.	Associate Circuit Court's Controls and Procedures
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The Associate Circuit Court is comprised of four separate areas, criminal, civil, criminal/traffic, and probate. Our review of these areas identified the following concerns:

- A. Accounting and bookkeeping duties are not adequately segregated. Each area has one clerk responsible for receiving, recording, depositing, disbursing, as well as performing monthly bank reconciliations. There is no documented independent review of the accounting records and reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved, at a minimum, an independent person, such as the Associate Circuit Judge should review and initial bank reconciliations and agree recorded receipts to deposits. Proper supervision and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

- B. At December 31, 2000, six checks written from the criminal/traffic account, totaling \$483, twenty-one checks written from the criminal account, totaling \$741, and three checks written from the civil account, totaling \$90 have been outstanding for over one year.

An attempt should be made to locate the payees of these old outstanding checks and the checks should be reissued, if possible. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

- C. Monthly listings of liabilities (open items) are prepared, but are not agreed to the reconciled bank and book balances for the criminal and criminal/traffic divisions. When we attempted to agree the December 31, 2000 open items listings to the related cash balances we noted the following:

- The criminal division's open items listing at December 31, 2000 exceeded their cash balance by \$6,540; however, the listing was not accurate. Of the ten items we reviewed, we identified three items totaling \$4,500 included on the listing that had previously been disbursed and should not have been included.
- The criminal/traffic division's open items listing at December 31, 2000 exceeded their cash balance by \$715.

Because the criminal division and the criminal/traffic division do not reconcile their cash balances to their open items listing monthly, they were not aware differences existed and had not taken steps to correct the listings or investigate the differences.

Only by comparing open items listings to the reconciled cash balance on a monthly basis can the Associate Division be assured that records are in balance and that sufficient cash is available to cover liabilities.

WE RECOMMEND the Associate Division:

- A. Segregate accounting duties to the extent possible or ensure periodic independent reviews are performed and documented.
- B. Adopt procedures to routinely follow up on old outstanding checks, and disburse the unidentified funds as required by state law.

- C. Reconcile the open items listing to the cash balance monthly. The Division should determine reasons for the differences that exist between the open items listing and the cash balance, and make adjustments to the accounting records for identified differences.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following responses:

- A. *The Associate Circuit Court does not have an adequate number of personnel to permit the segregation of duties you recommend. According to caseload statistics for the period covered by your audit, the Barry County court system should have 14.75 FTE under state court guidelines. We have only 9.5 FTE, 5 of whom are assigned to the Associate Circuit Court. If adequate staffing were provided by the State of Missouri, I would be happy to segregate duties as you recommend.*

Because we cannot segregate duties as you recommend, we have instituted procedures to safeguard against possible loss or misuse of funds. These procedures include the separation of accounting functions between each of our division clerks. This means that each clerk who handles criminal, traffic, civil or probate areas maintains a separate bank account and accounting records for which she is responsible. Each clerk reports directly to me and is responsible for all monthly accounting functions in her particular area. While I do not have time to review all of these functions on a monthly basis, I do review the work of each clerk as time permits. Based upon these reviews, it is my belief that monthly bank reconciliations are regularly and accurately performed, and that monthly disbursement records agree with both bank and computer records.

- B. *As time permits, efforts are made to locate the payees of outstanding checks. The three checks written from the civil account in the total amount of \$90 are all written to area law firms. Each of these firms has been contacted and requested to negotiate the checks in question. Of the six checks written from the criminal/traffic account in 1999, three of these checks, totaling \$452 were written to the Treasurer of the State of Missouri. We have also called that office on several occasions to request that these checks be cashed. The twenty-one checks written from the criminal account totaling \$741, have an average value of \$35.29. While we have attempted to contact the payees of these checks, we do not pursue this effort on a vigorous basis due to the employee shortages in the Associate Circuit Court. Because we have only limited resources to allocate to a wide range of responsibilities in the criminal division, I have determined that the processing of active criminal cases should be the top priority in that division and clerical tasks are assigned accordingly. If additional staffing were provided by the State of Missouri, we could give greater attention to outstanding checks.*
- C. *The differences that exist between the open items listing and the cash balance result from data processing or computer problems that court personnel identified prior to the audit of the year ending December 31, 1998. Because the necessary accounting adjustments require individuals skilled in computer programming, we contracted the Office of State Courts Administrator (OSCA) in 1998 and two individuals began making the adjustments to*

reconcile these differences. Unfortunately, as explained to your staff, these individuals were assigned to other projects before all adjustments were made, and because OSCA is now implementing the statewide Banner program, no OSCA personnel have been available to complete the necessary adjustments. It is my hope that when the Banner program is installed in Barry County, OSCA staff will be able to complete the work begun several years ago. Meanwhile, we utilize the computer information we know to be reliable together with a listing of open items and bank balances to make the monthly comparison and reconciliation you recommend.

8. Juvenile Division's Controls and Procedures

The home base of the Juvenile Division of the Thirty-Ninth Judicial Circuit is located in Barry County. The division maintains two bank accounts. One account is used for office expenses, while the other is used to collect and disburse restitutions in juvenile cases. A review of the records and procedures of the Juvenile Division disclosed the following concerns:

- A. A listing is maintained of open restitution cases for which amounts have been received but not yet paid out to the victims. However, this listing did not include some 1995 and older cases, and is not reconciled to the cash balance monthly. At our request, the Chief Juvenile Officer attempted to prepare a complete open items listing and reconcile it to the cash balance at December 31, 2000. The reconciled balance of the restitution account at December 31, 2000 was \$6,316, which exceeded identified open items by \$2,157.

Complete and accurate monthly listings of open items should be prepared and reconciled to the cash balance to ensure the accounting records are in balance and sufficient cash is available for the payment of all liabilities. Differences between open items and the cash balance should be investigated and resolved. Any monies remaining unidentified should be disposed of in accordance with state law.

- B. The Juvenile Division does not routinely follow up on old outstanding checks. At December 31, 2000, checks totaling \$778 from the restitution account had been outstanding for more than one year. Some of these checks date back to 1991 and 1992.

The Juvenile Division should adopt procedures to routinely follow up on old outstanding checks and reissue the check if the payee can be located. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

- C. The Chief Juvenile Officer indicated he had deposited personal funds of \$500 into the office account to provide an operating balance when he began his appointment. In addition, his records indicated he had \$1,520 in personal and mileage expense reimbursement monies in the account from 1989, which he had never disbursed to

himself. He further indicated that personal funds were left in the office account to provide an operating balance; however, the account has consistently maintained a balance of approximately \$13,000 during 1999 and 2000. The Chief Juvenile Officer should immediately, upon the approval of the Circuit Judge, withdraw any monies that can be adequately documented as personal funds and establish a balance of operating funds that has been provided by the counties in the Circuit. In addition, a reconciliation between amounts billed to counties and amounts disbursed from the account should be performed so that changes in the account balance can be adequately monitored.

Conditions similar to Parts A, and C. were noted in prior reports.

WE RECOMMEND the Juvenile Division:

- A. Prepare complete and accurate listing of open items and compare the listing to the cash balance monthly. Investigate any differences, and any monies remaining unidentified should be disbursed in accordance with state law.
- B. Adopt procedures to routinely follow up on old outstanding checks. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- C. Withdraw any personal funds that can be adequately documented from the office account upon the approval of the Circuit Judge. Establish a balance of operating funds that has been provided by the counties in the Circuit, and monitor the changes in the account balance monthly.

AUDITEE'S RESPONSE

The Circuit Judge and the Juvenile Officer provided the following responses:

- A. *We will account for and disburse all restitution in our possession by October 1, 2001. Thereafter all restitution will be held for no more than 60 days and any unidentified monies will be sent to the State Treasury as unclaimed property.*
- B. *By October 1, 2001 we will have disbursed and reissued all checks with known addresses. Any amounts unclaimed will be sent to the State Treasury.*
- C. *The Chief Juvenile Officer will withdraw any personal monies that are adequately documented. We will establish a one-month balance of operational funds. The balance of the monies will be distributed to the counties in their proportionate share by October 1, 2001.*

- A. The Developmentally Disabled Board has accumulated a significant cash reserve without any specific plans for its use. During the two years ended December 31, 2000 receipts exceeded disbursements by \$148,076, resulting in the cash balance of the Developmentally Disabled Board Fund increasing from \$258,310 at December 31, 1998 to \$406,386 at December 31, 2000. The Developmentally Disabled Board should determine its future needs, and consider such information when setting future property tax levies.
- B. Collateral securities were not pledged by the Developmentally Disabled Board's depository bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. During January 2001, the Developmentally Disabled Board's bank balance exceeded FDIC coverage by approximately \$56,000.

Section 110.020, RSMo 2000, requires the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of bank failure.

WE RECOMMEND the Developmentally Disabled Board:

- A. Review the cash balance and consider reducing the property tax levy. If plans have been made for expending the accumulated fund balance, such plans should be set forth publicly in the budget document.
- B. Ensure collateral securities are pledged for all deposits in excess of FDIC coverage.

AUDITEE'S RESPONSE

The Developmentally Disabled Board provided the following responses:

- A. *We acknowledge that at this time we have a cash reserve, but anticipate requests from NFP service providers for capital improvements. With our 2002 budget we will designate a reserve for the expansion of these services by the providers.*
- B. *The board intends on maintaining adequate collateral securities pledged to cover funds in excess of FDIC coverage. Currently there are sufficient pledged collateral securities.*

This report is intended for the information of the management of Barry County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

BARRY COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Barry County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996, and our Special Review of the Barry County Sheriff's Office for the three years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Distributions to Special Road Districts

The County Commission did not obtain written agreements with the special road districts documenting the use of county aid road trust (CART) monies and capital improvement sales tax (CIST) monies. In addition, the County Commission did not require the special road districts to submit sufficiently detailed financial information regarding the actual uses of the funds provided.

Recommendation:

The County Commission obtain written agreements with the special road districts documenting the use of county CART and CIST monies. Further, the County Commission should require the special road districts to submit sufficiently detailed financial information regarding the actual uses of funds provided.

Status:

Implemented.

2. Budgets and Published Financial Statements

- A. Warrants were issued in excess of approved budgeted expenditures.
- B. Formal budgets were not prepared for various county funds.
- C. The annual published financial statements of the county did not include the financial activity of some county funds as required.

Recommendation:

The County Commission:

- A. And the Health Center Board of Trustees, and the Developmentally Disabled Board not authorize warrants in excess of budgeted expenditures.

- B. Ensure budgets are prepared or obtained for all county funds.
- C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

- A. Not implemented. See MAR No. 1.
- B. Partially implemented. Budgets were prepared for all funds except for the Law Library Fund for the years ending December 31, 2000 and 1999, and the Community Development Block Grant Fund for the year ending December 31, 1999. Although not repeated in our current MAR, our recommendation remains as stated above.
- C. Partially implemented. Most of the funds noted in the prior report were published in the county's financial statements; however, the Community Development Block Grant Fund was not included in the county's financial statements. Although not repeated in our current MAR, our recommendation remains as stated above.

3. Elected Official's Salary

The former Prosecuting Attorney did not provide certification for attending training for the three years ended December 31, 1994 as required and therefore, was not allowed the \$2,000 annual compensation for each of the three years.

Recommendation:

The County Commission review this situation and seek reimbursement of \$6,000 from the former Prosecuting Attorney if training was not attended.

Status:

Not implemented. The County Commission took no action to validate training was attended or to seek reimbursement of \$6,000. Although not repeated in our current MAR, our recommendation remains as stated above.

4. Computer Controls and Property Tax System

- A. The county did not have an adequate password system.
- B. The property tax computer system did not have the capability of producing usage logs.
- C. There was no documented review or verification, by the County Clerk, of the county's tax books after they had been prepared by the county's independent programmer.

- D. The County Clerk did not maintain an account book with the County Collector in accordance with state law.

Recommendation:

The County Commission:

- A. The County Commission implement a password system which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.
- B. The County Commission consider adopting changes to the property tax computer system to allow computer usage logs to be prepared and reviewed to ensure access has been restricted to appropriate job assignments.
- C. The County Clerk perform and document reviews of the tax books.
- D. The County Clerk establish and maintain an account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.

Status:

- A. Not implemented. See MAR No. 2.
- B. Partially implemented. The computer system now allows computer usage logs to be prepared by the programmer; however, usage logs are not being prepared and reviewed by appropriate county officials. Although not repeated in our current MAR, our recommendation remains as stated above.

C&D. Implemented.

5. City Tax Collection Agreements

The county's written agreements with eight cities, which provide for the county to collect property taxes, may have included provisions contrary with state law.

Recommendation:

The County Commission review the contracts and ensure all provisions are in accordance with state law.

Status:

Not implemented. See MAR No. 4.

6. General Fixed Asset Records and Procedures

- A. The County Clerk did not record additions and deletions in the general fixed asset records during the three years ended December 31, 1996. In addition, the County Clerk did not reconcile general fixed asset purchases to additions to the general fixed asset inventory.
- B. Property records were not maintained in a manner that allowed beginning balances, additions, and deletions for each year to be reconciled to balances at the end of each year.
- C. Property records did not indicate the purchase price, acquisition date, and date and method of disposition for some assets.
- D. The county did not have formal procedures for disposing of county owned property. The County Commission did not authorize the storage of obsolete items, nor did the County Clerk maintain a listing of the items in storage.
- E. An annual inventory of all general fixed assets and quarterly inspections of all lands and buildings, as required by Section 51.155, RSMo 1994, was not being conducted.

Recommendation:

The County Clerk:

- A. Record all property additions and deletions in the general fixed asset records as they occur and periodically reconcile general fixed asset purchases to the general fixed asset additions.
- B. Maintain general fixed asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.
- C. Ensure the general fixed asset records include the purchase price, acquisition date, and date and method of disposition for all assets.
- D. Obtain County Commission approval or other documentation to support the storage of obsolete items and maintain a listing of all items in storage.
- E. Perform an annual inventory of the county's personal property items and quarterly inspections of all county-owned land and buildings, and file a written report of the inspections made in accordance with Section 51.155, RSMo 1994.

Status:

- A, B,
& E. Not implemented. However, legislation passed in 1999 changed responsibilities for county officials concerning fixed assets records. See MAR No. 3.
- C. Implemented.
- D. Partially implemented. A listing of items in storage is now maintained, but County Commission approval or other documentation is not obtained. Although not repeated in our current MAR, our recommendation remains as stated above.

7. Circuit Clerk's Procedures

- A. Fee account receipts were not deposited on a timely basis.
- B. Bank reconciliations were not prepared for the fee account. In addition, the cash control ledger did not always include monthly totals of receipts, disbursements, or ending cash balances.
- C. Monthly listings of liabilities were not prepared for the fee account. At our request a listing was prepared for December 31, 1996, but \$130,825 of the reconciled cash balance was unidentified.
- D. Outstanding fee account checks totaling \$3,111, noted in our two prior audit reports, still remained outstanding at December 31, 1996. The oldest outstanding check was written in December 1987.
- E. Monitoring procedures over unpaid court costs due to the Circuit Court were not adequate.
- F. Accounting duties over child support activities were not adequately segregated.
- G. The Circuit Clerk had not submitted criminal cost billings for the boarding of prisoners and associated court costs to the state on a timely basis.
- H. The Circuit Clerk Interest Fund ledger contained numerous mathematical and posting errors.

Recommendation:

The Circuit Clerk:

- A. Deposit receipts daily or when accumulated receipts exceed \$100.

- B. Perform bank reconciliations monthly for the fee account and provide monthly totals of receipts and disbursements and ending cash balances in the cash control.
- C. Prepare monthly listings of open items and reconcile the listings to the cash balance. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- D. Cancel old outstanding checks and reissue them if the payees can be located. Any remaining unclaimed amounts should be disposed of in accordance with state law. Procedures should be established to routinely follow up on checks outstanding for more than a specified period of time.
- E. Adopt procedures to routinely follow up and pursue collection of unpaid court costs.
- F. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Circuit Clerk should perform documented reviews of the work performed.
- G. Submit criminal cost billings to the state on a timely basis.
- H. Ensure an accurate Interest Fund ledger is maintained.

Status:

A&D. Not implemented. See MAR No. 5.

- B. Partially implemented. Bank reconciliations are performed; however, errors were noted in the December 31, 2000 reconciliation. See MAR No. 5
- C. Partially implemented. A monthly listing of open items is now prepared, but the list contained numerous errors and was unreliable. See MAR No. 5.
- E. Partially implemented. The Circuit Clerk now maintains a listing of unpaid court costs but amounts owed are still not followed up on in a timely manner. Although not repeated in our current MAR, our recommendation remains as stated above.
- F. As of July 1, 2001 the Circuit Clerk no longer collects child support payment.

G&H. Implemented.

8. Juvenile Officer's Procedures

- A. Receipt slips were not issued for monies received into the office account. In addition, although receipt slips were used for the restitution account, we noted some monies received for which no receipt slips were written.

- B. The reconciled cash balance for the restitution account at December 31, 1996 exceeded the total identified open items by \$3,187. Additionally, unidentified balances fluctuated during various months of the audit period.
- C. Receipts were not deposited on a timely basis.
- D. The Juvenile Officer indicated he had deposited personal funds into the office account; however, because reconciliations were not performed, the amount of personal funds deposited could not be determined.

Recommendation:

The Juvenile Officer:

- A. Issue prenumbered receipt slips for all monies received.
- B. Investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- C. Deposit receipts daily or when accumulated receipts exceed \$100.
- D. Withdraw any personal money from the office account that can be documented as belonging to him, establish an operating fund balance for all counties in the circuit, and perform monthly reconciliations of the amounts in the account to the operating fund balance.

Status:

A&C. Implemented.

B. Not implemented. See MAR No. 8.

D. Partially implemented. The Chief Juvenile Officer prepares monthly bank reconciliations; however, the personal money has not been withdrawn. See MAR No. 8.

9. Barry County Board for the Developmentally Disabled Procedures

The Barry County Board for the Developmentally Disabled (BCBDD) loaned \$50,000 to a not-for-profit (NFP) entity and failed to take any action against the NFP when the NFP failed to make the repayments as specified in the loan agreements.

Recommendation:

The BCBDD:

Cease loaning monies in the future and take appropriate action to recover the unpaid loan amounts due from the NFP.

Status:

Partially implemented. The BCBDD no longer loans money to NFPs; however, the BCBDD forgave the loan mentioned above and did not receive any of the unpaid loan balance.

**SPECIAL REVIEW OF
BARRY COUNTY SHERIFF'S OFFICE
FOR THE THREE YEARS ENDED DECEMBER 31, 1996**

1. Prisoner Transportation Reimbursements

Reimbursements for costs associated with transporting prisoners to state correctional facilities totaling approximately \$24,800 had not been billed to the state during the three years ended December 31, 1996.

Recommendation:

The new Sheriff file reimbursement claims for those cases on which the two-year limit has not expired. All future billings should be prepared and submitted to the state on a timely basis.

Status:

Implemented.

2. Civil and Criminal Process Fees Not Deposited

At least \$1,731 in checks for civil and criminal process fees were received by the Sheriff's department during the period October 1995 through December 1996, but never deposited or negotiated.

Recommendation:

The new Sheriff contact the payees of the checks that were shredded and other checks identified that remain outstanding and request new checks be issued.

Status:

Implemented.

3. Sheriff's Accounting Controls and Procedures

- A.1. Receipts were not deposited intact on a timely basis.
- 2. Receipt slips were not issued for some gun permit fees.
- 3. The numerical sequence of receipt slips was not properly accounted for.
- B. Monthly bank reconciliations were not performed, resulting in old outstanding checks and unidentified balances in the fee account and the bond account.
- C. The monthly cash control ledger was incomplete and could not be used to provide a reasonably accurate summary of transactions. Gun permit fees, disbursements and periodic cash balances were not always recorded on the cash control ledger.
- D. Fees were not turned over to the Treasurer on a monthly basis.
- E. The Sheriff did not consistently bill other counties and municipalities for boarding prisoners. The Sheriff did not attempt to follow up on amounts for which reimbursement was not received from other counties for the cost of serving criminal and civil process papers.
- F. During the three years ended December 31, 1996, bond receipts totaling more than \$34,500 were turned directly over to the court in cash rather than being processed through the bank account. Receipt slips were not retained to support the turnover of these cash bonds.
- G. Some records were not properly retained.
- H. In July 1994, the Sheriff administered an execution sale, but we were unable locate any evidence that the \$3,015 fee was received by the Sheriff and subsequently disbursed to the County Treasurer.
- I.1. Access to seized property was not limited to only a few employees.
- 2. Procedures had not been implemented to periodically review the cases related to seized property items to determine if those items could be disposed of. As a result, numerous items for which the related cases had been disposed in court were being stored unnecessarily.

Recommendation:

- A.1. Deposit all monies intact, daily or when accumulated receipts exceed \$100. The composition of receipt slips should be reconciled to the composition of deposits.
- 2. Issue receipt slips immediately upon receipt for all monies.
- 3. Retain copies of all receipt slips and retain the original copy of voided receipt slips.
- B. Ensure complete and accurate bank reconciliations are prepared monthly and reconciled to accounting records. An attempt to locate the payees of the old outstanding checks should be made and the checks reissued if possible. Any remaining unclaimed amounts as well as unidentified balances in the fee account and bond account of the former Sheriff should be disbursed in accordance with state law.
- C. Ensure a complete cash control ledger, including all receipts, disbursements, and periodic cash balances is maintained and reconciled to bank records on a monthly basis.
- D. Turn over fees to the county monthly as required by state law.
- E. Ensure all costs incurred are billed to the appropriate parties and that copies of all billings are filed with the Treasurer. Procedures should be implemented to ensure any unpaid amounts are followed up. In addition, reimbursement of any unpaid amounts should be requested.
- F. Deposit all bond monies into the bond account, or, if bond monies must be transmitted directly to the courts, ensure that receipt slips are obtained and attached to the receipt book.
- G. Retain the original copy of applicable records.
- H. Ensure fees for administering execution sales are collected and remitted to the county treasury as required by state law.
- I.1. Limit access to seized property to only a few employees.
- 2. Adopt procedures to periodically follow up on seized property items and obtain written authorization to dispose of the items upon final disposition of the cases.

Status:

- A.1. Partially implemented. Deposits are being made intact and the composition of receipt slips is being reconciled to the composition of deposits; however, deposits are still not being made daily or when accumulated receipts exceed \$100. Although not repeated in our current MAR, our recommendation remains as stated above.
- A2-I. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

BARRY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1835, the county of Barry was named after William T. Barry, a U.S. postmaster general. Barry County is a county-organized, third-class county and is part of the Thiry-ninth Judicial Circuit. The county seat is Cassville.

Barry County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Barry County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 110,423	4	105,256	4
Sales taxes	1,491,230	51	1,355,642	50
Federal and state aid	538,273	18	514,657	19
Fees, interest, and other	778,132	27	747,141	27
Total	\$ 2,918,058	100	2,722,696	100

The following chart shows how Barry County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 984,341	40	1,156,639	45
Public safety	1,148,036	47	1,047,120	41
Highways and roads	317,273	13	343,261	14
Total	\$ 2,449,650	100	2,547,020	100

In addition, during 2000 and 1999 the Special Road Districts Fund and the Liberty Common Road District Fund received revenues of \$3,120,968 and \$2,955,505 and expended \$3,117,854 and \$2,962,439, respectively for road and bridge maintenance and improvements.

The county and special road districts maintain approximately 88 county bridges and 984 miles of county roads.

The county's population was 19,597 in 1970 and 27,547 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	192.5	186.8	100.9	28.9	18.2
Personal property		83.8	73.8	22.0	10.4	7.0
Railroad and utilities		16.5	15.7	6.6	6.6	3.8
Total	\$	292.8	276.3	129.5	45.9	29.0

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Barry County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
Special Road and Bridge Fund*	\$	N/A	N/A
Health Center Fund		0.07	0.07
Senate Bill 40 Board Fund		0.07	0.07

* All areas of the county are located in one of the county's twenty-five special road districts or the common road district. The road and bridge levies vary in each road district, and 20 percent is distributed to the Special Road and Bridge Fund and 80 percent is distributed to the various road districts.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28,	
		2001	2000
State of Missouri	\$	86,446	83,861
General Revenue Fund		29,765	21,678
Special Road and Bridge Fund		624,067	631,815
Assessment Fund		116,609	114,188
Health Center Fund		198,909	193,531
Senate Bill 40 Board Fund		198,909	193,531
School districts		9,098,087	8,870,873
Library district		499,254	466,469
Hospital		146,743	141,595
Ambulance district		235,486	230,512
Fire protection district		179,832	183,793
Tax sale surplus		17,674	10,601
Tax increment financing		89,412	73,521
Cities		119,231	205,100
County Clerk		3,390	3,491
County Employees' Retirement		78,550	76,372
Commissions and fees:			
General Revenue Fund		201,475	195,222
County Collector		6,056	10,738
County Assessor		20	75
Total	\$	<u>11,929,915</u>	<u>11,706,966</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28,	
		2001	2000
Real estate	91 %		93 %
Personal property	86		90
Railroad and utilities	100		99

Barry County also has the following sales taxes; rates are per \$1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	\$	.0050	None	100
Capital improvements		.0050	2001	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Cherry Warren, Presiding Commissioner	\$	27,950	27,039
Dayton Mackey, Associate Commissioner		18,480	17,640
J.H. (Red) Edens, Associate Commissioner		18,480	17,640
Gary Youngblood, County Clerk		39,560	38,180
Stephen Hemphill, Prosecuting Attorney		48,760	46,920
Mick Epperly, Sheriff		33,600	33,600
Lois Lowe, County Treasurer		29,274	28,253
Donald White, County Coroner		6,300	6,300
Shirley Keen, Public Administrator *		48,722	70,993
Misha Hull, County Collector**, year ended February 28,	45,616	48,652	
Glen D. Nicoll, County Assessor ***, year ended August 31,		40,494	40,861
Sam Goodman, County Surveyor ****			

* Includes fees received from probate cases.

** Includes \$6,056 and \$10,738, respectively, of commissions earned for collecting city property taxes.

*** Includes \$900 annual compensation received from the state and \$34 and \$1,781, respectively, of commissions earned for city property taxes.

**** Compensation on a fee basis.

State-Paid Officials:

Dick Sanders, Circuit Clerk and Ex Officio Recorder of Deeds		46,127	44,292
Mike Garrett, Associate Circuit Judge		97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk and Ex Officio Recorder of Deeds	2	4
County Clerk	3	0
Prosecuting Attorney	6	0
Sheriff (1)	33	0
County Coroner (2)	1	0
County Collector (3)	4	0
County Assessor	10	0
Associate Division	0	3
Probate Division	0	1
Health Center	13	0
Juvenile Office (2)	3	6
Total	<u>75</u>	<u>14</u>

(1) Includes three part-time employees.

(2) Includes one part-time employee.

(3) Includes two part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Barry County's share of the Thirty-ninth Judicial Circuit's expenses is 35.84 percent.



**AUDIT OF
DIVISION OF CHILD SUPPORT ENFORCEMENT
TRANSITION TO THE FAMILY SUPPORT PAYMENT CENTER**

**From The Office Of State Auditor
Claire McCaskill**

Action is needed to notify parents that the child support process changed and that some payments may be delayed or different than expected.

**Report No. 2001-91
September 22, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

September 2001

www.auditor.state.mo.us

New child support distribution plan could mean delayed checks and confused recipients

As of July 2001, child support checks are distributed through a centralized state payment center, rather than through circuit court clerks across the state. This audit examined the transition to the new system and found state officials did not ensure that all affected parents were properly notified of the change or that their child support payments may be late or for less amounts.

Wrong addresses on one-third of notification letters

More than 60,000 notices sent in May 2001 about the redirected child support payments did not reach parents due to incorrect addresses. These returned letters prompted auditors to notify the Division of Child Support Enforcement and the State Court's Administrator to take immediate action. In response, the State Court's Administrator received new or corrected addresses for about 10,000 return notices, but the Division has not obtained correct addresses for the remaining 50,000 notices. The Department of Social Services did not react proactively to the returned notices, but relied on parents to contact the payment center if they did not receive a support payment. This non-action shifted the transition burden on to the parents and may cause delayed payments. (See page 3)

Possible reduction in payments not noted in redirect notice

The redirect notices did not explain the changes in computing child support payments that may result in less money for some custodial parents. Division officials said they did not include the reduction explanation due to space on the letter and the previous mailing about the change 18 months prior. The significant change in payment procedures warranted safeguards to make sure parents were fully informed. Eighteen months earlier is not a satisfactory safeguard. Without notification and the ability to plan ahead, the lower payment may cause undue hardship. (See page 5)

Safeguards to keep payments timely may not work

None of the 15 circuit court clerks contacted by auditors had been told by division officials to implement any precautionary safeguards to prevent delayed payments. One safeguard allows clerks to send a second redirect letter when a misdirected support payment is received. However, many clerks contacted were not aware of this possibility. As a result, division officials have little assurance that the safeguards will prevent delayed payments. (See page 7)

YELLOW SHEET

**AUDIT OF
CHILD SUPPORT ENFORCEMENT
TRANSITION TO THE FAMILY SUPPORT PAYMENT CENTER**

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Kathy Martin, Director
Department of Social Services
Jefferson City, Missouri

The State Auditor's Office audited the Department of Social Services Child Support Enforcement Division's effort to redirect non-welfare child support payments from the circuit courts to the Family Support Payment Center. The objective of our review was to determine whether the Division of Child Support Enforcement adequately planned for the increased volume in child support payments to be made through the Family Support Payment Center.

Notifying parents (both custodial and non-custodial) of this transition is the key element to ensuring that these children continue to receive their intended support without interruption. However, we found that these parents were either not notified or the notice they received did not adequately explain the transition, and parents were not notified of potential changes in the amounts of support checks if the non-custodial parent had obligations to more than one custodial parent.

We recommend that action be taken to ensure that addresses are correct and that parents are properly notified of the transition and possible ramifications of the new procedures.

The audit was conducted in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests of the procedures and records as were considered appropriate under the circumstances.

Claire McCaskill
State Auditor

June 8, 2001 (fieldwork completion)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
Assistant Director:	Kirk R. Boyer
In-Charge Auditor:	Brenda L. Gierke, CPA
Audit Staff:	David W. Gregg

RESULTS AND RECOMMENDATIONS

The Division of Child Support Enforcement Faces Problems in Redirecting Some Child Support Payments

On July 1, 2001, the Family Support Payment Center (state payment center)¹ began receiving 128,000 child support payments (referred to as non-IV-D payments) formerly received and distributed by circuit court clerks. The Division of Child Support Enforcement (the division), however, has not taken adequate steps to ensure that payers, recipients, and circuit court clerks understand the resulting changes of this transition:

- ✓ Approximately 60,000 notices sent to custodial and non-custodial parents in May 2001 were returned as undeliverable because the addresses were not correct.
- ✓ Some recipients of child support checks were not notified that the check amounts could be less than what they had been receiving.
- ✓ Safeguards established to prevent delayed checks caused by the transition were not fully implemented. Without further notification and coordination between the Office of State Courts Administrator and the division, checks will be delayed.

In response to the state auditor's letter dated May 31, 2001, addressing these concerns, the State Court Administrator staff immediately began working on updating addresses for those returned notices that the U.S. Postal Service had identified with new addresses. Division officials responded to the same letter that their safeguards would minimize the impact of the errors noted. Based on responses to our follow-up review of these responses, child support payments could be delayed and recipients, payers, and circuit clerks could be confused.

Background

At the end of January 2001, there were approximately 503,000 open welfare and non-welfare child support cases in the state involving at least 657,000 children. According to Federal law (under Title IV-D of the Social Security Act), payers of child support for welfare cases and non-welfare cases where enforcement action has been ordered are required to send payments to the state payment center beginning in 1999. Section 454.530, RSMo 2000, requires payers for all child support cases to redirect their payments to the state payment center beginning July 1, 2001.

Division staff or the circuit court clerks enter child support case information into a computerized case management and tracking system. The computerized record system is maintained by the division and is accessible by all child support enforcement offices and circuit court clerk offices statewide. The Office of State Courts Administrator helped plan and execute the transition and redirect notices since the circuit court clerks maintain and manage non-IV-D case records.

¹ Section 454.530, RSMo 2000, establishes the Family Support Payment Center (the state payment center) as the state's central collection unit and requires child support payments be sent to the state payment center which disburses a check to the custodial parent.

Prior to July 1, non-custodial parents sent child support payments to the circuit court clerks who issued the checks to the custodial parents. The non-custodial parents were provided a billing coupon to submit with their payment to ensure it was properly posted to the database. After July 1, the state will not provide billing coupons to non-custodial parents to submit with their child support payments to the state payment center.

Division officials also visited the Wisconsin Bureau of Child Support to determine how to avoid problems encountered by that state's transition effort. For example, Wisconsin's custodial parents were not advised that future child support checks would look different and some parents discarded checks received from the new source.

On May 10, 2001, the division sent 193,034 redirect notices to inform non-custodial and custodial parents, and employers of the July 2001 transition to the state payment center. The notices informed non-custodial parents, as required by law, of the change in payment procedures and where payments should be sent. Based on awareness of problems encountered by other states, the division also sent letters to custodial parents and employers (in cases of income withholding) to advise them of the redirected collections and payments.

About one-third of the redirect notices mailed to child support clients had incorrect addresses

By the end of May 2001, 60,240 notices had been returned as undeliverable. Because the notices were not delivered, the parents have not received notification that payments are to be made to and distributed from the state payment center. At the time of our audit, no action was taken on the notices that were returned as undeliverable. The Office of the State Courts Administrator advised "for orders where the non-custodial parent is actively paying support through the circuit clerks' offices, circuit clerks have an accurate address for the custodial parent. In these cases, there will be no delay in disbursing the payment due to bad address information."

60,240 parents
did not receive
notice of
changes

In a letter dated May 31, 2001, we notified the Department of Social Services and the Office of State Courts Administrator that immediate action was needed to correct addresses where notices were returned and ensure that the parents were notified of the redirect procedures and services. In response, the State Courts Administrator began taking action on 10,203 returned notices where the U.S. Postal Service provided new address information. The Administrator notified us on July 3, 2001, that 6,316 of these notices were active orders (an obligation to pay support exists) and these notices were re-mailed to the new address.² He also told us that 3,887 of these notices involved inactive orders where no current support obligation exists. No notices were re-mailed for these cases. According to the interim director of the Division of Child Support Enforcement, division staff input incorrect address indicators in the state database, but have not obtained correct addresses for the remaining 50,037 notices. Department of Social Services officials stated immediate action was not necessary to obtain correct addresses and resend the notices. These officials stated the large volume of returned notices was due to the parents'

² A State Court Administrator official told us that 212 cases with active orders have been re-mailed a second time because an updated forwarding address was provided.

failure to abide by the law and notify the state of address changes. Additionally, they stated sufficient safeguards were in place to ensure minimal delays in processing child support checks.

Most circuit court clerks said that timely notification of all parents could:

- Encourage non-custodial parents who are not making regular payments to begin doing so.
- Encourage parents to contact the clerks or the state payment center to correct records such as remarriage to the custodial parent or death of the non-custodial parent, effectively ending the obligation.
- Alleviate a major complaint that parents are not notified of changes.

Most notices that were returned involved open child support cases

Officials responsible for this program provided different reasons to explain why immediate corrective action to notify clients was not necessary. Division officials told us that most of the returned notices with incorrect addresses did not involve either active or regularly paying cases. However, the law does not state this as a condition for not notifying the parents, or provide a valid reason for not notifying custodial parents. Audit results showed that 64 percent of 243 returned notices tested involved open child support cases.³ About one-half of the notices involved child support cases with children under age 18 (or not emancipated), and, of these, 40 percent had at least one payment made since January 2001.

Department of Social Services is missing the opportunity to be proactive

Social Services personnel told us that immediate action was not necessary for correcting bad addresses because of the small number (60,000) of returned notices. Instead, affected parents would have to contact the state payment center when they do not receive their child support payment to notify the division of the correct address. The division is placing the burden of correcting transition problems on the parents instead of being proactive in ensuring children have their support payments on time.

Division
officials place
burden on
families

Social Services personnel cited the successful implementation of the 1999 redirect of IV-D case payments to the state payment center as the basis for not expecting widespread delays for the current redirect. However, division officials told us that they did not document problems, successes or results of the transition in 1999. Division, circuit court and state payment center officials responsible for the 1999 implementation told us there were numerous problems encountered during that redirect. For example, some circuit clerks are still receiving and disbursing child support payments from cases involved in the 1999 redirect. These officials anticipate problems after July 1, 2001, such as:

³ The remaining 36 percent were technically open cases, but had case closure requested or were for spousal support only.

- Redirect notices being sent to incorrect addresses resulting in non-custodial and custodial parents not receiving timely notification of the change (this has already occurred during the current redirect of non-IV-D case payments).
- Child support payments not being forwarded by circuit court clerks to the state payment center in a timely manner, which could cause up to a 2-month delay in sending child support checks to custodial parents.
- Child support checks being sent to incorrect addresses for the custodial parents causing the checks to be returned as undeliverable.
- Reduced amounts of child support being received by custodial parents because of prorated distributions.

Division officials mistakenly believed they could not use computer system to search for current address information

Division officials stated that since the computer system is federally funded they are prohibited from using it for non-IV-D cases. However, federal officials with the Office of Child Support Enforcement told us that state child support officials could use the computer system for any activity since the state has control over the data and the system. The Code of Federal Regulations does not prevent using the computer system for this purpose.

Case data for non-IV-D cases is on the system and it has been used in the past for case management information, receipt and collection records, payment history, and check issuance. Checks with incorrect addresses that are returned to the state payment center will be voided, and the monies will be put on hold until the custodial parent's correct address is obtained. The computer system can be used to obtain new addresses and to update records of active child support cases.

The division is creating a new unit dedicated to providing assistance to these non-IV-D cases

The interim division director stated that he was establishing a new unit to address issues with the new cases coming from the clerks. The unit, which became operational in July 2001, is staffed with a supervisor and five staff. One responsibility is to purify incorrect or missing addresses and provide general assistance to these clients. The division has not established a timeframe for this unit to correct the addresses and resend the necessary notices. This unit could alleviate some of the problems noted.

Redirect notices did not adequately explain that child support payments might change

Division officials stated that it is important to notify custodial parents of the payment redirect to avoid problems that occurred in other states. The notice advised custodial parents that the non-custodial parent would send the child support payments to the state payment center after July 1, 2001, and child support checks would come from the state payment center. The notice also

Support checks may be less than expected

provided the name, address and toll free telephone numbers for the state payment center if they had questions about the redirect notice. The notice did not explain that child support payments would be computed differently and may result in reduced amounts of money for some custodial parents. (See Appendix II, page 14, for a copy of the redirect notice to custodial parents.)

Custodial parents may receive less money than they previously received if the non-custodial parent had neglected payment obligations to other custodial parents. Prior to July 1, 2001, circuit court clerks posted child support payments from all sources to a specific case, and checks were issued to the custodial parent on that case. After July 1, 2001, if the non-custodial parent has an obligation of support to more than one custodial parent, and payments are received through income withholding, the state payment center will prorate the payment to all open cases for which the non-custodial parent has a current monthly obligation. Without notification and the ability to plan ahead, this may cause some parents an undue hardship. The State Courts Administrator stated “the cases that converted to centralized collections on July 1, 2001, were mainly cases where the non-custodial parent was paying support (not through wage withholding). ...the number of wage withholding cases that transitioned to centralized collections July 1 was minimal and, consequently, the cases on which child support is distributed differently are minimal.”

Division officials stated that they did not explain the possible reduction in child support payments in the redirect notice because of space constraints on the notice, and the complexity of the explanation. They also stated that this issue was previously addressed in a general information pamphlet mailed in the fall of 1999—18 months prior to the current redirect of payments. Neither of these explanations is a satisfactory reason for not fully disclosing possible ramifications in the payment redirect notifications. The change in payment procedures was significant enough to take the space necessary to ensure the payers and recipients were fully informed of the change. The pamphlet that was delivered 18 months earlier is not a satisfactory safeguard. One of the reasons given for not sending the notices of redirect out earlier than 2 months prior to implementation date was that recipients of the notices would not remember the information. Therefore, officials have acknowledged that 18 months would not be a beneficial timeframe to expect recipients to remember information.

Inadequate notices increased the number of telephone calls received by the state payment center

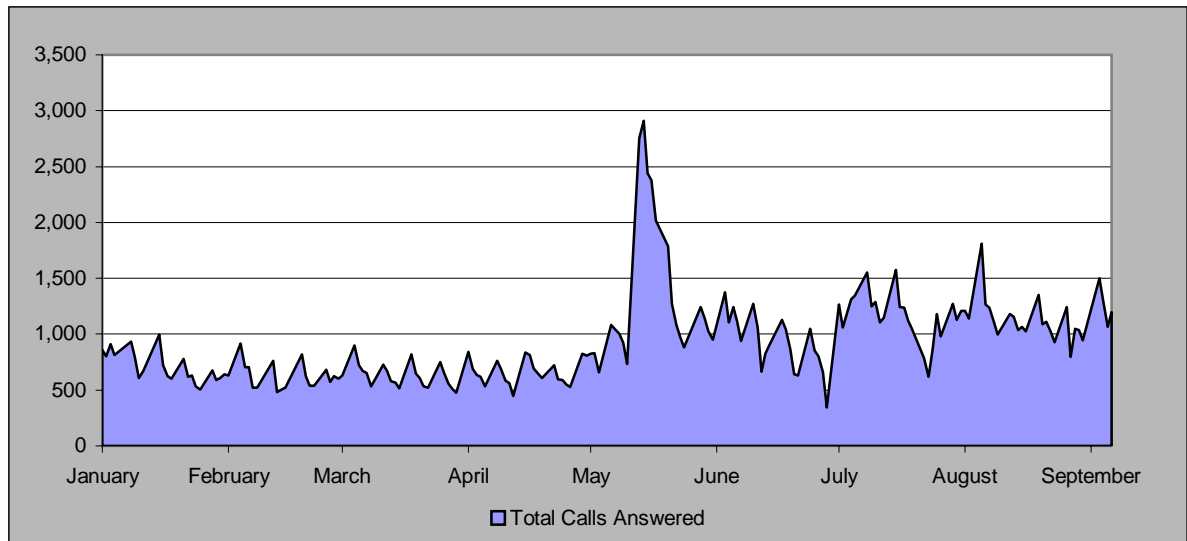
Because the notice did not adequately explain the change, custodial and non-custodial parents have no other option but to contact the state payment center or the circuit clerk. The volume of telephone calls from parents increased significantly after the redirect notices were mailed.

Complaints
increased
more than
100%

Total calls to the state payment center nearly doubled during the 4 months after the notices were mailed. As shown in chart 1.1, the volume of calls answered by the state payment center increased from an average of 675 per day prior to the time the notices were mailed in May to over 1,181 per day after the notices were mailed. Due to the overwhelming number of calls coming in, the state payment center answered 85 percent of the calls, or an average of 1,181 calls per day. It is possible that not all of the calls

received were due to the redirect notices, but the spike in the number of calls indicates that the redirect notices were a major reason for the increased calls.

Chart 1.1: Volume of Telephone Calls Answered by the Family Support Payment Center Between January 2 and September 9, 2001



Source: Family Support Payment Center

The division has not implemented adequate safeguards to avoid delayed payments.

Division officials do not anticipate lengthy, widespread delays in payments as a result of the redirect phase. They cite several safeguards to help ensure an orderly transition to the state payment center.

Department of Social Services officials stated the division has encouraged circuit court clerks to avoid delays in payment processing if they receive support payments after July 1, 2001, by implementing the following procedures:

Delay of payments could occur

- The automated system will permit circuit court clerks to continue to post payments and issue checks to custodial parents after July 1, 2001.
- The automated system will permit circuit court clerks to issue a second redirect notice when a misdirected support payment is received.
- Circuit court clerks can send misdirected payments to the state payment centers using self-addressed envelopes.

Audit tests show that safeguards may not work as envisioned

None of the 15 circuit court clerks that we contacted, which included the metropolitan areas of St. Louis and Kansas City, had been instructed by the division to implement any precautionary safeguards in the event of anticipated or unanticipated problems. Also, many clerks we contacted said they were not aware that they could access the automated

system to send a second redirect notice. The Office of the State Courts Administrator provided evidence that the circuit clerks had been notified by e-mail 2 months earlier on procedures for generating follow-up redirect notices. However, the clerks have been instructed by the State Courts Administrator not to post any payments or issue checks to custodial parents after July 1, 2001. The clerks have received the self-addressed envelopes, but the division has not advised them of any procedures to prevent future misdirected child support payments.

The division has also removed a previously used safeguard to ensure proper and timely processing of non-IV-D child support payments. Prior to July 1, 2001, the division provided non-custodial parents with coupons containing account information, which was returned with their child support payments. Division officials told us that after July 1, 2001, the coupons would no longer be used. Officials stated that state law does not require providing coupons and ending their use would save the state money. On the other hand, Wisconsin officials told us that the use of coupons by both non-custodial parents and employers is absolutely necessary to ensure that child support payments sent to a state payment center are processed properly and timely. By discontinuing the use of coupons, the division is disregarding the practical value of a previously used safeguard for proper payment processing and creating the possibility for significant problems when payments cannot be processed properly or timely because of insufficient case information.

Conclusions

Division personnel have not taken adequate steps to prevent problems or ensure that all non-IV-D custodial parents will receive their child support payments in a timely manner. They have not ensured that all parents affected by this change in procedures have been notified. Even when notified, custodial parents have not been fully notified that their child support payments may be late or for less amounts. The division recently began addressing potential problems by creating a unit to help parents during the transition period. However, management was aware of potential problems but delayed taking necessary corrective action.

The circuit court clerks statewide will be left to address problems as best they can without any standardized guidance from the division. The division has little assurance that safeguards have been adequately implemented statewide to prevent delays in child support payments. In addition, the division does not plan to provide custodial parents with payment coupons that contain case information, which will help ensure the proper and timely processing of child support checks. As a result, the children that this program is designed to serve may not receive their support payments in a timely manner.

Recommendations

We recommend that the Director of the Department of Social Services:

- 1.1 Ensure that all addresses for active child support cases are corrected and all parents are notified of the redirect procedures.

- 1.2 Ensure that all custodial parents are notified that child support payments could be late and that some may be reduced under certain circumstances.
- 1.3 Provide circuit court clerks detailed procedures to facilitate the transition to the state payment center.
- 1.4 Provide non-custodial parents with payment coupons to help ensure the state payment center properly and timely processes child support checks.

Office of State Courts Administrator Response

Thank you for the opportunity to review the draft report of the Division of Child Support Enforcement (DCSE) Transition to the State Payment Center. Please use the following as the response from the Office of State Courts Administrator (OSCA) on the final page of the report of the Division of Child Support Enforcement Transition to the State Payment Center.

The transition of child support collections from the circuit clerks to the central collection system was planned well in advance by DCSE with assistance from OSCA staff and the Clerk Partnership Committee. Every effort was made during that planning process to ensure that the transition would occur with minimal disruption of payments to custodial parents. The Circuit Clerks were provided instructions by this office for handling child support matters post July 1, 2001, some two months in advance of the transition. We concur with the Department of Social Services that an examination of the transition process in the middle of the transition itself yields little accurate information on the effectiveness of the process. Indeed, the report contains questionable assumptions regarding planning, coordination and the role of each entity in the transition process that demonstrates a lack of understanding of the transition. For example, the report assumes there is poor coordination between OSCA and the division that will produce a delay in the mailing of checks. Yet the evidence indicates that (1) clerks receiving payments are timely forwarding those payments, and (2) in the overwhelming majority of cases, checks are being sent to custodial parents as expeditiously as possible.

We appreciate the opportunity to respond to the report. If you have any questions, please let me know.

Department of Social Services Response

The Audit Report identified several areas of concern with the planning leading up to the transition. We feel our planning process was excellent and believe it is premature to evaluate the transition. The transition continues, and we will all know within a short period of time the degree of success achieved. Therefore, I suggest that we pause at this time and plan to revisit this issue in October by which time we will both be able to determine the merit of the findings contained in the draft report. During this time, DCSE will continue to monitor the progress of the transition.

State Auditor Comments

We agree that it is reasonable to allow more time for the transition to progress, and the department has set a reasonable timeframe. We will follow-up on the transition by October to ensure that our concerns regarding notification to clerks and custodial parents, and the need for coupons have been properly addressed.

Both the Director of the Department of Social Services and the State Courts Administrator provided comments on a draft of this report, which were incorporated as appropriate.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective and Scope

The objective of the audit was to determine whether the Division of Child Support Enforcement (the division) adequately planned for the increase in volume of child support payments to be made through the state payment center.

Methodology

To assess the transition of payments and disbursements to the state payment center, we:

- Sampled redirect notices that were returned by the U.S. Postal Service as undeliverable due to incorrect addresses. On May 23, 2001, we selected 243 returned notices to test from an estimated 15,000 that had been returned prior to that date. Table I.1 shows the results of our test.
- Accessed the Missouri Automated Child Support System (the database) of child support records to obtain case status information.
- Reviewed applicable state statutes and planning documentation provided by the division for redirecting non-welfare child support payments to the state payment center.
- Interviewed officials and personnel responsible for these procedures in the division, the Office of State Court Administrator (the courts), and the Family Support Payment Center (the state payment center).
- Contacted 15 selected circuit court clerks to determine whether procedures and safeguards were implemented. Specifically, we asked whether they were aware of the instructions division officials said were provided, and if they were aware of any safeguards.¹
- Contacted the federal Office of Child Support Enforcement to determine if federal regulations prohibit the state from using the computer system to obtain current addresses.
- Contacted officials from selected states—Illinois, Kansas, and Wisconsin—to determine what, if any, problems they encountered during their redirect transitions to a state payment center for non-welfare cases.

¹ Circuit clerks from the following jurisdictions were contacted: Counties of Andrew, Boone, Cape Girardeau, Clay, Gentry, Greene, Jackson, Jasper, New Madrid, Pike, Polk, Ralls, Shelby, St. Charles and the city of St. Louis.

APPENDIX I

Table I.1: Sample of Notices Returned As Undeliverable

Classification of Cases in Sample	Number of Cases by Classification	Percent of Sample	Cases with Children Under 18	Child Support Cases with Payment Since January 2001
Case closure requested ¹	57	24	43	0
Spousal support only ²	30	12	0	0
Obligation, children not emancipated ³	123	51	123	49
Obligation, children emancipated ⁴	25	10	0	3
Obligation, insufficient information ⁵	8	3	unknown	0
Total cases selected to test	243	100	166	52

Notes:

¹ Computer records indicate that the custodial parent has requested case closure.

² Cases did not involve support for dependent children.

³ Child support cases having children whose birth date is after May 1, 1983, and will be immediately affected by the redirect of payments.

⁴ Child support cases having children whose birth date is before May 1, 1983, and will not be affected by the redirect of payments.

⁵ Child support cases on which the children's birth date was not recorded on the computer records and the effect of the redirect of payments cannot be determined.

Source: SAO analysis of cases in the database

Our detailed analysis focused on identifying open child support cases where the dependents are not emancipated², where there is a current obligation for support, and if any payments have been received since January 1, 2001.

At the close of business on May 22, 2001, there were approximately 15,000 returned notices stored in mail trays at the Office of State Courts Administrator. To ensure that we tested returned notices for clients across the state, we selected notices from each of the trays of returned notices on hand. Redirect notices continued to be returned as undeliverable in June and totaled over 60,000.

To further analyze the returned notices, we selected notices that had new addresses provided by the post office and those not having a new, or forwarding, address provided. We accessed the computer system containing all case information for each of the 243 cases selected to test. We tested for: open or closed cases, child support or spousal support payments, dependents' birth dates and payment history.

The division, the state payment center and the courts were involved in the planning and execution of the redirect of child support payments to central collections. The division provided documentation of decisions made and procedures used for the redirect project and the payment center provided documentation of customer service calls related to the redirect. Officials of the

² State law requires child support be paid until the child reaches age 18, or age 22 if attending college. Evidence of attending college is not maintained on the computerized records; therefore, we conservatively presumed that none of the dependents age 18 or over were attending college.

APPENDIX I

division, the Office of State Courts Administrator and the state payment center provided interviews and information related to their respective roles in the redirect project. We contacted 15 circuit court clerks in the state and obtained information regarding instructions they were given, procedures they will follow and what safeguards they have been advised to put into place.

APPENDIX II

EXAMPLE OF REDIRECT NOTICE

JEFFERSON COUNTY
c/o OSCA - Child Support
P.O. Box 104480
Jefferson City, MO 65110

05-08-2001

Name
Street Address
City and State

CUSTODIAL PARENT/CUSTODIAN REDIRECT NOTICE

RE:

This notice is to advise you of a change in Missouri law (Sections 454.530-454.560, RSMo) regarding where noncustodial parents send child and spousal support payments. Effective July 1, 2001, the noncustodial parent named above is required to send payments to the Family Support Payment Center. If you need to contact the Family Support Payment Center, please use the following address:

**Family Support Payment Center
PO Box 109003
Jefferson City, MO 65110-9003**

If you have questions regarding this redirect notice, call 1-888-761-3665. To access the automated payment information line, call 1-800-225-0530 and have your case number (shown above) available

If we have the noncustodial parent's home address, we have notified the noncustodial parent and his/her employer (if income is being withheld for support) of this change.

Payments made on the above order will be sent to you by the Family Support Payment Center.

This notice applies only to the above-identified order. If you are due support under another order, you will receive a separate notice if payments for that order are redirected to the Family Support Payment Center due to the change in law.

Please contact the circuit clerk in the county where your order is filed for case questions or address updates.

Direct Deposit Now Available Avoid Mail Delays and Lost or Stolen Checks

Take advantage of direct deposit. Payments are deposited directly into your bank account with no delays for mail and no check to cash or lose. You may obtain information and print the direct deposit application from the Division of Child Support Enforcement's website at www.DSS.STATE.MO.US/CSE or you may call the toll-free payment information number shown above or write to the Family Support Payment Center to sign up for direct deposit. **Direct deposit is safe and convenient.**

MAC-152 (05-01)



**MERCER COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-90
September 20, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Mercer, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Mercer County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Mercer County collected \$52,541 in excess property taxes through December 31, 2000. Mercer County voters enacted a half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. The General Revenue property tax levy was not reduced sufficiently.

Based upon sales tax revenue amounts for the first six months of 2001 the General Revenue property tax levy would have to be reduced by 21 cents to eliminate all excess property tax revenues collected from prior years and comply with the sales tax proposal passed by the voters. The County Commission indicated they plan a levy reduction of 12 cents for 2001; however, this proposed reduction will only offset 2001 requirements, but will not reduce excess property taxes from prior years.

- The county does not have adequate procedures in place to track federal awards for preparation of the schedule of expenditures of federal awards. The county prepared a schedule for the years ended December 31, 2000 and 1999; however, the schedule contained a number of errors and omissions. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements, which could result in future reductions of federal funds.

(over)

YELLOW SHEET

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Mercer county's Associate County Commissioners salaries were each increased approximately \$6,065.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$12,130, for the two years ended December 31, 2000, should be repaid. In light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- Duplicate payments were made on several invoices totaling approximately \$16,000 during the two years ended December 31, 2000. This resulted because billing statements were not always reconciled to invoices prior to payment nor was the expenditure system checked to ensure payment had not already been made.
- The general fixed asset listing has not been updated nor has a physical inventory been completed since 1995. Examples of items purchased which are not included on the fixed asset listing include a truck costing approximately \$22,000, a mower costing \$25,000, excavating equipment costing approximately \$123,000 and a brush sheer costing \$4,500.

The audit also includes some matters related to expenditures, bidding procedures, computer system controls, County Commission minutes, revenue maximization, Sheriff accounting controls and procedures, and Ex-Officio County Collector procedures, upon which the county should consider and take appropriate corrective action. Several of these issues had been noted in prior audits.

All reports are available on our website: www.auditor.state.mo.us

MERCER COUNTY, MISSOURI

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MERCER COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Mercer County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 28, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Mercer County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

June 28, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Lonnie Breeding III
Audit Staff:	Terese Summers, CPA
	Julie Vollmer
	Shantaye Atkinson



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Mercer County, Missouri

We have audited the special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Mercer County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Mercer County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

June 28, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 150,242	591,629	606,797	135,074
Special Road and Bridge	56,924	1,196,576	1,113,668	139,832
Assessment	3,540	64,817	59,987	8,370
Law Enforcement Training	281	2,512	2,338	455
Prosecuting Attorney Training	(30)	384	177	177
Recorder's User Fees	5,517	2,172	687	7,002
Prosecuting Attorney Delinquent Tax	150	3	0	153
Prosecuting Attorney Bad Check	665	4,647	4,870	442
Health Center	28,625	238,136	235,363	31,398
Circuit Clerk Interest	356	110	34	432
Associate Circuit Interest	442	127	425	144
Law Library	317	2,559	2,771	105
CDBG Project	0	55,717	51,126	4,591
Sheriff Special Fund	2,326	5,498	5,668	2,156
Domestic Violence	0	170	170	0
Total	\$ 249,355	2,165,057	2,084,081	330,331

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MERCER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 125,130	564,795	539,683	150,242
Special Road and Bridge	500,177	541,026	984,279	56,924
Assessment	4,818	70,523	71,801	3,540
Law Enforcement Training	898	2,237	2,854	281
Prosecuting Attorney Training	90	371	491	(30)
Recorder's User Fees	6,841	3,858	5,182	5,517
Prosecuting Attorney Delinquent Tax	146	4	0	150
Prosecuting Attorney Bad Check	1,221	4,308	4,864	665
Health Center	26,399	255,905	253,679	28,625
Circuit Clerk Interest	339	251	234	356
Associate Circuit Interest	384	58	0	442
Law Library	315	1,997	1,995	317
Economic Development Administration	0	138,108	138,108	0
Sheriff Special	0	4,254	1,928	2,326
Domestic Violence	0	205	205	0
Total	\$ 666,758	1,587,900	2,005,303	249,355

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 2,006,575	2,103,672	97,097	1,875,194	1,445,333	(429,861)
DISBURSEMENTS	2,146,307	2,027,117	119,190	2,277,576	1,865,062	412,514
RECEIPTS OVER (UNDER) DISBURSEMENTS	(139,732)	76,555	(22,093)	(402,382)	(419,729)	(842,375)
CASH, JANUARY 1	233,162	247,029	13,867	666,758	666,758	0
CASH, DECEMBER 31	93,430	323,584	230,154	264,376	247,029	(17,347)
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	174,000	173,489	(511)	165,000	171,974	6,974
Sales taxes	220,000	249,477	29,477	234,500	217,105	(17,395)
Intergovernmental	61,000	65,958	4,958	79,668	58,436	(21,232)
Charges for services	51,800	43,998	(7,802)	42,600	50,517	7,917
Interest	5,200	5,455	255	7,500	5,162	(2,338)
Other	28,267	19,938	(8,329)	23,095	32,768	9,673
Transfers in	28,000	33,314	5,314	24,000	28,833	4,833
Total Receipts	568,267	591,629	23,362	576,363	564,795	(11,568)
DISBURSEMENTS						
County Commission	58,986	59,472	(486)	59,686	58,774	912
County Clerk	50,433	50,438	(5)	48,504	49,465	(961)
Elections	16,200	17,125	(925)	6,350	5,457	893
Buildings and grounds	49,180	56,984	(7,804)	49,970	47,494	2,476
Employee fringe benefits	59,040	55,421	3,619	37,100	30,619	6,481
County Treasurer	27,880	27,907	(27)	27,680	26,885	795
Circuit Clerk	7,720	4,031	3,689	7,010	5,736	1,274
Associate Circuit Court	6,025	4,252	1,773	4,850	3,769	1,081
Court administration	924	919	5	2,092	637	1,455
Public Administrator	11,405	12,430	(1,025)	10,576	11,393	(817)
Sheriff	186,017	180,849	5,168	161,604	159,483	2,121
Jail	11,600	16,542	(4,942)	12,600	7,518	5,082
Prosecuting Attorney	52,007	51,309	698	51,016	51,016	0
Juvenile Officer	13,970	3,599	10,371	16,455	9,657	6,798
County Coroner	4,230	4,230	0	4,230	4,230	0
Township collectors	2,500	2,611	(111)	2,000	1,983	17
Court Reporter	750	639	111	700	224	476
Other	25,560	27,848	(2,288)	24,600	32,992	(8,392)
University Extension	20,000	20,000	0	20,000	19,500	500
Insurance	10,000	10,191	(191)	13,000	12,851	149
Emergency Fund	11,365	0	11,365	17,290	0	17,290
Total Disbursements	625,792	606,797	18,995	577,313	539,683	37,630
RECEIPTS OVER (UNDER) DISBURSEMENTS	(57,525)	(15,168)	42,357	(950)	25,112	26,062
CASH, JANUARY 1	136,375	150,242	13,867	125,130	125,130	0
CASH, DECEMBER 31	78,850	135,074	56,224	124,180	150,242	26,062

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	24,200	24,138	(62)	38,000	24,437	(13,563)
Intergovernmental	1,015,000	1,093,432	78,432	860,900	480,997	(379,903)
Charges for services	16,481	16,481	0	6,184	6,184	0
Interest	5,000	7,485	2,485	30,000	25,380	(4,620)
Other	1,519	3,914	2,395	35,216	4,028	(31,188)
Transfers in	66,000	51,126	(14,874)	0	0	0
Total Receipts	1,128,200	1,196,576	68,376	970,300	541,026	(429,274)
DISBURSEMENTS						
Salaries	112,986	98,941	14,045	104,104	99,116	4,988
Employee fringe benefits	28,900	23,088	5,812	28,200	21,566	6,634
Supplies	49,400	41,565	7,835	60,050	32,059	27,991
Insurance	7,000	5,568	1,432	10,000	4,756	5,244
Road and bridge materials	297,000	315,407	(18,407)	328,000	296,625	31,375
Equipment repairs	12,000	14,553	(2,553)	15,000	34,610	(19,610)
Rentals	3,000	260	2,740	3,500	1,586	1,914
Equipment purchases	57,000	63,570	(6,570)	62,000	58,274	3,726
Contract labor	1,000	385	615	10,000	1,447	8,553
Bridge projects	586,000	517,017	68,983	700,000	405,407	294,593
Transfers out	30,000	33,314	(3,314)	39,626	28,833	10,793
Total Disbursements	1,184,286	1,113,668	70,618	1,360,480	984,279	376,201
RECEIPTS OVER (UNDER) DISBURSEMENTS	(56,086)	82,908	138,994	(390,180)	(443,253)	(53,073)
CASH, JANUARY 1	56,924	56,924	0	500,177	500,177	0
CASH, DECEMBER 31	838	139,832	138,994	109,997	56,924	(53,073)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	70,350	64,468	(5,882)	68,400	70,085	1,685
Interest	430	349	(81)	650	438	(212)
Total Receipts	70,780	64,817	(5,963)	69,050	70,523	1,473
DISBURSEMENTS						
Assessor	72,682	59,987	12,695	72,359	71,801	558
Total Disbursements	72,682	59,987	12,695	72,359	71,801	558
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,902)	4,830	6,732	(3,309)	(1,278)	2,031
CASH, JANUARY 1	3,540	3,540	0	4,818	4,818	0
CASH, DECEMBER 31	1,638	8,370	6,732	1,509	3,540	2,031

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,495	1,540	45	1,525	1,467	(58)
Interest	15	10	(5)	18	16	(2)
Other	750	962	212	555	754	199
Total Receipts	2,260	2,512	252	2,098	2,237	139
DISBURSEMENTS						
Sheriff	2,500	2,338	162	2,890	2,854	36
Total Disbursements	2,500	2,338	162	2,890	2,854	36
RECEIPTS OVER (UNDER) DISBURSEMENTS	(240)	174	414	(792)	(617)	175
CASH, JANUARY 1	281	281	0	898	898	0
CASH, DECEMBER 31	41	455	414	106	281	175
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	371	384	13	356	368	12
Interest	3	0	(3)	6	3	(3)
Total Receipts	374	384	10	362	371	9
DISBURSEMENTS						
Prosecuting Attorney	340	177	163	300	491	(191)
Total Disbursements	340	177	163	300	491	(191)
RECEIPTS OVER (UNDER) DISBURSEMENTS	34	207	173	62	(120)	(182)
CASH, JANUARY 1	(30)	(30)	0	90	90	0
CASH, DECEMBER 31	4	177	173	152	(30)	(182)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charge for services	3,400	2,034	(1,366)	3,650	3,698	48
Interest	150	138	(12)	175	160	(15)
Total Receipts	3,550	2,172	(1,378)	3,825	3,858	33
DISBURSEMENTS						
Ex Officio Recorder of Deeds	5,200	687	4,513	5,000	5,182	(182)
Total Disbursements	5,200	687	4,513	5,000	5,182	(182)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,650)	1,485	3,135	(1,175)	(1,324)	(149)
CASH, JANUARY 1	5,517	5,517	0	6,841	6,841	0
CASH, DECEMBER 31	3,867	7,002	3,135	5,666	5,517	(149)

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT</u>						
<u>TAX FUND</u>						
RECEIPTS						
Interest	4	3	(1)	3	4	1
Other	0	0	0	10	0	(10)
Total Receipts	4	3	(1)	13	4	(9)
DISBURSEMENTS						
Prosecuting Attorney	100	0	100	100	0	100
Total Disbursements	100	0	100	100	0	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(96)	3	99	(87)	4	91
CASH, JANUARY 1	150	150	0	146	146	0
CASH, DECEMBER 31	54	153	99	59	150	91
<u>PROSECUTING ATTORNEY BAD</u>						
<u>CHECK FUND</u>						
RECEIPTS						
Charges for services	4,300	4,624	324	3,650	4,277	627
Interest	40	23	(17)	42	31	(11)
Total Receipts	4,340	4,647	307	3,692	4,308	616
DISBURSEMENTS						
Prosecuting Attorney	4,955	4,870	85	4,605	4,864	(259)
Total Disbursements	4,955	4,870	85	4,605	4,864	(259)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(615)	(223)	392	(913)	(556)	357
CASH, JANUARY 1	665	665	0	1,221	1,221	0
CASH, DECEMBER 31	50	442	392	308	665	357

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property Taxes	46,000	47,604	1,604	47,000	50,027	3,027
Intergovernmental	91,240	97,428	6,188	120,229	124,170	3,941
Charges for services	85,700	87,887	2,187	68,500	76,009	7,509
Interest	810	1,294	484	600	710	110
Other	2,200	3,923	1,723	3,500	4,989	1,489
Transfer In	0	0	0	7,700	0	(7,700)
Total Receipts	225,950	238,136	12,186	247,529	255,905	8,376
DISBURSEMENTS						
Salaries and employee fringe benefits	172,962	167,806	5,156	182,454	173,935	8,519
Program expenditures	19,000	23,964	(4,964)	21,900	24,624	(2,724)
Loan payments	7,000	6,795	205	6,000	13,466	(7,466)
Office expenditures	32,990	25,890	7,100	23,200	27,102	(3,902)
Maintenance and equipment	1,100	1,017	83	4,300	3,711	589
Mileage and training	7,000	5,777	1,223	9,730	8,398	1,332
Other	7,400	4,114	3,286	5,300	2,443	2,857
Total Disbursements	247,452	235,363	12,089	252,884	253,679	(795)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,502)	2,773	24,275	(5,355)	2,226	7,581
CASH, JANUARY 1	28,625	28,625	0	26,399	26,399	0
CASH, DECEMBER 31	7,123	31,398	24,275	21,044	28,625	7,581
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	230	110	(120)	112	231	119
Other	0	0	0	0	20	20
Total Receipts	230	110	(120)	112	251	139
DISBURSEMENTS						
Circuit Clerk	200	34	166	45	234	(189)
Total Disbursements	200	34	166	45	234	(189)
RECEIPTS OVER (UNDER) DISBURSEMENTS	30	76	46	67	17	(50)
CASH, JANUARY 1	356	356	0	339	339	0
CASH, DECEMBER 31	386	432	46	406	356	(50)

Exhibit B

MERCER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT INTEREST FUND</u>						
RECEIPTS						
Property Taxes	0	0	0	50	0	(50)
Interest	20	127	107	0	58	58
Total Receipts	20	127	107	50	58	8
DISBURSEMENTS						
Associate Circuit Judge	200	425	(225)	100	0	100
Total Disbursements	200	425	(225)	100	0	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(180)	(298)	(118)	(50)	58	108
CASH, JANUARY 1	442	442	0	384	384	0
CASH, DECEMBER 31	262	144	(118)	334	442	108
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	2,600	2,559	(41)	1,800	1,997	197
Total Receipts	2,600	2,559	(41)	1,800	1,997	197
DISBURSEMENTS						
Law library	2,600	2,771	(171)	1,500	1,995	(495)
Total Disbursements	2,600	2,771	(171)	1,500	1,995	(495)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(212)	(212)	300	2	(298)
CASH, JANUARY 1	317	317	0	315	315	0
CASH, DECEMBER 31	317	105	(212)	615	317	(298)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MERCER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Mercer County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Special Fund	2000 and 1999
Domestic Violence Fund	2000 and 1999
CDBG Project Fund	2000
Economic Development Administration Fund	1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	2000 and 1999
Associate Circuit Interest Fund	2000
Prosecuting Attorney Bad Check Fund	1999
Recorder's User Fees Fund	1999
Prosecuting Attorney Training Fund	1999
Circuit Clerk Interest Fund	1999
Health Center Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Special Fund	2000 and 1999
Domestic Violence Fund	2000 and 1999
Health Center Fund	2000 and 1999
CDBG Project Fund	2000
Economic Development Administration Fund	1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the bank balance at December 31, 2000, \$620,931 was covered by federal depositary insurance, commercial insurance provided through a surety bond, or collateral securities held by the county's custodial bank in the county's name, and \$185,647 was covered by collateral pledged by the depositary bank and held by an independent bank, but not in the county's name.

Of the bank balance at December 31, 1999, \$762,250 was covered by federal depositary insurance, commercial insurance provided through a surety bond, or collateral securities held by the county's custodial bank in the county's name, and \$185,092 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depositary bank's customers.

The Health Center Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance.

3. Property Taxes

Through December 31, 2000, Mercer County collected \$52,541 in excess property taxes. Section 67.505, RSMo 2000, requires the county to reduce property taxes for a percentage of sales taxes collected. Mercer County voters enacted a half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

Supplementary Schedule

Schedule

MERCER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9165 ERO045-0165 ERS045-1165W	\$ 9,866	13,735
U.S. DEPARTMENT OF COMMERCE				
Direct program:				
11.300	Grants for Public Works and Economic Development	N/A	0	138,108
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	99-PF-16	51,126	0
U.S. DEPARTMENT OF JUSTICE				
Passed through Missouri Sheriff's Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	2,567	2,299
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO 065 (16) BRO 065 (17) BRO 065 (18) BRO 065 (20) BRO 065 (21)	182,944 8,548 259,851 17,768 8,097	41,193 189,851 21,533 0 0
	Program Total		477,208	252,577
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	5,025	4,001

MERCER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ER0146-0165CLPP ER0146-9165CLPP	206	784
93.268	Immunization Grants	N/A	8,221	7,663
		PG0064-01651MM	0	64
	Program Total		8,221	7,727
Department of Social Services -				
93.563	Child Support Enforcement	N/A	533	948
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-1165C PGA067-1165S PG0067-9165	179 250	0 350
	Program Total		429	350
93.945	Assistance Programs for Chronic Disease Prevention and Control	C100048001 C000141001	3,004	909
93.991	Preventive Health and Health Services Block Grant	N/A	94	83
93.994	Maternal and Child Health Services Block Grant to the States	N/A ERS146-1165 ERS146-0165M ER0146-9165MCH	468 11,183	414 9,258
		C100015046	1,370	413
	Program Total		13,021	10,085
Total Expenditures of Federal Awards			\$ 571,300	431,606

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

MERCER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Mercer County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$8,221 and \$7,663 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$94 and \$83 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$468 and \$414 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$138,108 to subrecipients under Grants for Public Works and Economic Development (CFDA number 11.300) during the year ended December 31, 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Mercer County, Missouri

Compliance

We have audited the compliance of Mercer County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Mercer County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-2.

Internal Control Over Compliance

The management of Mercer County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Mercer County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 28, 2001 (fieldwork completion date)

Schedule

MERCER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major program:

Material weakness identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program:

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

00-1. County Sales Tax

The county has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Mercer County voters under the provisions of Section 67.505, RSMo 2000.

Following are the calculations used in determining excess property tax revenues collected for the two years ended December 31, 2000:

		Year Ended December 31,	
		2000	1999
Actual sales tax revenues	\$	124,738	102,356
Required percentage of revenue reduction	X	50%	50%
Required property tax revenue reduction		62,369	51,178
Assessed Valuation		50,032,420	46,211,758
General Revenue Fund tax levy reduction (per \$100 assessed valuation)	X	0.05	0.09
Actual property tax revenue reduction		25,016	41,591
Excess property tax revenues collected		37,353	9,587
Excess property tax revenues Collections from prior years		15,188	5,601
Excess at December 31,	\$	52,541	15,188

In addition, based upon sales tax revenue amounts for the first six months of 2001 the General Revenue property tax levy would have to be reduced by 21 cents to eliminate all excess property tax revenues collected from prior years and comply with the sales tax proposal passed by the voters. The County Commission indicated they plan a levy reduction of 12 cents for 2001; however, this proposed reduction will only offset 2001 requirements, but will not reduce excess property tax revenues from prior years.

WE RECOMMEND the County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission will try to reduce property taxes over the next three to five years to reduce the excess collected in prior years.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-2.	Federal Awards
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Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-065(16), BRO-065(17), BRO-065(18), BRO-065(20), & BRO-065(21)
Award Years:	2000 and 1999
Questioned Costs:	\$28,200

- A. Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the (SEFA) to the State Auditor's office as part of the annual budget.

The county does not have adequate procedures in place to track federal awards for preparation of the SEFA. The county prepared a SEFA for the years ended December 31, 2000 and 1999; however, the schedule contained a number of errors and omissions. For example, the schedule included the county's match for some federal programs. In addition, some expenditures were reported on the SEFA in the wrong year. Other federal expenditures were misclassified and/or were not included at all. The schedule reflected total expenditures for all bridge projects without identifying the expenditures attributable to each individual bridge.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

- B. The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects are 80 percent federally funded; however, the county also received additional federal funding of \$4,200 for this project as a result of donated soft match funds.

The county incurred engineering costs of \$30,000 for project BRO-041(18). There was no documentation that the County Commission considered other engineering firms when procuring these services.

Sections 8.289 and 8.291, RSMo 2000, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based upon specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have questioned costs of \$28,200, which is the federal share of engineering costs paid during the two years ended December 31, 2000.

WE RECOMMEND the County Commission:

- A. And the County Clerk ensure all federal award expenditure amounts are properly recorded on the Schedule of Expenditures of Federal Awards.
- B. Resolve the questioned costs with the grantor agency. In addition, for future projects the County Commission should obtain information as required by law when contracting for professional services.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

- A. *The County Clerk will try to implement the recommendation with the 2001 SEFA.*
- B. *The County Commission will resolve this matter by September 1, 2001, and will document the consideration of other engineers on future projects.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MERCER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mercer County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1998.

98-1. Budgetary Practices

Warrants were issued in excess of approved budgeted expenditures for various funds during the two years ended in December 31, 1998.

Recommendation:

The County Commission and the Health Center not authorize warrants in excess of budgeted expenditures.

Status:

Partially implemented. Warrants were issued in excess of approved budgeted expenditures for various funds; however, the amounts were insignificant. Although not repeated in the current report, our recommendation remains as stated above.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MERCER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

98-2. Federal Awards

Federal Grantor:	U.S. Department of Commerce
Pass-Through Grantor:	Not applicable
Federal CFDA Number:	11.300
Program Title:	Grants for Public Works and Infrastructure Development
Pass-Through Entity	
Identifying Number:	Not applicable
Award Year:	1997 thru 1998
Questioned Costs:	\$8,476

- A. The county did not have specific procedures in place to track federal assistance for preparation of the SEFA. During the two years ended December 31, 1998 and 1997 the county over reported expenditures on their SEFA schedule by \$75,307 and \$18,140, respectively.
- B.1. The county did not establish cash management procedures to ensure the minimum time elapsed between its receipt of federal monies and the disbursement of such monies.
 - 2. The county did not have documentation to support payments made to the cities from EDA grant monies. Instead, county representatives indicated that these payments were made at the direction of the Green Hills Regional Planning Commission.
 - 3. Engineering inspection costs on the EDA project totaling \$37,246 were submitted to the U.S. Department of Commerce for reimbursement although actual inspection costs totaled only \$23,119. As a result, costs were over reported by \$14,127 and costs of \$8,476, or 60% of the amount over reported, were questioned.

Recommendation:

The County Commission:

- A. And the County Clerk ensure all federal award expenditure amounts are properly recorded on the Schedule of Expenditures of Federal Awards.
- B.1. Establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with federal requirements.
 - 2. Retain supporting documentation for all expenditures of federal monies.
 - 3. Resolve the questioned costs with the grantor agency. In the future, the county should ensure that all requests for federal reimbursements are adequately supported by legitimate charges.

Status:

- A. Not implemented. See finding number 00-2.
- B.1. Not implemented. The federal project noted above was completed in 1999. However, excessive time delays were noted between the receipt of the federal monies and the disbursement of such monies for a grant received through the state Department of Economic Development (CFDA number 14.228, project number 99-PF-16). Although not repeated in the current report our recommendation remains as stated above.
 - 2. Implemented.
 - 3. Implemented. Questioned costs of \$8,476 were repaid by the City of Princeton.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MERCER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Mercer County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001. We also have audited the compliance of Mercer County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 28, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Mercer County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

- A. Billing statements were not always reconciled to invoices prior to payment nor did the County Clerk's office check the expenditure system to ensure payment had not already been made. As a result, the county made duplicate payments on several invoices totaling approximately \$16,000 during the two years ended December 31, 2000. The vendors refunded these amounts to the county; however, there is no assurance that all duplicate payments have been identified. To prevent duplicate payment billing statements should be reconciled to invoices prior to payment.
- B. The county does not always solicit bids or retain bid documentation. Our review noted the following concerns:
- 1) During the year ended December 31, 2000, the county spent approximately \$35,000 on health insurance. The County Commission indicated insurance rates were discussed with three carriers; however, written proposals were not received.
 - 2) The County Commission indicated bids were solicited for repairs to a loader totaling approximately \$16,000. However, there was no documentation indicating who bids were solicited from or estimates received.

Section 50.660, RSMO 2000 requires the advertisement of bids for all purchases of \$4,500 or more. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business.

Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper publication notices when applicable, bids received, the basis and justification for awarding bids, and documentation of all discussions with vendors.

- C. An Associate County Commissioner receives royalties from a local rock quarry with which the county does business. The Associate Commissioner indicated that he abstains from voting on decisions to purchase gravel from the quarry; however, the abstentions are not documented in the minutes. This situation constitutes a potential conflict of interest and may be in violation of state law.

Section 49.140, RSMo 2000, provides that, "no County Commissioner shall, directly or indirectly, become a party to any contract to which the county is a party...".

WE RECOMMEND County Commission:

- A. Ensure billing statements are supported by invoices prior to payment.
- B. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- C. Consult legal counsel and determine whether this situation is in violation of state law. At a minimum, the Associate Commissioner should abstain from voting on matters related to the quarry and the circumstances should be clearly documented in the minutes.

AUDITEE'S RESPONSE

- A. *The County Commission indicated the recommendation will be implemented. At least some of the duplicate payments occurred when staffing was down and the County Clerk's office was short handed.*
- B. *The County Commission will do a better job documenting purchasing decisions.*
- C. *The County Commission disagrees with the recommendation. The townships decide which quarries to purchase from rather than the County Commission. In addition, the Associate County Commissioner who receives royalties indicated he files a disclosure statement.*

2. Ex-Officio County Collector's Controls and Procedures

The method of payment received (cash, check, and money order) is not consistently indicated on the paid tax receipts. Additionally, the tax receipts are not reconciled to the composition of bank deposits. The Ex Officio County Collector posts the paid tax bills to the computer at the end of the month and, as a result, does not generate a daily abstract. To properly reconcile receipts to deposits and ensure all monies are being deposited intact, a daily abstract should be generated and the method of payment should be reconciled to the composition of deposits.

WE RECOMMEND the Ex Officio County Collector record the method of payment on each paid tax statement and reconcile the composition of receipts to the paid tax bills and to bank deposits. Furthermore, a daily abstract should be prepared and reconciled to bank deposits.

AUDITEE'S RESPONSE

The Ex Officio County Collector has implemented the recommendation.

3.**Computer System Controls**

The county utilizes a network of computers for its property tax system and its financial accounting system. We noted the following concerns related to the computer system:

- A. The Treasurer/Ex Officio County Collector and the County Clerk have access and update capabilities which are not necessary for the performance of their duties. The Treasurer/Ex Officio County Collector has the capability to add new accounts and change existing accounts on the property tax portion of the computer system and also has the capability to access, update, and edit the County Clerk's records on the computer system. The County Clerk's office has access and update capabilities in the property tax system and County Treasurer's records. Any employee with knowledge of the correct password can access unauthorized areas of the system. The capability weakens internal controls over property tax collections and financial records. Changes to the various records should be limited to those individuals who need such access for the performance of their duties.
- B. Passwords used by the Assessor's office, the County Clerk's office and the Treasurer/Ex Officio County Collector's office have not been changed since the original computer system was installed in 1990. In addition, passwords have not been kept confidential. Passwords should be changed periodically and kept confidential to reduce the possibility of unauthorized use.
- C. The county does not have a formal contingency plan for the computer system in case of emergency. As a result, the county has not formally negotiated arrangements for backup facilities in the event of a disaster. The major benefit of thorough contingency planning comes from the ability of the county to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the county.

Similar conditions were noted in prior audit reports.

WE RECOMMEND the County Commission:

- A. Consider changes to the computer programs that restrict access and update capabilities to only those individuals needing such access for the performance of their duties.
- B. Ensure employees passwords are periodically changed and kept confidential.
- C. Develop a formal contingency plan including arrangements for use of alternative data processing equipment during emergency situations.

AUDITEE'S RESPONSE

The recommendations will be implemented by October 1, 2001.

4. Sheriff's Accounting Controls and Procedures
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- A. Accounting duties are not adequately segregated. One clerk is primarily responsible for receiving monies, preparing deposits, and maintaining the accounting records; however, all employees in the Sheriff's department can receive monies. There are no documented reviews of the accounting records by the Sheriff.

To adequately safeguard assets, the cash custody and record-keeping functions should be segregated where possible. If proper segregation cannot be achieved, at a minimum, periodic supervisory reviews should be performed and documented.

- B.1. Receipts are not deposited on a timely basis. Receipts are generally deposited one or two times a month. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
2. The composition and amount of recorded receipts is not reconciled to bank deposits. To ensure that receipts are deposited intact, the composition and amount of recorded receipts (cash, checks, and money orders) should be reconciled to bank deposits.
3. Receipts are not posted to the cash control records on a timely basis. Receipts are posted to the cash control records once a month. To ensure all monies received are properly recorded and accounted for, receipts should be posted to cash control records on a timely basis.
- C. Bank reconciliations are not prepared for the Sheriff's bank account. Monthly bank reconciliations should be prepared and reconciled to the open items listing to ensure records are in balance and sufficient funds are available for payment of all liabilities.
- D. Bond forms are not prenumbered and prenumbered receipt slips are not issued for some bond monies received. Some bond monies are transmitted directly to the Mercer County Associate Circuit Court and are not deposited into the Sheriff's bank account. Receipt slips from the court are not retained to document the turnover of these cash bonds.

To adequately safeguard bond receipts and reduce the risk of loss or misuse of funds, bond forms should be prenumbered, should indicate the method of payment, and the numerical sequence of the bond forms should be accounted for properly. In addition, to ensure bond receipts are accounted for properly bond receipts should be deposited and disbursed by check, or receipt slips should be retained for any bonds that are given directly to the court.

- E. The Sheriff's department bills other counties for boarding prisoners. The payments for these services are deposited into the Sheriff's bank account and disbursed to the County Treasurer at the end of the month. In addition, reconciliations between billing statements and payments are not performed.

Proper controls over revenues require the billing function to be segregated from the receipt function. The billing statements should request payment be made directly to the County Treasurer. Unpaid board bills should be monitored and appropriate follow-up action taken to ensure county costs are recouped.

- F. The Sheriff maintains a bank account for soda sales and indicated the proceeds are personal funds. According to the Sheriff, only monies generated from soda sales are deposited into this account. A dispatcher in the Sheriff's department retains the proceeds from snack sales. Since these sales are handled by county employees on county property an accounting should be made of the proceeds; however, the Sheriff would not provide any records related to these monies. It is unclear as to why the Sheriff would not want some accountability over these monies. The County Commission should follow up on this situation and assume responsibility for or require an accounting of these funds.

WE RECOMMEND the Sheriff:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B.1. Deposit receipts daily or when accumulated receipts exceed \$100.
 - 2. Reconcile the composition and amount of recorded receipts to the composition and amount of bank deposits.
 - 3. Post all receipts to cash control records on a timely basis.
- C. Prepare monthly bank reconciliations and reconcile the cash balance to open items.
- D. Ensure prenumbered bond forms are used and account for the numerical sequence. In addition, bond monies should be deposited into the Sheriff's bank account, or, if bond monies are transmitted directly to the courts, ensure receipt slips from the courts are retained.

- E. Ensure billing statements stipulate that payments be made directly to the County Treasurer. In addition, reconciliations between billing statements and payments should be performed and follow-up action taken on board bills not received.
- F. And County Commission discuss the appropriate handling and accountability of soda and snack sale monies.

AUDITEE'S RESPONSE

The Sheriff indicated:

- A. *He will periodically review the accounting records. In addition, when monies are collected after business hours if an officer is available the officer will collect the monies and issue a receipt. During business hours the secretary will continue to collect monies. If the secretary is not available the Sheriff will collect monies and issue receipts.*
- B.1. *He will continue with the current procedures. If a large bond is collected it is deposited by the next day.*
- B.2.
- &3.,
- C&E. *The recommendations have been implemented.*
- D. *The recommendation will be implemented. Prenumbered bond forms have been ordered.*
- F. *He disagrees with the recommendation. He indicated the County Commission is not involved because these are considered personal funds. The Sheriff will consider discontinuing this practice.*

The County Commission indicated records will be requested from the Sheriff and reviewed for propriety.

5.	General Fixed Asset Records and Procedures
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The County Commission or its designee is responsible for maintaining a complete, detailed record of county property. However, the general fixed asset listing has not been updated nor has a physical inventory been completed since 1995. Examples of items purchased which were not included on the fixed asset listing include a truck costing approximately \$22,000, a mower costing \$25,000, excavating equipment costing approximately \$123,000, and a brush sheer costing \$4,500.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

Similar conditions were noted in a prior audit.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipts.

AUDITEE'S RESPONSE

The County Commission will implement the recommendation by January 2002.

6. Revenue Maximization

- A. There is no documentation to support how the amounts charged for dispatching and law enforcement services were determined. In addition, contracts for dispatching services are not current. The county provides dispatching services for a local business and an ambulance district and law enforcement services for a city. Cost analyses of providing the dispatching and law enforcement services have not been performed and contracts for the dispatching services have not been updated for several years.

Contracts for services provided to other entities should cover the costs of providing such services and should be maintained on a current basis. Without a cost analysis, the county cannot ensure the costs of providing services are recovered.

- B. The county does not properly monitor reimbursement for projects under the Highway Planning and Construction program. One reimbursement of \$1,106 which was submitted to the Missouri Department of Transportation (MODOT) in July 2000 was not received by the county until July 2001. Two other potential claims were not submitted to MODOT for reimbursement. The federal share of the unclaimed expenditures totaled \$2,509 and \$860 and were incurred in December and March 2000, respectively.

Failure to monitor reimbursements could result in the loss of revenue.

WE RECOMMEND the County Commission:

- A. Perform and document cost analyses of providing services to other entities. In addition, the County Commission should ensure all contracts are maintained on a current basis.
- B. Monitor bridge project reimbursement claims to ensure that claims are submitted and reimbursements are received in a timely manner.

AUDITEE'S RESPONSE

- A. *The County Commission indicated a cost analysis will be prepared and the contracts will be reviewed within the next six months.*
- B. *The County Commission will discuss policies and procedures with the engineer regarding claims and reimbursements and will monitor reimbursements.*

7. County Commission Minutes

- A. The daily business of the County Commission is not adequately documented in the County Commission minutes. For example, the minutes do not refer to all bids received. In addition, the typed minutes are not reviewed and signed by the Presiding Commissioner or an Associate Commissioner in his absence. Finally, the minutes are not prepared in a timely manner. As of May 2001, the last entry in the minutes was for the February 2001 meeting.

Section 51.120, RSMo 2000, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the contents to ensure that the minutes include all important information regarding the meetings held.

- B. Proper notice was not always given for the County Commission meetings as required. The County Commission does not post an agenda for meetings.

Section 610.020, RSMo 2000, requires all public governmental bodies to give notice of the time, date, and place of each meeting, and its tentative agenda in a reasonable manner to advise the public. Notice shall be given at least twenty-four hours prior to the commencement of any meeting.

- C. The County Clerk does not prepare minutes for the closed session of meetings of the County Commission. The County Commission held four closed sessions during the two years ended December 31, 2000, and while the regular meeting minutes did appear to disclose the reason for entering into closed session, minutes were not maintained for the closed portion of the meetings. In addition, it is not evident that the final disposition of matters discussed in closed meetings is made public.

Minutes constitute the official record of proceedings of the County Commission. Without adequate minutes, the County Commission cannot demonstrate that actions taken or business conducted during closed sessions related solely to the specific allowable reason announced for closing the meeting.

WE RECOMMEND the County Commission:

- A. Ensure a complete record of the meetings is prepared and approved on a timely basis.
- B. Ensure timely, accurate, and complete notice is given for all meetings of the board as required by law.
- C. Prepare minutes for all closed meetings.

AUDITEE'S RESPONSE

A&C. The County Commission will implement the recommendation.

B. The County Commission has implemented the recommendation.

8. Associate Commissioners' Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Mercer County's Associate County Commissioners salaries were each increased approximately \$6,065 yearly.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$12,130 for the two year term ended December 31, 2000, should be repaid; however, the County Commission has not evaluated the impact of the decision. In addition, in light of the ruling, any other raises given to other officials within their term of office should be re-evaluated for propriety.

WE RECOMMEND the County Commission review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission will discuss this matter with legal counsel and the salary commission. A decision will be made by January 2002.

This report is intended for the information of the management of Mercer County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

MERCER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Mercer County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Bidding Procedures and County Expenditures

- A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases.
- B. The county purchased equipment from the Road and Bridge supervisor. The equipment purchases were made without public notice and supporting documentation was not available to show that a competitive bidding process was used in acquiring the equipment.
- C. The County Commission approved some payments to vendors without requiring adequate supporting documentation.
- D. Some payments for services were made without written agreements or where contracts were not approved by the County Commission.

Recommendation:

The County Commission:

- A. Solicit bids for all items in accordance with state law. Documentation of bids and justification for bid awards should be retained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the County Commission minutes should reflect the necessitating circumstances.
- B. Ensure all purchases from employees are properly bid and made in accordance with state law.
- C. Require adequate documentation such as invoices and an indication of receipt of goods be submitted before payments are approved. In addition, the County Commission should ensure all vouchers are approved by the Commission prior to payment.
- D. Ensure all contracts and leases are in writing and approved by the County Commission.

Status:

A&C. Not implemented. See MAR No. 1.

B. Implemented. No purchases from employees were noted.

D. Partially implemented. The county entered into written agreements related to dispatching services; however, we noted other instances where written contracts were not obtained. Although not repeated in the current report, our recommendation remains as stated above.

2. Budgetary Practices

Actual expenditures were in excess of approved budgeted expenditures during the two years ended December 31, 1996.

Recommendation:

The County Commission not authorize expenditures in excess of appropriations.

Status:

Not implemented. Actual expenditures exceeded approved budgeted expenditures by insignificant amounts for various funds during the two years ended December 31, 2000. Although not repeated in the current report, our recommendation remains as stated above.

3. County Clerk's Controls and Procedures

A. The County Clerk did not issue receipt slips for all monies received and receipts were not always recorded on the clerk's monthly statement of fees. In addition, the County Clerk occasionally made cash payments from cash on hand for items such as postage, overnight delivery, and other minor purchases. As a result, not all monies collected were turned over to the county.

B. The County Clerk did not update fixed asset records on a timely basis or reconcile equipment purchases to fixed asset additions. In addition, the County Clerk did not perform quarterly inspections of all county lands and buildings or an annual inventory of all county property.

Recommendation:

The County Clerk:

- A. Issue receipt slips for all monies received, record all collections on the monthly statement of fees, and remit all collections intact to the County Treasurer. If considered necessary, a petty cash fund should be established by the County Commission and maintained on an imprest basis.
- B. Maintain complete fixed asset records by ensuring that all purchases and deletions of fixed assets are properly recorded on the fixed asset records. To help ensure the accuracy of records, the County Clerk should reconcile equipment purchases to additions made to fixed asset records. In addition, the County Clerk should perform quarterly inspections and annual inventories as required by state law.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 5.

4. Sheriff's Controls and Procedures

- A. Vehicle usage logs were maintained for the county-owned patrol cars; however, these logs were not always complete and were not reviewed by the Sheriff or County Commission for reasonableness. Trip purpose and destination were often not recorded on the logs.
- B. The Sheriff received mileage and per diem fees from the state for taking convicted offenders to a designated center. The Sheriff deposited the monies in his official bank account and then issued checks to the deputies and himself for travel expenses. As compensation for their time, the deputies were also paid the amount of the state reimbursement for guard mileage and per diem. The balance of the accountable fee was then remitted to the County Treasurer. Any costs incurred in transporting convicted offenders should have been billed to and paid by the county. Any full-time county employee serving as a guard should have been compensated under normal county payroll procedures, calculating hours worked and any overtime incurred.
- C. In 1995, the Sheriff began developing a listing of seized property being held; however, this listing was not complete.

Recommendation:

The Sheriff:

- A. Ensure complete vehicle usage reports are prepared and maintained for all vehicles. In addition, the Sheriff should review these logs for reasonableness and file the logs with the County Commission.
- B. Ensure future prisoner transportation payments received from that state are turned over to the County Treasurer. Deputies and employees who serve as guards should only be paid their normal salary for the amount of time spent. If reimbursable expenses are incurred by the Sheriff and his employees, reimbursement should be claimed only for actual miles driven in personal cars or for other actual expenses incurred.
- C. Maintain a complete and accurate listing of all seized property.

Status:

- A. Partially implemented. The Sheriff indicated he reviews the vehicle usage logs; however, the review is not documented. Although trip purpose and destination were usually indicated on the logs, we noted instances where this information was not documented. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented.

5. Health Center

- A. The Board of Trustees approved expenditures in excess of budgeted amounts.
- B. Accounting and receipting duties were not adequately segregated.
- C. Checks were not restrictively endorsed upon receipt.

Recommendation:

The Health Center Board of Trustees:

- A. Not authorize expenditures in excess of budgetary limits.
- B. Ensure adequate segregation of accounting and receipting duties to the extent possible. At a minimum, the Health Center Administrator should perform documented reviews of the work performed.

- C. Restrictively endorse checks/money orders immediately upon receipt.

Status:

- A. Implemented for the year ended December 31, 2000.
- B. Partially implemented. Accounting and receipting duties are not adequately segregated; however, the Health Center Administrator performs documented reviews of bank reconciliations. Although not repeated in the current report, our recommendation remains as stated above.
- C. Implemented.

6. Township Collectors' Bonds and Commissions

- A. For the two years ending December 31, 1996, various townships collectors' bonds were insufficient by amounts ranging from \$2,000 to \$100,000.
- B. Commissions for the Lindley Township Collector were incorrectly computed for December 1996. As a result, \$617 was improperly retained and not distributed to other county funds and political subdivisions.

Recommendation:

The County Commission:

- A. Take necessary action to ensure all township collectors' bonds are in compliance with state law.
- B. Ensure township collectors' commissions are calculated properly. In addition, current commissions for the Lindley Township Collector should be reduced by \$617 and this amount distributed to the county funds and political subdivisions.

Status:

Implemented.

7. County Road and Bridge Tax Levy

During the two years ended February 28, 1997, the taxpayers of Mercer County paid approximately \$130,000 in taxes for a county road and bridge levy which was not authorized by constitutional or statutory provisions. In April 1979, county voters approved a ballot issue allowing the County Commission to levy a tax for county road and bridge purposes, not to exceed 15 cents on \$100 of assessed valuations, with the option to reduce this tax if not needed. From 1983 to 1996, this road and bridge tax levy, ranging from 13 to 15 cents, had

been in effect for all years except 1986. Since Mercer County is a township-organized form of government, constitutional and statutory provisions relating to local taxation provided no authority for the County Commission to levy this tax.

Recommendation:

The County Commission review this situation with the county Prosecuting Attorney and give consideration to discontinuing the county road and bridge tax. If it is necessary for the county to generate additional tax revenues, the constitution and statutes authorizing county taxes should be carefully reviewed to determine what additional taxes would be available, with voter approval.

Status:

Implemented. The Special Road and Bridge tax levy was discontinued in 1998.

8. Computer System Controls

- A. The Treasurer and Ex Officio County Collector and the County Clerk had access and update capabilities which were not necessary for the performance of their duties. The Treasurer and Ex Officio County Collector had the capability to add new accounts and change existing accounts on the property tax portion of the computer system and also had the capability to access, update, and edit the County Clerk's records on the computer system. The County Clerk's office had access and update capabilities in the Ex Officio County Collector's property tax system and County Treasurer's records. Any employee with knowledge of the correct password could access unauthorized areas of the system.
- B. Passwords used by the Assessor's office, the County Clerk's office and the Treasurer had not been changed since the original computer system was installed several years ago. Passwords had not been kept confidential.
- C. The County did not have a formal contingency plan for the computer system in case of emergency.

Recommendation:

The County Commission:

- A. Consider changes to the computer programs that restrict access and update capabilities to only those individuals needing such access for the performance of their duties.
- B. Ensure employee passwords are periodically changed and kept confidential.

- C. Develop a formal contingency plan including arrangements for use of alternate data processing equipment during emergency situations.

Status:

Not implemented. See MAR No. 3.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MERCER COUNTY MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Mercer was named after Hugh F. Mercer, a Revolutionary War general. Mercer County is a township-organized, third-class county and is part of the Third Judicial Circuit. The county seat is Princeton.

Mercer County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Mercer County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 197,627	11	196,411	18
Sales taxes	249,477	14	217,105	20
Federal and state aid	1,159,390	65	539,433	49
Fees, interest, and other	181,711	10	152,872	13
Total	\$ 1,788,205	100	1,105,821	100

The following chart shows how Mercer County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 350,268	20	307,779	20
Public safety	256,529	15	231,904	15
Highways and roads	1,113,668	65	984,279	65
Total	\$ 1,720,465	100	1,523,962	100

The county maintains approximately 153 county bridges and 405 miles of county roads.

The county's population was 4,910 in 1970 and 3,723 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	2000	1999	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 26.6	26.4	21.3	14.9	11.9
Personal property	16.9	13.5	6.5	6.7	4.4
Railroad and utilities	6.5	6.3	1.4	1.5	1.2
Total	\$ 50.0	46.2	29.2	23.1	17.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Mercer County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	2000	1999
General Revenue Fund	\$.35	.31
Health Center Fund	.10	.10

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2001	2000
State of Missouri	\$	15,234	14,189
General Revenue Fund		178,799	144,387
Special Road and Bridge Fund		995	1,509
Assessment Fund		35,668	33,009
Health Center Fund		50,244	46,808
Townships		55,701	52,681
Townships road and bridge		214,312	198,352
Townships special road and bridge		113,409	103,902
School districts		2,229,659	2,058,012
Library district		99,307	92,466
Ambulance district		165,367	153,985
Fire protection district		146,960	136,767
Cities		31,843	31,029
County Clerk		206	197
County Employees' Retirement Fund		5,310	5,515
Other		2,619	6,231
Commissions and fees:			
Ex-Officio County Collector		257	289
Township collectors		28,591	26,811
General Revenue Fund		25,196	21,674
Total	\$	<u>3,399,677</u>	<u>3,127,813</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),	
		2001	2000
Real estate		94.6 %	94.2 %
Personal property		93.8	94.2
Railroad and utilities		100.0	100.0

Mercer County also has the following sales taxes; rates are per \$1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	\$	.005	None	50 %
General		.005	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Clifford Shipley, Presiding Commissioner	\$	20,612	20,612
Jane Lowrey, Associate Commissioner		18,612	18,612
Robert E. Jones, Associate Commissioner		18,612	18,612
Carolyn Kost, County Clerk		28,200	28,200
Jay Hemenway, Prosecuting Attorney		35,720	35,720
Duane Hobbs, Sheriff		31,020	31,020
Michael Greenlee, County Coroner		4,230	4,230
Carolyn Sealine, Public Administrator *		10,812	9,812
Ray Woodward, Treasurer and Ex Officio County Collector**, year ended March 31,	22,382	22,414	
Joe Berger II, County Assessor ***, year ended August 31,		29,100	29,100

* Includes fees received from probate cases.

** Includes \$257 and \$289 retained for city collections during the years ended February 28, 2001 and 2000, respectively.

*** Includes \$900 annual compensation received from the state.

State-Paid Officials:

Patricia Stamper, Circuit Clerk and Ex Officio Recorder of Deeds	46,127	44,292
Andrew A. Krohn, Associate Circuit Judge	97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	1	0
Circuit Clerk and Ex Officio Recorder of Deeds	0	2 *
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff	8 **	0
County Assessor	2	0
Associate and Probate Division	0	2 *
Road and Bridge	5	0
Health Center	9 ***	0
Total	<u>27</u>	<u>4</u>

* Includes one part-time employee.

** Includes two part-time employees.

*** Includes four part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Mercer County's share of the Third Judicial Circuit's expenses is 13.39 percent.



**WEBSTER COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-89
September 20, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Webster, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Webster County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's accounting controls and procedures. A special review report from 1998 concluded cash receipts were misappropriated and made numerous recommendations for improvement. While the Prosecuting Attorney responded in the 1998 audit, as well as other previous audits that recommendations would be implemented, conditions have not improved. This audit identified weaknesses such as inadequate segregations of duties, untimely depositing of receipts, inadequate accounting of bad checks filed, inaccurate bank reconciliations, no accounting for liabilities, and untimely processing of bad checks.
- Numerous inaccuracies were noted in the county's budget documents for 2000 and 1999. As a result, numerous adjustments were made to the financial statements presented in this audit report. In addition, actual disbursements exceeded budgeted amounts for several county funds.
- The county does not have procedures in place to track federal awards for preparation of the schedule of federal awards. The information presented by the County Clerk contained numerous errors and omissions. Without an accurate schedule, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

(over)

YELLOW SHEET

- The County Collector does not reconcile his cash balance to existing liabilities. There was \$10,389 of undistributed taxes and unidentified monies in his bank account. In addition, the County Collector retains fees for non-sufficient fund checks and fees for duplicate tax statements to purchase office supplies. State law requires every county official who receives fees for official services to pay such monies monthly to the county treasury.
- The county did not maintain documentation to support not selecting the lowest bid for several purchases, including dispatching equipment with a bid approximately \$17,900 lower than the bid selected. The County Commission indicated the decision was based on the vendors references and past experience with the vendor. In addition, the county health center did not accept the lowest bid for employee health insurance.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Webster county's Associate County Commissioners salaries were each increased approximately \$7,060 according to information from the county clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,120, for the two years ended December 31, 2000, should be repaid.

- At March 31, 2001, the county had accumulated more than \$8,600 in the Children's Trust Fund and had only disbursed \$2,000 of these funds to a domestic violence shelter since 1997.
- Prior audits have recommended that the Health Center solicit proposals to refinance a \$550,000 lease purchase agreement that has been costing the Health Center 10 percent interest since 1995. Not until August, 2001 did the Health Center negotiate the interest rate which is now down to 8 percent.
- Numerous deficiencies were identified in the Associate Circuit Division's records and procedures. The Associate Division does not deposit receipts timely, reconcile bank accounts, properly segregate accounting duties, properly account for liabilities, and more.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Emergency 911 Board, County Health Center, County Clerk, County Collector, and County Sheriff. The audit also suggested improvements be made in the county's expenditure procedures, property tax system and personnel policies. Several of these issues had been noted in prior audits.

All reports are available on our website: www.auditor.state.mo.us

WEBSTER COUNTY, MISSOURI

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WEBSTER COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Webster County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Webster County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Webster County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Webster County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Webster County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 14, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Webster County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 14, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA
In-Charge Auditor:	April McHaffie, CPA
Audit Staff:	Saundra Ohern, CPA
	Curtis Gannon



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Webster County, Missouri

We have audited the special-purpose financial statements of various funds of Webster County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 14, 2001. We conducted our audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Webster County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Webster County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Webster County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 14, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

WEBSTER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 328,227	1,856,320	1,645,973	538,574
Special Road and Bridge	100,446	1,248,098	1,157,589	190,955
Assessment	10,390	202,916	202,374	10,932
Law Enforcement Training	1,959	5,502	5,166	2,295
Prosecuting Attorney Training	37	1,351	1,151	237
Capital Improvement Sales Tax	166,060	987,820	1,110,091	43,789
Sheriff Equipment	681	251	0	932
Sheriff Drug	2,441	496	1,269	1,668
DARE	3,001	1,303	643	3,661
Prosecuting Attorney Delinquent Tax	28	2	0	30
Prosecuting Attorney Drug	3,022	149	2,481	690
Recorder User Fee	9,833	16,114	13,774	12,173
Local Emergency Planning Commission	6,974	3,161	4,238	5,897
Peace Officers Standards Training	0	2,391	2,391	0
Sheriff	3,897	42,756	41,435	5,218
Family Access	158	55	213	0
Election Services	128	2,688	2,554	262
Children's Trust	6,630	1,636	0	8,266
Health Center	173,853	613,864	638,104	149,613
Senate Bill 40 Board	44,518	162,453	184,086	22,885
Emergency 911	528,220	411,271	330,591	608,900
Law Library	6,987	14,108	10,814	10,281
Circuit Clerk Interest	2,820	2,410	1,066	4,164
Associate Circuit Division Interest	344	1,933	519	1,758
Total	\$ 1,400,654	5,579,048	5,356,522	1,623,180

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

WEBSTER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 212,952	1,709,602	1,594,327	328,227
Special Road and Bridge	123,687	1,229,095	1,252,336	100,446
Assessment	12,473	188,243	190,326	10,390
Law Enforcement Training	689	5,151	3,881	1,959
Prosecuting Attorney Training	21	1,198	1,182	37
Capital Improvement Sales Tax	114,815	960,716	909,471	166,060
Sheriff Equipment	258	423	0	681
Sheriff Drug	27	5,296	2,882	2,441
DARE	1,648	1,353	0	3,001
Prosecuting Attorney Delinquent Tax	26	2	0	28
Prosecuting Attorney Drug	6	5,229	2,213	3,022
Recorder User Fee	23,016	18,273	31,456	9,833
Local Emergency Planning Commission	9,759	3,173	5,958	6,974
Peace Officers Standards Training	0	2,541	2,541	0
Sheriff	30,910	42,009	69,022	3,897
Family Access	0	158	0	158
Election Services	0	128	0	128
CDBG	0	457,042	457,042	0
Children's Trust	5,022	1,608	0	6,630
Health Center	217,078	604,947	648,172	173,853
Senate Bill 40 Board	40,694	154,630	150,806	44,518
Emergency 911	574,454	394,786	441,020	528,220
Law Library	7,264	11,513	11,790	6,987
Circuit Clerk Interest	4,951	2,183	4,314	2,820
Associate Circuit Division Interest	1,037	677	1,370	344
Total	\$ 1,380,787	5,799,976	5,780,109	1,400,654

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

WEBSTER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 5,486,021	5,575,479	89,458	5,721,058	5,799,171	78,113
DISBURSEMENTS	5,860,537	5,356,003	504,534	6,306,121	5,778,739	527,382
RECEIPTS OVER (UNDER) DISBURSEMENTS	(374,516)	219,476	593,992	(585,063)	20,432	605,495
CASH, JANUARY 1	1,392,979	1,393,680	701	1,374,996	1,379,750	4,754
CASH, DECEMBER 31	1,018,463	1,613,156	594,693	789,933	1,400,182	610,249
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	78,299	85,622	7,323	137,595	142,769	5,174
Sales taxes	981,545	957,111	(24,434)	870,682	851,728	(18,954)
Intergovernmental	111,778	96,612	(15,166)	105,022	85,096	(19,926)
Charges for services	479,250	494,267	15,017	471,500	480,531	9,031
Interest	3,500	25,873	22,373	10,000	16,697	6,697
Other	11,000	21,335	10,335	3,100	6,490	3,390
Transfers in	175,500	175,500	0	124,480	126,291	1,811
Total Receipts	1,840,872	1,856,320	15,448	1,722,379	1,709,602	(12,777)
DISBURSEMENTS						
County Commission	87,595	86,855	740	88,515	85,975	2,540
County Clerk	78,976	78,245	731	79,087	77,971	1,116
Elections	71,841	75,041	(3,200)	29,300	28,792	508
Buildings and grounds	77,372	62,504	14,868	71,650	57,572	14,078
Employee fringe benefits	135,044	125,083	9,961	125,219	108,823	16,396
County Treasurer	33,500	32,927	573	33,600	33,330	270
County Collector	83,847	79,174	4,673	83,889	81,152	2,737
Ex Officio Recorder of Deeds	33,443	31,882	1,561	32,187	31,959	228
Circuit Clerk	19,100	14,329	4,771	18,100	14,524	3,576
Associate Circuit Court	19,100	14,263	4,837	20,300	12,592	7,708
Court administration	5,300	5,843	(543)	5,300	2,234	3,066
Public Administrator	39,758	40,610	(852)	31,645	41,748	(10,103)
Purchasing agent	12,423	12,345	78	11,643	11,513	130
Emergency management	13,875	12,567	1,308	14,143	13,824	319
Sheriff	620,298	586,885	33,413	547,900	562,773	(14,873)
Juvenile Detention Center	45,201	42,968	2,233	45,201	42,615	2,586
Prosecuting Attorney	108,880	107,780	1,100	102,225	102,232	(7)
Juvenile Officer	97,091	52,860	44,231	104,959	89,328	15,631
County Coroner	8,900	8,251	649	8,435	8,164	271
Public health and welfare services	5,000	10,733	(5,733)	4,000	6,487	(2,487)
Debt service	11,240	11,240	0	11,240	11,240	0
University Extension	44,048	44,048	0	41,900	41,900	0
Other	110,047	85,954	24,093	116,649	88,982	27,667
Transfers out	22,728	23,586	(858)	38,597	38,597	0
Emergency Fund	55,200	0	55,200	51,216	0	51,216
Total Disbursements	1,839,807	1,645,973	193,834	1,716,900	1,594,327	122,573
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,065	210,347	209,282	5,479	115,275	109,796
CASH, JANUARY 1	328,227	328,227	0	212,952	212,952	0
CASH, DECEMBER 31	329,292	538,574	209,282	218,431	328,227	109,796

Exhibit B

WEBSTER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	302,575	342,306	39,731	325,000	330,246	5,246
Intergovernmental	773,942	879,223	105,281	826,360	863,746	37,386
Charges for services	40,000	2,375	(37,625)	35,000	12,471	(22,529)
Interest	15,000	17,858	2,858	10,000	15,035	5,035
Other	1,500	6,336	4,836	15,500	7,597	(7,903)
Total Receipts	1,133,017	1,248,098	115,081	1,211,860	1,229,095	17,235
DISBURSEMENTS						
Salaries	470,000	450,285	19,715	428,000	424,586	3,414
Employee fringe benefits	93,995	76,725	17,270	89,659	73,529	16,130
Supplies	9,980	20,048	(10,068)	63,100	8,703	54,397
Insurance	21,000	19,775	1,225	19,651	19,687	(36)
Road and bridge materials	62,000	88,774	(26,774)	312,000	425,928	(113,928)
Equipment repairs	125,000	108,739	16,261	40,000	57,600	(17,600)
Rentals	20,000	21,690	(1,690)	0	0	0
Equipment purchases	35,000	35,349	(349)	0	0	0
Construction, repair, and maintenance	176,000	157,542	18,458	111,000	50,990	60,010
Distribution to speical road district	121,735	137,805	(16,070)	129,370	134,686	(5,316)
Other	27,500	25,857	1,643	80,200	41,627	38,573
Transfers out	15,000	15,000	0	15,000	15,000	0
Total Disbursements	1,177,210	1,157,589	19,621	1,287,980	1,252,336	35,644
RECEIPTS OVER (UNDER) DISBURSEMENTS	(44,193)	90,509	134,702	(76,120)	(23,241)	52,879
CASH, JANUARY 1	100,446	100,446	0	123,687	123,687	0
CASH, DECEMBER 31	56,253	190,955	134,702	47,567	100,446	52,879
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	173,562	175,192	1,630	162,438	145,487	(16,951)
Charges for services	2,000	2,185	185	2,500	2,920	420
Interest	500	2,495	1,995	532	980	448
Other	0	316	316	0	259	259
Transfers in	22,728	22,728	0	38,597	38,597	0
Total Receipts	198,790	202,916	4,126	204,067	188,243	(15,824)
DISBURSEMENTS						
Assessor	208,790	202,374	6,416	216,185	190,326	25,859
Total Disbursements	208,790	202,374	6,416	216,185	190,326	25,859
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,000)	542	10,542	(12,118)	(2,083)	10,035
CASH, JANUARY 1	10,390	10,390	0	12,473	12,473	0
CASH, DECEMBER 31	390	10,932	10,542	355	10,390	10,035

Exhibit B

WEBSTER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	5,000	5,418	418	6,155	5,087	(1,068)
Interest	60	84	24	55	64	9
Total Receipts	5,060	5,502	442	6,210	5,151	(1,059)
DISBURSEMENTS						
Sheriff	6,100	5,166	934	6,210	3,881	2,329
Total Disbursements	6,100	5,166	934	6,210	3,881	2,329
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,040)	336	1,376	0	1,270	1,270
CASH, JANUARY 1	1,959	1,959	0	689	689	0
CASH, DECEMBER 31	919	2,295	1,376	689	1,959	1,270
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,000	1,341	341	1,600	1,192	(408)
Interest	5	10	5	25	6	(19)
Total Receipts	1,005	1,351	346	1,625	1,198	(427)
DISBURSEMENTS						
Prosecuting Attorney	975	1,151	(176)	1,610	1,182	428
Total Disbursements	975	1,151	(176)	1,610	1,182	428
RECEIPTS OVER (UNDER) DISBURSEMENTS	30	200	170	15	16	1
CASH, JANUARY 1	37	37	0	21	21	0
CASH, DECEMBER 31	67	237	170	36	37	1
<u>CAPITAL IMPROVEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales tax	981,716	958,392	(23,324)	916,350	921,799	5,449
Interest	7,000	13,428	6,428	5,000	7,262	2,262
Other	0	16,000	16,000	5,000	31,655	26,655
Total Receipts	988,716	987,820	(896)	926,350	960,716	34,366
DISBURSEMENTS						
Road and bridge materials	840,000	775,794	64,206	455,000	431,733	23,267
Equipment	121,500	183,159	(61,659)	326,300	317,987	8,313
Other	0	0	0	66,000	14,597	51,403
Distribution to special road district	154,816	151,138	3,678	145,425	145,154	271
Total Disbursements	1,116,316	1,110,091	6,225	992,725	909,471	83,254
RECEIPTS OVER (UNDER) DISBURSEMENTS	(127,600)	(122,271)	5,329	(66,375)	51,245	117,620
CASH, JANUARY 1	166,060	166,060	0	114,815	114,815	0
CASH, DECEMBER 31	38,460	43,789	5,329	48,440	166,060	117,620

Exhibit B

WEBSTER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF EQUIPMENT FUND</u>						
RECEIPTS						
Interest	0	51	51	15	23	8
Other	750	200	(550)	685	400	(285)
Total Receipts	750	251	(499)	700	423	(277)
DISBURSEMENTS						
Sheriff	0	0	0	957	0	957
Total Disbursements	0	0	0	957	0	957
RECEIPTS OVER (UNDER) DISBURSEMENTS	750	251	(499)	(257)	423	680
CASH, JANUARY 1	0	681	681	257	258	1
CASH, DECEMBER 31	750	932	182	0	681	681
<u>SHERIFF DRUG FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	9,960	5,035	(4,925)
Interest	0	96	96	40	261	221
Other	10,000	400	(9,600)	0	0	0
Total Receipts	10,000	496	(9,504)	10,000	5,296	(4,704)
DISBURSEMENTS						
Sheriff	0	1,269	(1,269)	10,027	2,882	7,145
Total Disbursements	0	1,269	(1,269)	10,027	2,882	7,145
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,000	(773)	(10,773)	(27)	2,414	2,441
CASH, JANUARY 1	2,441	2,441	0	27	27	0
CASH, DECEMBER 31	12,441	1,668	(10,773)	0	2,441	2,441
<u>DARE FUND</u>						
RECEIPTS						
Interest	0	176	176	0	99	99
Other	1,000	1,127	127	1,000	1,254	254
Total Receipts	1,000	1,303	303	1,000	1,353	353
DISBURSEMENTS						
Sheriff	0	643	(643)	1,648	0	1,648
Total Disbursements	0	643	(643)	1,648	0	1,648
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	660	(340)	(648)	1,353	2,001
CASH, JANUARY 1	3,001	3,001	0	1,648	1,648	0
CASH, DECEMBER 31	4,001	3,661	(340)	1,000	3,001	2,001

Exhibit B

WEBSTER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Interest	2	2	0	2	2	0
Total Receipts	2	2	0	2	2	0
DISBURSEMENTS						
Prosecuting Attorney	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	2	2	0	2	2	0
CASH, JANUARY 1	28	28	0	26	26	0
CASH, DECEMBER 31	30	30	0	28	28	0
<u>PROSECUTING ATTORNEY DRUG FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	20,000	5,035	(14,965)
Interest	0	149	149	0	194	194
Total Receipts	0	149	149	20,000	5,229	(14,771)
DISBURSEMENTS						
Prosecuting Attorney	1,200	2,481	(1,281)	3,000	2,213	787
Total Disbursements	1,200	2,481	(1,281)	3,000	2,213	787
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,200)	(2,332)	(1,132)	17,000	3,016	(13,984)
CASH, JANUARY 1	3,002	3,022	20	6	6	0
CASH, DECEMBER 31	1,802	690	(1,112)	17,006	3,022	(13,984)
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	1,400	15,396	13,996	0	16,814	16,814
Interest	16,815	718	(16,097)	1,000	1,459	459
Total Receipts	18,215	16,114	(2,101)	1,000	18,273	17,273
DISBURSEMENTS						
Ex Officio Recorder of Deeds	18,030	13,774	4,256	7,000	31,456	(24,456)
Total Disbursements	18,030	13,774	4,256	7,000	31,456	(24,456)
RECEIPTS OVER (UNDER) DISBURSEMENTS	185	2,340	2,155	(6,000)	(13,183)	(7,183)
CASH, JANUARY 1	9,833	9,833	0	23,016	23,016	0
CASH, DECEMBER 31	10,018	12,173	2,155	17,016	9,833	(7,183)
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	2,700	2,901	201	2,700	2,753	53
Interest	375	260	(115)	350	420	70
Total Receipts	3,075	3,161	86	3,050	3,173	123
DISBURSEMENTS						
Emergency planning	7,250	4,238	3,012	8,700	5,958	2,742
Total Disbursements	7,250	4,238	3,012	8,700	5,958	2,742
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,175)	(1,077)	3,098	(5,650)	(2,785)	2,865
CASH, JANUARY 1	6,974	6,974	0	9,759	9,759	0
CASH, DECEMBER 31	2,799	5,897	3,098	4,109	6,974	2,865

Exhibit B

WEBSTER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PEACE OFFICERS STANDARDS TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	2,500	2,391	(109)	2,500	2,541	41
Total Receipts	2,500	2,391	(109)	2,500	2,541	41
DISBURSEMENTS						
Sheriff	0	2,391	(2,391)	2,500	2,541	(41)
Total Disbursements	0	2,391	(2,391)	2,500	2,541	(41)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,500	0	(2,500)	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	2,500	0	(2,500)	0	0	0
<u>SHERIFF FUND</u>						
RECEIPTS						
Charges for services	50,000	42,443	(7,557)	35,000	33,811	(1,189)
Interest	0	313	313	0	1,486	1,486
Other	0	0	0	0	6,712	6,712
Total Receipts	50,000	42,756	(7,244)	35,000	42,009	7,009
DISBURSEMENTS						
Sheriff	50,500	41,435	9,065	50,000	69,022	(19,022)
Total Disbursements	50,500	41,435	9,065	50,000	69,022	(19,022)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	1,321	1,821	(15,000)	(27,013)	(12,013)
CASH, JANUARY 1	3,897	3,897	0	30,916	30,910	(6)
CASH, DECEMBER 31	3,397	5,218	1,821	15,916	3,897	(12,019)
<u>FAMILY ACCESS FUND</u>						
RECEIPTS						
Charges for services	100	50	(50)	100	150	50
Interest	0	5	5	0	8	8
Total Receipts	100	55	(45)	100	158	58
DISBURSEMENTS						
Family access	0	213	(213)	0	0	0
Total Disbursements	0	213	(213)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	(158)	(258)	100	158	58
CASH, JANUARY 1	158	158	0	100	0	(100)
CASH, DECEMBER 31	258	0	(258)	200	158	(42)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	3,421	1,777	(1,644)			
Interest	0	52	52			
Transfers in	0	859	859			
Total Receipts	3,421	2,688	(733)			
DISBURSEMENTS						
Election services	0	2,554	(2,554)			
Total Disbursements	0	2,554	(2,554)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,421	134	(3,287)			
CASH, JANUARY 1	128	128	0			
CASH, DECEMBER 31	3,549	262	(3,287)			

Exhibit B

WEBSTER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Charges for services				1,450	1,320	(130)
Interest				0	288	288
Total Receipts				1,450	1,608	158
DISBURSEMENTS						
Domestic violence shelters				0	0	0
Total Disbursements				0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				1,450	1,608	158
CASH, JANUARY 1				5,132	5,022	(110)
CASH, DECEMBER 31				6,582	6,630	48
<u>CDBG FUND</u>						
RECEIPTS						
Intergovernmental				443,513	443,513	0
Other				0	13,529	13,529
Total Receipts				443,513	457,042	13,529
DISBURSEMENTS						
Design and construction				443,513	457,042	(13,529)
Total Disbursements				443,513	457,042	(13,529)
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	260,342	274,752	14,410	246,720	264,143	17,423
Intergovernmental	316,995	261,283	(55,712)	317,502	255,163	(62,339)
Charges for services	81,070	68,932	(12,138)	39,400	76,217	36,817
Interest	5,000	8,897	3,897	4,000	9,424	5,424
Total Receipts	663,407	613,864	(49,543)	607,622	604,947	(2,675)
DISBURSEMENTS						
Salaries	506,036	463,747	42,289	432,589	412,241	20,348
Office expenditures	22,010	19,241	2,769	23,200	20,778	2,422
Medical expenditures	47,162	55,061	(7,899)	41,024	44,351	(3,327)
Equipment	5,200	9,084	(3,884)	6,900	5,006	1,894
Debt service	74,000	74,000	0	148,000	148,000	0
Other	89,810	16,971	72,839	87,522	17,796	69,726
Total Disbursements	744,218	638,104	106,114	739,235	648,172	91,063
RECEIPTS OVER (UNDER) DISBURSEMENTS	(80,811)	(24,240)	56,571	(131,613)	(43,225)	88,388
CASH, JANUARY 1	173,853	173,853	0	217,078	217,078	0
CASH, DECEMBER 31	93,042	149,613	56,571	85,465	173,853	88,388

Exhibit B

WEBSTER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Property taxes	151,266	157,865	6,599	150,000	151,501	1,501
Intergovernmental	0	786	786	0	984	984
Interest	1,000	3,802	2,802	0	2,145	2,145
Total Receipts	152,266	162,453	10,187	150,000	154,630	4,630
DISBURSEMENTS						
Contractual services	136,896	184,086	(47,190)	141,706	150,806	(9,100)
Total Disbursements	136,896	184,086	(47,190)	141,706	150,806	(9,100)
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,370	(21,633)	(37,003)	8,294	3,824	(4,470)
CASH, JANUARY 1	44,518	44,518	0	40,694	40,694	0
CASH, DECEMBER 31	59,888	22,885	(37,003)	48,988	44,518	(4,470)
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Sales tax	385,910	383,226	(2,684)	359,130	369,596	10,466
Interest	15,000	28,045	13,045	0	25,173	25,173
Other	15	0	(15)	0	17	17
Total Receipts	400,925	411,271	10,346	359,130	394,786	35,656
DISBURSEMENTS						
Salaries	73,865	68,208	5,657	74,400	67,236	7,164
Office expense	21,615	15,396	6,219	5,920	17,159	(11,239)
Equipment	48,900	30,405	18,495	10,665	83,040	(72,375)
Contractual services	240,160	54,261	185,899	469,540	156,207	313,333
Mileage and training	9,705	3,321	6,384	6,500	8,214	(1,714)
Transfers out	159,000	159,000	0	109,200	109,164	36
Total Disbursements	553,245	330,591	222,654	676,225	441,020	235,205
RECEIPTS OVER (UNDER) DISBURSEMENTS	(152,320)	80,680	233,000	(317,095)	(46,234)	270,861
CASH, JANUARY 1	528,220	528,220	0	574,454	574,454	0
CASH, DECEMBER 31	375,900	608,900	233,000	257,359	528,220	270,861

Exhibit B

WEBSTER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	10,700	13,804	3,104	11,835	11,292	(543)
Interest	200	304	104	165	221	56
Total Receipts	10,900	14,108	3,208	12,000	11,513	(487)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	0	10,814	(10,814)	0	11,790	(11,790)
Total Disbursements	0	10,814	(10,814)	0	11,790	(11,790)
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,900	3,294	(7,606)	12,000	(277)	(12,277)
CASH, JANUARY 1	6,987	6,987	0	7,246	7,264	18
CASH, DECEMBER 31	17,887	10,281	(7,606)	19,246	6,987	(12,259)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	2,000	2,410	410	1,500	2,183	683
Total Receipts	2,000	2,410	410	1,500	2,183	683
DISBURSEMENTS						
Circuit Clerk	0	1,066	(1,066)	0	4,314	(4,314)
Total Disbursements	0	1,066	(1,066)	0	4,314	(4,314)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	1,344	(656)	1,500	(2,131)	(3,631)
CASH, JANUARY 1	2,820	2,820	0	0	4,951	4,951
CASH, DECEMBER 31	4,820	4,164	(656)	1,500	2,820	1,320

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

WEBSTER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Webster County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, or the Emergency 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Children's Trust Fund	2000
Election Services Fund	1999
Associate Circuit Division Interest Fund	2000 and 1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Training Fund	2000
Sheriff Drug Fund	2000
DARE Fund	2000
Prosecuting Attorney Drug Fund	2000
Recorder User Fee Fund	1999
POST Fund	2000 and 1999
Sheriff Fund	1999
Family Access Fund	2000
Election Services Fund	2000
CDBG Fund	1999
Senate Bill 40 Board Fund	2000 and 1999
Law Library Fund	2000 and 1999
Circuit Clerk Interest Fund	2000 and 1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Election Services Fund	2000 and 1999
CDBG Fund	1999
Emergency 911	1999
Law Library Fund	2000 and 1999
Circuit Clerk Interest Fund	2000 and 1999
Associate Circuit Division Interest Fund	2000 and 1999

For the Health Center Fund, the county's published financial statement for the year ended December 31, 1999, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's, Senate Bill 40 Board's, and Emergency 911 Board's deposits at December 31, 2000 and 1999 were entirely covered by the federal depository insurance or by collateral securities held by the custodial banks in the applicable boards' name.

Supplementary Schedule

Schedule

WEBSTER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9213	\$ 0	80,818
		ER0045-0213	78,560	29,917
		ERS0451-213W	26,237	0
	Program Total		<u>104,797</u>	<u>110,735</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	97-ED-10	0	443,513
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	98-CG-WX-0344	0	8,966
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	3,750	5,095
Passed through:				
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	615	1,402
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	46	197
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
83.534	Emergency Management - State and Local Assistance	N/A	6,940	5,687

Schedule

WEBSTER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.268	Immunization Grants	N/A	51,262	41,718
		PG0064-9213IAP	0	4,145
	Program Total		51,262	45,863
Department of Social Services -				
93.563	Child Support Enforcement	N/A	12,248	11,713
Department of Health -				
93.575	Child Care and Development Block Grant	PG0067-9213	0	1,170
		PGA067-0213S	200	320
		PGA067-1213S	545	0
		ERO146-9213	0	230
		PGA067-0213C	240	0
		PGA067-1213C	530	0
	Program Total		1,515	1,720
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-90010	0	5,072
		ERS161-00060	2,439	4,446
		ERS161-10006	3,950	0
	Program Total		6,389	9,518
93.940	HIV Prevention Activities - Health Department Based	N/A	94	103
93.991	Preventive Health and Health Services Block Grant	N/A	575	447
93.994	Maternal and Child Health Services Block Grant to the States	ERO175-9213FP	0	9,729
		ERS175-0213F	7,728	2,726
		ERS175-1213F	2,243	0
		ERO146-9213MCH	0	1,176
		ERS146-0123M	2,921	1,167
		C100015078	292	0
		N/A	2,877	2,233
	Program Total		16,061	17,031
	Total Expenditures of Federal Awards		\$ 204,292	661,990

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

WEBSTER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Webster County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 30.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$51,262 and \$41,718 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$575 and \$447 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,877 and \$2,233 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for the Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Webster County, Missouri

Compliance

We have audited the compliance of Webster County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Webster County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

Internal Control Over Compliance

The management of Webster County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The Reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Webster County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 14, 2001 (fieldwork completion date)

Schedule

WEBSTER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be a material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program:

CFDA or
Other Identifying

Number
14.228

Program Title

Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grant/State's Program
Pass-Through Entity	
Identifying Number:	97-ED-10
Award Year:	1999
Questioned Costs:	Not applicable

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the years ended December 31, 2000 and 1999, the county's SEFA contained numerous errors and omissions. For example, expenditures relating to several federal grants were reported incorrectly or not included on the schedules. Most programs reported did not include the required pass-through grantor's number. In addition, some non-federal programs were included. In 2000 the county only reported expenditures for three of its 14 federal programs, resulting in expenditures being understated by approximately \$127,027. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. Considering the overall incompleteness of the SEFA, it appears the County Clerk's efforts to prepare an accurate and complete SEFA were inadequate.

For the federal financial schedules to adequately reflect the county's federal financial assistance expenditures, it is necessary that all federal financial expenditures be properly reported. Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The Schedule of Federal Awards is completed as a supplement to the county budget in January of each year. The County Clerk submits requests for information to the county departments and independent boards which typically receive federal funding. The information is compiled as received. The County Clerk has no independent means of tracking revenues from programs funded by the federal government, nor the means to verify the reports submitted by recipients are accurate and complete. Greater emphasis will be given to encourage recipients to track and report federal money during the remainder of 2001 in preparation for the 2002 budget.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

WEBSTER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Webster County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1998.

98-1. County Sales Tax

The county did not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Webster County voters under the provisions of Section 67.505, RSMo 1994.

Recommendation:

The County Commission reduce the county property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

Status:

Implemented. The County Commission reduced the 1999 property tax levy to account for excess property taxes collected in prior years.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

WEBSTER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

WEBSTER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Webster County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 14, 2001. We also have audited the compliance of Webster County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 14, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Webster County but do not meet the criteria for inclusion in the written report on compliance and on internal

control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Expenditures

- A. The county did not maintain documentation to support the reason for not selecting the lowest bid. Examples include:

<u>Item Purchased</u>	<u>Amount</u>
Dispatching equipment	\$ 84,599
Trailer	25,400
Used tractor	14,685
Security system	13,053

The County Commission indicated their decision was based on references of the vendors and past experience with the vendor. Considering, for example, the low bid for the dispatching equipment was approximately \$17,900 lower than the bid selected, the County Commission should maintain complete documentation of its reasons for awarding contracts to bidders to provide assurance that county funds are spent wisely. In addition, bid documentation was not retained or bids were not solicited for parts and repairs to road equipment totaling \$49,287. Section 50.660, RSMo 2000, requires the advertisement for bids for all purchases of \$4,500 or more from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. In addition, competitive bidding assures all parties are given an equal opportunity to participate in county business. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request proposal, newspaper publication notices when applicable, bids received, the basis of justification for awarding bids, and documentation of all discussions with vendors.

- B. The County Commission distributes county aid road trust (CART) monies and capital improvement sales tax (CIST) monies to the Seymour Special Road District, which is a separate political subdivision and not under the control of the County Commission. Monies are distributed based on the district's share of miles within the county. During the two years ended December 31, 2000, approximately \$272,491 of CART monies and \$296,292 of CIST monies were distributed to the special road district. While the county did request and receive from the special road district financial information regarding the use of the monies, there were no written contracts.

The County Commission should obtain written contracts with the special road district which document the specific services to be provided for the use of these monies. In addition, the County Commission should review financial information submitted by the special road district regarding the actual uses of the funds provided.

- C. The County Commissioner's approval of expenditures is not always documented. In addition, a county employee's signature indicating receipt of goods or services was not evident on most expenditure documentation we reviewed. While the County Commissioners sign county checks, there is no indication that the County Commissioners reviewed and approved the corresponding invoices and supporting documentation. To ensure expenditures are proper, all invoices and supporting documentation should be properly approved and evidence of receipt of goods should be noted prior to payment. With the current procedures it is unclear if expenditures were properly approved.
- D. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for the associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Webster County's Associate County Commissioners salaries were each increased approximately \$7,060 yearly, according to the information provided by the county clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of the statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, hold that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,120 for the two years ended December 31, 2000, should be repaid.

WE RECOMMEND the County Commission:

- A. Maintain complete and adequate documentation of bidding decisions and solicit bids for all items in accordance with state law.
- B. Obtain written agreements with the Seymour Special Road District documenting the services to be provided and review financial information regarding the use of county CART and CIST monies.

- C. Document their approval of expenditures, and ensure all invoices contain an indication of receipt of goods or services.
- D. Review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The Commission and Purchasing Agent complied with the law in each of the examples cited, but did not fully document the fact that proper bidding procedures were followed. Steps have been taken to ensure that more complete documentation is maintained in the future.*
- B. *The Commission has followed a policy of non-interference with the Seymour Special Road District, which has its own elected commissioners. However, the Commission will meet with representatives of the Special Road District at their earliest opportunity to discuss obtaining a written contract and to ensure that the road district follows the same strict interpretation of 'allowable purposes' set forth above.*
- C. *The Commission has implemented a formal procedure of documenting their approval of expenditures. The Commission will implement procedures to ensure that employees sign any receipts of goods or services.*
- D. *The Missouri Supreme Court ruled on the constitutionality of mid-term raises for Associate Commissioners. However, the Court did not specify what actions – if any – should be taken as a remedy. This is a legal matter. It is the opinion of the Commission that no further action is advisable, pending further legal action. When the courts make a final determination upon the issue of repayment, the Commission will comply.*

2.	Budgetary Procedures and Financial Statements
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- A. Actual expenditures exceeded budgeted amounts in the following funds:

Fund	Year Ended December 31,	
	2000	1999
Prosecuting Attorney Training	\$ 176	N/A
Sheriff Drug	1,269	N/A
DARE	643	N/A
Prosecuting Attorney Drug	1,281	N/A
Recorder User Fee	N/A	24,456
POST	2,391	41

Sheriff	N/A	19,022
Family Access	213	N/A
Election Services	2,554	N/A
CDBG	N/A	13,529
Senate Bill 40 Board	47,190	9,100
Law Library	10,814	11,790
Circuit Clerk Interest	1,066	4,314
Total	\$ 67,597	82,252

The county and Senate Bill 40 Board do not adequately monitor budgeted amounts to actual results.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

B. Numerous inaccuracies were noted in the information presented in the county's budget documents for 2000, and 1999. While the financial records maintained by the County Treasurer and the County Clerk appeared accurate, the County Clerk did not ensure these amounts were accurately reflected on the budgets. Examples of these errors included the following:

- The cash reconciliation section of the budget was not prepared for several funds.
- Actual receipts and disbursements for the previous two years were not included for the Local Emergency Planning Commission Fund.
- Numerous errors were made on the actual numbers reported on the budgets. For example, \$1,353 was reported as interest receipts on the 2000 budget for the Sheriff Fund when actual interest receipts totaled \$99.
- Some transfers between funds were not properly reported in the actual receipts and disbursements of both funds.

As a result of the errors, it was necessary to make numerous adjustments to the amounts presented in the financial statements. Considering the various errors and

omissions noted, the approved budgets did not provide Webster County citizens with reliable information about the county's finances.

These errors could have been detected had a thorough review been performed by the County Clerk or County Commission and then corrected before the budget was finalized. It is the County Clerk's fiduciary responsibility to prepare complete and accurate budgets.

In addition to being required by state law, complete and accurate budgets are essential for the County Commission and County Clerk to evaluate county operations and to project the anticipated needs of the county for the upcoming year. Complete and accurate budgets are also necessary to properly inform the county's citizens about the county's finances.

Failure to present accurate financial information decreases the effectiveness of the budget as a management tool. To be of maximum benefit to the county and its taxpayers, a complete and accurate budget document should be prepared.

- C. The county's annual published financial statements did not include financial activity for some county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included. Sections 50.800 and 50.810, RSMo 2000, require county financial statements to be prepared and published in a local newspaper and must show actual receipts or revenues, disbursements or expenditures, and beginning and ending balances for each county fund.

WE RECOMMEND the County Commission:

- A. And the Senate Bill 40 Board implement procedures to ensure budgets are properly amended if necessary, and expenditures are kept within budgetary limits.
- B. Ensure budget documents contain complete, accurate, and reasonable information about the county's finances. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.
- C. Ensure financial information as provided for by law is properly presented in the published financial statements for all county funds.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The Commission will work with the officeholders and independent boards involved to encourage better understanding of proper budgetary procedure.*

- B. *The examples cited in the Audit Report are from funds not subject to Commission approval. Budgets for these smaller funds are submitted to the County Clerk by the officeholders and Board concerned. Greater efforts will be made in the future to ensure that the budgets submitted by these officeholders and Boards are complete and accurate.*
- C. *Some of the smaller funds not subject to Commission approval were omitted from the financial statements for 2000 and prior years. The 2001 Financial Statement will include these funds.*

The Senate Bill 40 Board Provided the Following Response:

- A. *In the future, we will ensure our budget is amended or expenditures are kept within budgetary limits.*

3. Personnel Policies and Procedures

- A. The county has not established a formal policy regarding donated leave time for county employees. The County Commission approved salary payments from donated leave time totaling \$8,938 for one road and bridge employee. The employee did not have any accumulated annual leave or sick leave time to use when he became ill and other road and bridge employees donated a portion of their leave to him.

Complete and detailed written policies are necessary to provide guidance to county employees and provide a basis for proper compensation. In addition, any deviations from the policy should be clearly documented.

- B. Sheriff deputies serve as guards to transport prisoners but do not report the time worked on their time sheets. The county pays deputies a set guard fee rather than including the hours in calculating hours worked and overtime worked. The county considers the deputy to be off-duty when transporting prisoners and these fees were not subjected to payroll withholdings and were not reported on the employees' W-2 forms. Our review indicated \$8,599 was paid to deputies for guard fees during the two years ending December 31, 2000.

Any full-time county employee serving as a guard should be compensated under normal county payroll procedures, calculating hours worked and any overtime incurred. The county should review the overall procedures for paying deputies who perform guard duties to ensure compliance with the Fair Labor Standards Act (FLSA) provisions. In addition, all compensation should be reported on the employees' W-2 forms.

WE RECOMMEND the County Commission:

- A. Expand the county's leave policy to address the issue of donated leave time.
- B. And the Sheriff ensure deputies who serve as guards are paid their normal salary for the amount of time spent, and all payments should be included on W-2 forms.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A. *This issue has been addressed by a personnel committee formed by the Commission in the summer of 2001.*
- B. *The Sheriff implemented new 'FLSA compliant' procedures in January 2001.*

The Sheriff provided the following response:

- B. *Deputies no longer transport on their off duty hours.*

4. Property Tax System and Computer Controls

- A. Controls over property tax additions and abatements are not adequate. The County Collector makes changes to the tax books after receiving information from the County Assessor for additions and abatements occurring throughout the month. The County Clerk is responsible for preparing court orders for additions and abatements to be approved by the County Commission; however, court orders were not prepared for additions and abatements totaling \$2,549 and \$6,180 for 2000 and 1999, respectively. Also, there is no subsequent comparison of approved court-ordered additions and abatements to actual changes to the property tax data files or to amounts reflected on the County Collector's annual settlement.

The County Commission, in allowing the County Collector to make changes to the property tax books and also collect the taxes, is weakening controls over the collection of taxes by preventing proper segregation of duties from occurring. Furthermore, Section 137.260, RSMo 2000, requires that the tax book only be changed by the Clerk of the County Commission under order of the County Commission. Controls should be established so that the County Clerk periodically reconciles all additions and abatements to changes made to the property tax data files.

- B. The County Clerk does not verify the current and back tax books for accuracy. A review should include, verification of individual entries in the back tax book and footing total tax book charges. The County Clerk is responsible for the accuracy

of the personal and real estate tax books and the amounts with which the County Collector is charged. Failure to perform adequate reviews of the tax books could result in errors and irregularities going undetected. Section 140.050, RSMo 2000, requires the County Clerk to make the back tax book and charge the County Collector with the aggregate amount of taxes, interest, and County Clerk's fees contained in the back tax books.

- C. The county has a computer system, which is utilized by the County Assessor, and the County Collector. Passwords which restrict employee access to computer files are used by the Collector's and Assessor's office, however they are not unique to each employee. A unique password should be assigned to each user of the system, and these passwords should be kept confidential and changed periodically to prevent unauthorized access to computer files.

A similar condition was noted in our prior report.

- D. The County Clerk maintains backup disks of county financial and payroll information to provide a means of recreating destroyed master disks; however, the disks are not stored at an off-site location. As a result, they are susceptible to the same damage as the master files. Back-up disks should be maintained and stored off-site to provide increased assurance that any lost data can be recreated.

WE RECOMMEND:

- A. The County Commission revise the addition/abatement process so that the County Collector does not have the capability to make changes to property tax data or ensure that independent comparisons of these changes to tax data files are performed along with a subsequent verification with the County Collector's annual settlement.
- B. The County Clerk formally verify the accuracy of the tax books.
- C. The County Collector and County Assessor ensure unique passwords are assigned to each employee and these passwords are periodically changed and remain confidential.
- D. The County Clerk ensure backup disks are prepared and stored in a secure, off-site location.

AUDITEE'S RESPONSE

- A. *The County Commission indicated the procedure followed for a number of years has been for the Assessor to make necessary changes or corrections to assessments and report them monthly to the Collector to make changes in the tax books. The Collector prepares the Court Orders from these monthly reports, and submits them to the Clerk/Commission for approval. All parties involved will meet at the earliest opportunity*

to discuss revising procedures for abatements and additions. The Commission will suggest that the Clerk begin preparing Court Orders, and that the Clerk and Collector balance abatements and additions on a monthly basis.

- B. The County Clerk indicated that he will request that he and the Collector meet monthly to review the accuracy of the tax books, to include: property tax collections, abatement and additions, as well as income from merchant's/auctioneer's licenses, duplicate tax receipts and NSF (non-sufficient fund) check fees discussed later in the Audit Report.*
- C. The Collector and Assessor indicated they will discuss making changes to the program with the County Commission in January 2002 when the budget is being prepared.*
- D. The County Clerk indicated this recommendation has been implemented.*

5. County Procedures

- A. At March 31, 2001, the county had accumulated more than \$8,600 in the Children's Trust Fund and had only disbursed \$2,000 of these funds to a domestic violence shelter since 1997. Section 455.205, RSMo 2000, authorizes the county to impose certain fees on the issuance of marriage licenses and decrees of a dissolution of marriage. These fees are to be used to provide financial assistance to shelters for victims of domestic violence.
- B. Several county employees from various offices with access to money are not covered by an employee bond. Properly bonding all persons with access to monies would better protect the official and county from risk of loss. This condition was noted in the prior report.
- C. The County Clerk does not prepare minutes for the closed session of meetings of the County Commission. The County Commission held many closed sessions during the two years ended December 31, 2000, and while the regular meeting minutes did appear to disclose the reason for entering into closed session, minutes were not maintained for the closed portion of the meetings. In addition, it is not evident that the final disposition of matters discussed in closed meetings is made public. Section 610.021, RSMo 2000, allows the County Commission to close meetings to the extent the meetings relate to certain subjects, including litigation, real estate transactions, and personnel matters, and requires the matters discussed in closed meetings to be made public upon final disposition.

Section 51.120, RSMo 2000 requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Minutes constitute the official record of proceedings of the County Commission. Without adequate minutes, the County Commission cannot demonstrate that actions taken or business conducted during closed sessions related solely to the specific allowable reason announced for closing the meeting.

WE RECOMMEND the County Commission:

- A. Ensure Domestic Violence Fund monies are disbursed to qualifying shelters in a timely manner.
- B. Obtain adequate bond coverage for all employees with access to monies.
- C. Ensure minutes are prepared, approved, and retained for all closed meetings, and the final disposition of matters discussed at in closed meetings is made public as required by state law.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *In past years there was no local facility or organization qualified for these funds. The first such qualified application was received in the Fall of 2000, and the Commission immediately began disbursing said funds in 2001.*

B&C. These recommendations have been implemented.

6. County Collector's Records and Procedures

The County Collector's office processed property taxes totaling in excess of \$8 million during each of the years ended February 28, 2001 and 2000.

- A. The County Collector maintains a bank account for the deposit of property tax collections. Collections are distributed monthly, except for interest earnings and surtax which are distributed once a year.

The County Collector does not reconcile his cash balance to existing liabilities. At our request, the County Collector attempted to perform this reconciliation and identified \$4,135 in undistributed taxes and \$6,254 in unidentified monies in his account.

In addition, proper reconciliations could have tracked non-sufficient fund (NSF) checks. The County Collector received a NSF check for \$159 in December 1998. The individual subsequently paid for the NSF check; however, the second payment was recorded as an overpayment of taxes. The County Collector then issued two refund checks in error for \$159 each to the taxpayer. As a result, the County Collector is still owed \$318.

These errors could have been identified by the County Collector if cash balances were reconciled to existing liabilities. Without these reconciliations, the County Collector has no assurance that all transactions have been properly recorded. To

provide this assurance, book balances should be properly identified to appropriate liabilities and other reconciling items.

B. Partial payments on taxes and other fees are held in cash in the County Collector's vault and not deposited. We noted the following concerns related to these monies:

- The County Collector accepted partial payments on property taxes from two individuals. Monies are held in cash in the collector's vault until the taxes are paid in full. At March 5, 2001, partial payments totaling \$280 were held in cash.
- The County Collector collects a \$10 fee for non-sufficient fund checks received by his office. A cash count performed on March 5, 2001 noted \$250 of NSF check fees that were being held in cash. The County Collector indicated he retained the fees to purchase office supplies. There appears to be no statutory authority for the County Collector to collect and retain this fee.
- The County Collector collects a \$1 fee for duplicate copies of tax statements made by his office. A cash count performed on March 5, 2001 noted \$1,648 of duplicate copy fees that were being held in cash. The County Collector indicated he retained the fees to purchase office supplies.

Approximately \$880 was spent from cash receipts during 1999 and 2000. The practice of holding such monies in cash greatly increases the possibility of loss or misuse of such monies without detection and prevents receipts from being deposited intact. In addition, these fees represent accountable fees and should be remitted to the county treasury. Section 50.370, RSMo 2000, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. Expenditures made from these receipts were not budgeted or approved by the County Commission. The County Collector deposited these monies immediately after our cash count.

C. The method of payment was not always clearly indicated on some tax receipts, and the composition and amount of tax monies received is not compared to bank deposits. To ensure all monies collected are properly recorded and deposited, daily comparisons of collections and deposits should be performed.

WE RECOMMEND the County Collector:

A. Reconcile the amounts in the bank accounts to related liabilities and other reconciling items on a monthly basis. Any differences should be investigated and resolved. In addition, properly track NSF checks, and attempt to recover the \$318.

- B. Discontinue the practice of holding partial payments in cash, and review whether the \$10 non-sufficient fund check fee should be collected. In addition, duplicate tax fees should be remitted to the County Treasurer monthly and all office supplies should be purchased through the county expenditure process.
- C. Indicate the method of payment received, and reconcile the composition of receipts to the composition of bank deposits.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

- A. *We have now identified all but \$855 of the \$6,254. Reconciliations are now being performed monthly. We have received \$80 of the \$318 and will be receiving the rest as the person is now a ward of the Public Administrator. We are keeping a log of NSF checks.*
- B. *All these monies have been deposited and records are being maintained to account for them. We will continue to collect the \$10 NSF check fee. I plan to turn these fees over to the county and discuss with the County Commission the possibility of receiving additional help for the office.*
- C. *This has always been done, but we will try in the future to more clearly indicate the method of payment.*

7. Prosecuting Attorney's Records and Procedures

Prior audit reports have addressed the inadequacy of the Prosecuting Attorney's accounting controls and procedures. A special review report from 1998 concluded cash receipts had been misappropriated and made numerous recommendations for improvement. While the Prosecuting Attorney responded in the 1998 audit, as well as other previous audits that recommendations would be implemented, conditions have not improved.

The Prosecuting Attorney's office collected court-ordered restitution and bad check related restitution and fees in 2000 and 1999 of approximately \$43,800 and \$47,900, respectively. In addition to these collections, money orders made payable directly to the victims, are accepted and forwarded to the victims. Our review noted the following concerns:

- A. Accounting duties are not adequately segregated. One clerk is responsible for receiving and recording monies, preparing deposits, preparing checks, and reconciling bank statements. While the Prosecuting Attorney does sign checks, neither the Prosecuting Attorney nor other personnel independent of the cash custody and record-keeping functions provide any other supervision or review of

the work performed by the clerk. To adequately safeguard assets, the cash custody and record-keeping functions should be segregated where possible. If these functions cannot be segregated, at a minimum, there should be an independent comparison of receipt slips to bank deposits and an independent review of bank reconciliations. Any unusual items or discrepancies should be investigated.

- B. An adequate ledger or other record is not maintained to account for all bad checks filed with the Prosecuting Attorney and the ultimate disposition. While the clerk maintains an alphabetical listing of bad checks filed, the listing does not include the date the check was received or the disposition of the case. In addition to lacking important information, there appears to be no benefit for maintaining the current alphabetical listing.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned complaint number, the date the check was received by the prosecutors office, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including the date payment was received and transmitted to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.

- C. Our review of bank reconciliation procedures noted the following concerns:

- Monthly bank reconciliations are not accurately prepared. The outstanding check total includes only the outstanding checks from the most recent month, it does not include the previous month's checks that are still outstanding. This results in a reconciled balance that does not agree to any records maintained by the office.
- The check register balance has not been adjusted for errors noted during prior audits.

As a result, the reconciled bank balance does not agree to the check register balance, and old outstanding checks are not adequately followed up on. We noted a total of \$626 in outstanding checks more than one year old, which dated as far back as January 1995, for which no follow-up action has been taken.

Without maintaining accurate records of cash balances and preparing monthly bank reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner. In addition, procedures should be adopted to routinely follow up on old outstanding checks.

- D. Monthly listings of open items (liabilities) are not prepared and, consequently, are not agreed to the reconciled bank balance. While case fee sheets identify the amounts received and the amounts disbursed, the dates of the receipts and disbursements are not included on the case fee sheets, making it difficult to determine the open item amount as of a certain date. At our request, using the receipt slips and check stubs, the clerk prepared an open items listing for December 31, 2000, and identified \$2,680 of open items, some of which dated as far back as May 1998. The reconciled balance in the bank account as of December 31, 2000 was \$12,449, leaving \$9,769 unidentified.

Case fee sheets should be maintained in such a manner that the open item balance can be easily determined. Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. In addition, unidentified monies should be disposed of in accordance with state laws, and procedures should be adopted to routinely follow up on old open items.

- E. We noted the following problems during our review of receipts:

1. Monies are not receipted and deposited on a timely basis. During a cash count performed on January 16, 2001 we noted one money order for \$300 dating back to May 2000 that was not receipted until January 2001. Further, we noted money orders totaling \$600 received and recorded in July and August 2000 that were not deposited until January 2001. In addition, we noted several months where only one deposit was made and during August 2000 no deposits were made.
2. Money orders are not restrictively endorsed when received. Money orders are endorsed when the deposit is prepared.
3. Receipt slips are not always issued in numerical order. We noted receipt books used out of order during both years of our audit period.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be recorded and deposited intact daily, all money orders should be restrictively endorsed when received, and receipt slips should be issued in numerical order.

- F. Bad check fees received are not always turned over to the County Treasurer on a timely basis. We noted several instances where fees were not disbursed to the County Treasurer monthly. For example, December 2000 fees were not disbursed to the treasurer until March 13, 2001. Section 50.370, RSMo 2000, requires every county official who receives fees for official services to pay such monies monthly to the county treasury.

G. Bad checks received are not processed on a timely basis. The clerk places the bad checks and the complaint form to be processed in a box until she has time to process them. As of May 7, 2001, we noted the following checks that had not been processed:

- 19 checks received during 1999,
- 10 checks received between January and June 2000,
- 68 checks that were received between July and December 2000, and
- 112 checks that were received between January and May 2001.

To ensure bad checks are properly handled and cases are filed within the statute of limitations, bad checks complaints should be processed in a timely manner.

Conditions similar to Parts A, B, C, D, and E. were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Ensure duties are adequately segregated, or perform and document periodic reviews of the accounting records maintained and reconciliations prepared.
- B. Implement procedures to adequately account for bad checks received as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form and a log to account for the numerical sequence and ultimate disposition of each bad check.
- C. Prepare complete and accurate monthly bank reconciliations, and ensure the check register balance is accurate, and reconciles to the bank balance. Further, attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- D. Ensure case fee sheets reflect the open item balance, and a monthly listing of open items should be prepared and reconciled to the cash balance. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- E. Record and deposit receipts intact daily, and issue receipt slips in numerical order. In addition, money orders should be restrictively endorsed immediately upon receipt.
- F. Remit fees received to the county treasurer on a monthly basis.
- G. Ensure bad check complaints are processed on a timely manner.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following response:

I concur with all of the recommendations and will implement the recommendations by January 2002.

8. Associate Circuit Division's Records and Procedures

The Associate Circuit Court is comprised of five separate areas, criminal, civil, traffic, small claims, and probate. The chart below summarizes some of the weaknesses noted during our review:

<i>Description</i>	<i>Criminal</i>	<i>Civil</i>	<i>Traffic</i>	<i>Small Claims</i>	<i>Probate</i>
<i>Adequately segregated duties</i>	No	No	No	No	No
<i>Deposits receipts timely</i>	No	No	No	No	Yes
<i>Properly reconciles bank account</i>	No	No	No	No	No
<i>Properly accounts for liabilities</i>	No	No	No	Yes	Yes
<i>Properly accounts for interest revenues</i>	No	No	Yes	Yes	Yes

- A. Accounting duties are not adequately segregated. Each area has one employee responsible for receiving, recording, depositing, and disbursing monies, as well as performing monthly bank reconciliations. One employee, the Chief Deputy Clerk, indicated she reviews the canceled checks to ensure other employees are not writing checks to themselves, however, she does not review any of the related accounting records or bank reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. If duties cannot be adequately segregated, at a minimum, an independent person, such as the Chief Deputy Clerk or Associate Circuit Judge, should review and initial bank reconciliations and agree recorded receipts to

deposits. The failure to adequately segregate duties or provide a supervisory review has lead to the numerous deficiencies in the accounting records described in B-K below.

B. The criminal, civil, traffic, and small claims divisions do not deposit receipts on a timely basis. In addition, the criminal and civil divisions do not restrictively endorse checks immediately upon receipt.

- The criminal division normally makes deposits two to four times a month. However, we noted some months when only one deposit was made. Further, a cash count of criminal division receipts on April 26, 2001, noted \$5,848 in receipts of which at least \$2,447 had been received in March 2001.
- The civil division normally makes deposits only once or twice a week, however, not all monies received are deposited when trips are made to the bank. On January 25, 2001 we counted a total of \$4,223 in checks. Of this total, \$2,477 was deposited immediately after our cash count (January 25, 2001), \$296 was deposited the following day (January 26, 2001), but \$1,213 was not deposited until January 30, 2001, and \$237 was forwarded to another entity. There appears to be no reason why some monies were held for several days while other monies were deposited immediately.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100 and all receipts should be deposited as received. In addition, checks should be restrictively endorsed immediately upon receipt.

C. The criminal division does not always issue receipt slips when money is received, instead receipt slips are often prepared at the time of deposit. For example, a cash count of criminal division receipts on January 25, 2001, noted 5 checks totaling \$1,308 and cash totaling \$372 for which receipt slips had not been issued. To reduce the risk of loss or misuse the criminal division should record monies immediately upon receipt.

D. Monthly bank reconciliation procedures were inadequate for all five divisions.

- The criminal division has not reconciled their bank account in over two years. In addition, a checkbook balance for the account is not maintained.
- The civil division does not prepare bank reconciliations on a routine monthly basis. Bank reconciliations were prepared for five of the twelve months in 2000. In addition, a checkbook balance for the account was not maintained.
- In January 2001 the small claims and probate divisions performed all the monthly bank reconciliations for 1999 and 2000. As a result, errors and bank

charges dating back to March 1999 totaling \$163 were not detected on a timely basis.

- The traffic division prepared monthly bank reconciliations during 2000 and 1999; however, a new clerk was assigned to this division in January 2001, and as of April 2001 bank reconciliations had not been prepared for January through March 2001.

As a result of not preparing bank reconciliations several of the divisions do not have adequate procedures to follow up on outstanding checks that have been outstanding for over a year.

Bank reconciliations are an essential element in determining if transactions are properly recorded and discovering errors or omissions in a timely manner. In addition, an attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued if possible. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

- E. The criminal division does not follow up on cases where surety bonds have been posted and the defendants failed to make the required court appearances. Section 374.770, RSMo 2000, provides for the court to declare a bond forfeiture after the bail bond agent has been given an opportunity to return the defendant to the court. Of the 21 warrant case files reviewed for which surety bonds had been posted we noted 17 cases (81 percent) with surety bonds totaling \$113,700 in which the defendant did not make the required court appearance, the bonding company failed to produce the defendant, and the court did not order the bond forfeited. One case with a \$100,000 surety bond has been inactive since October 2000. If the court does not order bond forfeitures as provided by statute, the bond companies have no incentive for making sure defendants show up for court appearances.
- F. The open-items listing for the traffic division exceeded the reconciled bank balance by \$145 at December 31, 2000. Monthly open-items listings are prepared, but the differences between open items and cash balances are not compared or investigated, and these differences sometimes vary from month to month. Differences between open items and cash balances should be investigated monthly and resolved.
- G. The criminal division does not maintain adequate monthly listings of open items (liabilities). The court clerk generates a monthly open items report from the criminal division's computer system. However, the open items report does not agree to the court's cash balance. The court clerk indicated she did not know why the open items report was not accurate and she does not attempt to determine why differences exist. The open items listing for December 31, 2000 totaled \$20,458, but the criminal division's cash balance totaled only \$10,761. We determined the

difference consisted of circuit court open items included on the criminal divisions computer generated listing, and open item amounts for which checks were issued after the listing was generated.

Monthly open items listings should be prepared and reconciled to the cash balances to ensure the accounting records are in balance and sufficient cash is available for the payment of all liabilities. The court should investigate any differences.

- H. The criminal and traffic divisions occasionally issue manual receipt slips if they are too busy to issue a computerized receipt or if their computer system is not working properly. The manual receipt slips are issued from a rediform receipt book, and the manual receipt slips used by the criminal division are not prenumbered. To ensure all receipts are properly posted to the computer system, prenumbered official receipt slips should be issued for all monies received.
- I. The criminal and civil divisions transferred their regular checking accounts to a new bank in late 1998. The old accounts are still maintained, but remain inactive. The civil division has a balance of \$1,957 at December 31, 2000 all of which is currently unidentified. The criminal division has a balance of \$2,371 at December 31, 2000, of which computer generated reports can identify to specific cases.

The divisions should close the accounts and transfer the open items balance to the current account. Further, the court should attempt to determine the proper disposition of the unidentified monies. If the proper dispositions cannot be determined, these monies should be disposed of in accordance with state law.

- J. The criminal and civil divisions do not maintain adequate interest ledgers to summarize interest receipts, disbursements, and the balance.
 - The criminal division has not maintained an interest ledger since October 1999. In October 1999, the division had an interest balance of \$355, but spent \$434 on computer desks. By spending more than the accumulated interest balance, criminal division fees were used to purchase the computer desks.
 - The civil division maintains a ledger; however, disbursements were not always recorded on the ledger.

An interest ledger is necessary to ensure interest income is accounted for properly.

- K. The criminal division's monthly cash control reports of receipts and disbursements were not always accurate. In addition, the November and December, 2000 reports could not be located. At our request, an annual report was generated for 2000. The annual report varied significantly from the

individual monthly reports maintained by the criminal division. The monthly cash control reports overstated receipts by \$68,138 and disbursements by \$29,588 for January through October, 2000. Accurate cash control reports are necessary to allow proper reconciliations between the accounting records and bank records. Also, the criminal division should retain records in accordance with applicable retention requirements so that any audit related questions can be resolved.

Conditions similar to Parts B, D, G, and K. were noted in our prior report.

WE RECOMMEND the Associate Circuit Judge:

- A. Adequately segregate the responsibility of depositing, distributing, and reconciling the bank account or provide for adequate review of the reconciliation of the bank account.
- B. Deposit receipts daily or when accumulated receipts exceed \$100. In addition, all checks should be restrictively endorsed immediately upon receipt.
- C. Issue receipt slips immediately upon receipt for all monies.
- D. Reconcile the bank accounts monthly and investigate and resolve the differences between bank records and internal accounting records. In addition, the court should maintain a checkbook balance for the civil division account. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
- E. Implement adequate procedures to forfeit surety bonds when appropriate.
- F. Reconcile the cash balances of the traffic division to the monthly open-items listing and investigate and resolve any differences.
- G. Ensure monthly open-items listings for the criminal division are prepared and reconciled to the cash balances. Unidentified differences should be investigated and resolved.
- H. Utilize official prenumbered receipt slips.
- I. Close the old accounts and attempt to identify the individuals to whom the unidentified cash balance is due and make appropriate disbursements. Amounts remaining unidentified should be appropriately disposed of through the applicable statutory provisions.
- J. Maintain an interest ledger to record interest earned and expenditures of interest fund monies for all accounts. The ledger should be reconciled to the available cash balance monthly.

- K. Prepare accurate cash control reports and reconcile to accounting records. In addition, retain records in accordance with applicable retention requirements.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following General, Specific, and Summary responses:

General Comments:

The Associate Circuit Judge has neither the training nor the time to adequately supervise clerical matters. State law and funding provides that Webster County have a second Associate Circuit Judge, but the position remains vacant.

By necessity, clerical matters are supervised by the Associate Division Clerk. When the Associate Circuit Judge took office in 1979, Webster County had 5 Clerks for its Divisions. Today, with greatly increased case numbers, Webster County has 3.7 Clerks. In that time period, by contrast, the Sheriff's Office went from 6 employees to 32 employees. State law does not permit Clerks to work overtime. Further, the State Courts are going on a new Statewide computer system (called "Banner"). Therefore, the State Court Administrator is not repairing the old system which is increasingly defective, especially its accounting functions. Also, Clerks are required to attend numerous training sessions on the new system, which makes our staffing problem even more acute.

Specifics:

- A *At your last audit, your personnel informally suggested the very procedure which you now say is "not adequate".*
- B. *Your comments assume that we have numerous Clerks in each Division, like the big cities do. As is typical in rural Counties, each Division has one Clerk who is responsible for accounting and making all deposits in that Division. When a Clerk responsible for a certain Division is absent because of vacation, required training, illness, etc., checks or cash often come into that Division. The Clerks who are here receipt checks and cash but deposits are not made until the Clerk responsible for that Division returns. Also, as you should be aware, monies deposited after 2:30 PM are not recorded by banks until the next business day, which can be as many as 3 or 4 days after the bank receives the deposit.*
- C. *We do not know what you are talking about.*
- D. *See general comments.*
- E. *You don't understand the procedure. We declare bonds, "forfeited"; however, monies are not due until after the Prosecuting Attorney files a motion to obtain a Judgment on the forfeiture. No such motion was even filed on any case which you mentioned. Incidentally, a Judgment on the forfeiture of the \$100,000 bond to which you referred*

could not have been obtained, because the Defendant was in custody in another jurisdiction. His trial is set for October 4, 2001. The most that the bonding company may have to pay is transportation costs.

F. See General Comments.

G. See General Comments.

H. This is a valid concern. All Divisions now have pre-numbered official receipt slips.

I. The Civil Division balance has been completely resolved. The Criminal Division balance is nearing complete resolution.

J. This is not true. Interest from various accounts was accumulated to total \$434, of which only \$355 came from the Criminal Division.

K. See General Comments.

Summary:

We are aware of proper accounting procedures. Unfortunately, we do not have an adequate staff both to process cases and to do bookkeeping in a timely manner. Our priority is and should be processing cases.

The State Court Administrator is assisting us with resolving all problems caused by their present computer system. They anticipate that the new State computer system will alleviate nearly all of your concerns.

AUDITOR'S COMMENTS

A. It is evident by the numerous deficiencies in the accounting records described above that procedures are not in place to adequately segregate the duties of the various divisions.

B. The explanations provided do not support the examples noted.

C. Not writing receipts timely is a problem that should be understandable.

E. While it may be a coincidence, action was taken in the case mentioned above on May 9, 2001, which was after we brought the case to the court's attention on May 1, 2001. There was no documentation in the 17 case files we reviewed to indicate that the bonds had been declared forfeited by the court.

J. While there was accumulated interest in bank accounts in other divisions to cover the purchase of computer desks, the overall lack of adequate reconciliations of accounting records, and lack of documentation of accumulated interest money indicates that the criminal division did not know if adequate funds were available.

The Sheriff collects various criminal and civil fees, bonds, gun permit fees, and reimbursements for boarding and transporting prisoners totaling approximately \$122,000 annually.

A. Accounting duties are not adequately segregated. One clerk performs all the duties of receiving, recording, depositing and disbursing monies, and reconciling bank accounts. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. At a minimum, there should be a documented review made by the Sheriff or other independent person.

B. Civil process fees are not recorded and deposited until the related process papers are served. Most fees are received by check, and the Sheriff's clerk indicated the checks are returned to the payor if papers cannot be served. A cash count on January 9, 2001 noted checks for civil process fees totaling \$388, including one check dating back to October 2000 that had not been recorded or deposited.

To ensure civil process fees are accounted for properly, receipt slips should be issued immediately upon receipt and the monies deposited into the Sheriff's bank account. If it is later determined that the related process papers cannot be served, refund checks should be issued.

C. Voided receipt slips were not always retained and some receipt slips were not issued in numerical sequence. To properly account for the numerical sequence of receipt slips, voided receipt slips should be retained and receipt slips should be issued in numerical sequence.

D. The method of payment received (cash, check, or money order) is not always reconciled to the amounts deposited and deposits are not made on a timely basis. In addition, we noted some receipt slips issued for bond monies received did not reflect the actual amount received. For example, we noted one instance where a receipt slip was issued for \$50 less than what was received and deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100. In addition, to ensure receipts are accounted for properly and deposited intact, receipts should be issued for the actual amount received, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.

- E. Bank reconciliations are not prepared. While all monies are disbursed from the bond and fee accounts monthly resulting in a zero balance, we prepared bank reconciliations as of December 31, 2000, and found unidentified amounts totaling \$87 and \$141 in the bond and fee accounts, respectively. In addition, one check on the bond account totaling \$200 has been outstanding since September 1999. Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to identify errors in a timely manner. In addition, old outstanding checks should be followed-up periodically, and unidentified balances should be investigated and resolved.

Conditions similar to Parts B-E. were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties to the extent possible and ensure periodic supervisory reviews are performed and documented.
- B. Issue receipt slips for civil process fees immediately upon receipt and deposit them in the bank account. Any refunds should be made by check.
- C. Retain all copies of voided receipt slips, and issue receipt slips in numerical sequence.
- D. Deposit receipts intact daily or when accumulated receipts exceed \$100, issue receipt slips for the actual amounts received, and reconcile the composition of receipt slips to the composition of bank deposits.
- E. Prepare and document monthly bank reconciliations. In addition, old outstanding checks should be followed-up on, and unidentified balances should be investigated and resolved.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *The Sheriff will check, sign off and date all monthly reports, bank reconciliations and disbursements beginning August 2001.*
- B. *Around the first of the year, the Sheriff's clerk started to receipt in and deposit all monies as soon as received. If a refund is required a check is written out of the account to the proper individuals.*
- C. *There has been a point made to make sure that the receipts are staying in numerical sequence and the Sheriff's clerk has been making sure that all receipts are now accounted for. Voided receipts are now being stapled with the copies and kept in the receipt book.*

- D. *The method of payment is now being recorded on deposit slips. If numerous cash bonds are received, the deposit ticket will have receipt numbers and totals of each individual receipt to make it easier to keep track and reconcile the amount of cash, checks, or money order. In regards to the deposits being made on a daily basis or if more than \$100, the clerk is working hard to make sure they are now done daily or when needed.*
- E. *Since the first of the year bank statements have been reconciled monthly by the clerk and the Sheriff will now sign off on them when they are received. Also, outstanding checks will now be followed up on.*

10.	Health Center
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- A. In May 1995, the health center entered into a \$550,000 lease/purchase agreement at a 10 percent interest rate to finance a new health center building. Principal and interest payments are to be made annually, but the lease agreement allows for the lease to be paid off prior to maturity. Although the health center solicited bids prior to entering into the lease agreement, the interest rate appears unreasonable when compared to similar lease financing agreements at that time and to current interest rates.

Prior audit reports have recommended that the health center solicit proposals to refinance the lease at a lower interest rate; however, health center officials decided to continue with the current lease agreement. Finally, in an effort to reduce interest costs, the health center made an extra lease payment in 1998 and 1999, saving over \$161,000 in interest. At December 31, 2000, the principal balance of the lease was \$248,223. If the minimum lease payments are made for the remainder of the loan, the lease will be paid off on January 31, 2005, and interest payments on the remainder of the loan will be \$70,295.

The health center board of trustees should review the current lease agreement and consider renegotiating the agreement to a more reasonable interest rate, should solicit proposals for refinancing the lease agreement, or should continue making extra payments to pay off the agreement at an earlier date and realize additional cost savings.

- B. We noted the following problems related to expenditures made by the Health Center:
1. The health center did not accept the lowest bid for the employee health insurance and no documentation was maintained to support the reason for selecting the higher bid.

To provide assurance that county funds are spent wisely, the health center should maintain complete documentation of its reasons for awarding contracts to bidders.

2. Checks issued on the health center's bank account require signatures of both the health center administrator and one board member; however, checks are sometimes signed in advance by one of the board members. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.

To adequately safeguard assets, checks should not be signed until all pertinent information is completed and supporting documentation for the disbursement is reviewed and approved by the Board of Trustees.

3. The health center spent over \$225 on flowers for employees and board members during the two years ending December 31, 2000. These expenditures do not appear to be a prudent use of Health Center funds.
4. A health department employee's signature indicating receipt of goods or services was not evident on most expenditure documentation we reviewed. To ensure that payments are valid and goods and services were actually received, evidence of receipt of goods should be noted.

C. The budgets prepared by the Health Center Board of Trustees were not accurate and complete. We noted the following concerns:

- The Health Center's budgets did not include an estimate of the ending cash balance.
- Interest earned on a certificate of deposit for 1999 and 2000 was not accurately reported as revenue.
- Total revenues for 1999 and 2000 included errors such as amounts transferred between bank accounts being reported as revenues. Also, the beginning bank balance of the regular checking account was reported as revenues. This practice overstated total actual revenues presented on the budget.

Adjustments have been made to the audited financial statements to correct these errors.

To be of maximum assistance to the board and to adequately inform the public, budgets should accurately reflect the actual beginning cash balances and estimated receipts, disbursements, and ending cash balances. Chapter 50, RSMo, requires the health center to present a complete financial plan for the ensuing year.

- D. Deposits are not made on a timely basis. Deposits are made approximately once a week, and deposits reviewed ranged from \$3,575 to \$10,975. To properly safeguard all assets and to prevent possible loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.
- E. Health center personnel did not monitor amounts expended on Comprehensive Family Planning (CFP) services during the audit period. In addition, the average cost per client of providing such services was not periodically calculated and monitored.

The health center's CFP contract with the Missouri Department of Health provides the average cost of providing CFP services should be at least \$150 (excluding administrative costs). During our review of CFP expenditures for the federal fiscal years ended September 30, 2000 and September 30, 1999, we calculated an average cost of approximately \$104 and \$76, respectively, per client excluding administrative costs and family planning revenue. Failure to comply with the provisions of the contract could result in decreased funding of future services.

Conditions similar to Parts A, B.1, and B.2. were noted in our prior report.

WE RECOMMEND the Health Center Board of Trustees:

- A. Evaluate the cost savings associated with refinancing the lease-purchase agreement and/or continue making extra payments.
- B.1. Maintain documentation of and justification for bid awards.
 - 2. Discontinue the practice of signing checks in advance.
 - 3. Ensure expenditures are limited to those necessary to properly administer and maintain the Health Center.
 - 4. Ensure all invoices contain an indication of receipt of goods or services.
- C. Ensure budgets are accurate and complete.
- D. Deposit receipts daily, or when accumulated receipts exceed \$100.
- E. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health to resolve this situation.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

- A. After checking with the local banks and discussing the situation with the individual holding the current lease purchase agreement, we have negotiated a drop in the interest rate of the current lease purchase agreement to 8% effective August 1, 2001.*
- B.1. The health insurance bid award was based upon an employee survey (secret ballot); however, documentation was not maintained. In the future, documentation will be retained.*
- 2. This only occurs approximately 3 or 4 times per month for routine monthly bills that are not available when the board meets, because it is not feasible for our board members to make additional trips in to the health center to sign checks.*
- 3. We will now make these expenditures from our employee fund.*
- 4. This recommendation has now been implemented.*
- C. We will ensure the 2002 budget is complete and accurate.*
- D. We will now begin depositing twice a week and will deposit more often during flu season.*
- E. During 1999 and 2000 several expenditures were not properly earmarked as family planning expenditures, resulting in the average cost per client being less than \$150. All family planning expenditures are now being properly tracked.*

11. Emergency 911 Board

- A.** The cash balance of the Emergency 911 Fund has accumulated to over \$608,000 since the board's inception in 1996. The Emergency 911 Board has accumulated a significant cash reserve, but has not documented any specific plans for its use. In 1995 voters authorized a 1/5 cent county sales tax under Section 190.335, RSMo 2000 for the purpose of establishing, maintaining, and operating an enhanced 911 emergency telephone service. The Emergency 911 board reviews and sets the rate annually. The Emergency 911 Board should determine its future needs, and consider such information when setting future tax rates.
- B.** Checks issued on the bank accounts require signatures of both the board treasurer and one board member; however, checks are sometimes signed in advance by the board treasurer. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.

- C. The 911 Board owns and maintains one vehicle. Mileage or usage logs documenting odometer readings are maintained; however, the logs do not include the purpose or destination of each trip. Logs are necessary to document appropriate use of the vehicle and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. In addition, these logs should be reviewed by a supervisor to ensure all mileage is recorded, to ensure the vehicle is being properly utilized, and to help identify when the vehicle should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance charges.
- D. The budgets prepared by the Emergency 911 Board were not complete for 2000 and 1999 as follows:
- The cash reconciliation section did not include an estimate of the ending cash balance for 2000 or 1999.
 - Actual and estimated receipts and disbursements for the previous two years were not included on the 1999 budget.

In addition to being required by state law, properly completed budgets are essential for the board to evaluate operations and to project the anticipated needs for the upcoming year. Properly completed budgets are also necessary to properly inform the county's citizens about the county's finances.

WE RECOMMEND the Emergency 911 Board:

- A. Review the cash balance and consider reducing the sales tax rate. If plans have been made for expending the accumulated fund balance, such plans should be set forth publicly in the budget document.
- B. Discontinue the practice of signing checks in advance.
- C. Require a mileage log be maintained that reflects purpose and destination of each trip and review this log periodically for reasonableness.
- D. Ensure budget documents contain complete information about the board's finances.

AUDITEE'S RESPONSE

The Emergency 911 Board provided the following responses:

- A. The Webster County 911 Board is aware of an accumulation of funds. Consideration has been given to reducing the 1/5 cent county sales tax. However, significant expenditures including wireless 911 implementation, final payment on a Verizon (GTE) mapping contract and possibly more extensive dispatching responsibilities still must be resolved. In anticipation of these potential future costs, the 911 Board has formed a Long Term Planning Committee to delve into the specifics, make recommendations to the full Board, and keep the public informed.*
- B. This was a rare occurrence with full understanding by the Board Treasurer as to the reasons and purpose in each instance. However, this practice will be discontinued immediately.*
- C. Additional columns will be added to the current mileage form to record "purpose and destination" as well as "operational and maintenance costs".*
- D. Attention will immediately be given to completing all official financial documents as required.*

This report is intended for the information of the management of Webster County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

WEBSTER COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Webster County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996, and our Special Review of the Webster County Prosecuting Attorney's Office for the period January 1, 1995 through February 28, 1997. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Economic Development Grant

The county did not monitor the subrecipient of the Economic Development Grant monies.

Recommendation:

The County Commission properly monitor federal grant subrecipient expenditures to ensure compliance with all federal regulations.

Status:

Implemented.

2. Property Tax System and Computer Controls

- A. The computer system did not have adequate user ID and password procedures.
- B. The property tax computer system allowed reversing entries and correcting entries to be recorded on the system without an adequate audit trail

Recommendation:

The County Commission:

- A. Implement a system which requires each computer user be assigned a unique user ID and password, and require passwords be changed periodically.
- B. Develop an adequate audit trail of reversing and correcting entries to the property tax system and ensure supervisory reviews are performed of these entries.

Status:

- A. Not implemented. See MAR No 4.
- B. Implemented.

3. Public Administrator's Salary

Section 473.739, RSMo, provided the Public Administrator was to be paid an annual salary of \$4,000 if her fees did not exceed \$25,000. Payment of \$2,000 of the annual salary amount was contingent upon the Public Administrator attending the required training. Although the Public Administrator received fees exceeding \$25,000, she still received the \$2,000 salary for training.

Recommendation:

The County Commission review this situation with the Prosecuting Attorney and determine whether to seek reimbursement of the \$2,000 from the former Public Administrator.

Status:

Implemented. The County Commission and Prosecuting Attorney reviewed the situation, and believe the \$2,000 is an incentive to encourage the Public Administrator to attend training and believe the incentive should apply regardless of whether or not the Public Administrator receives more than \$25,000 in fees.

4. Health Center Board

- A. In May 1995, the health center entered into a lease/purchase agreement to finance their building at a 10 percent interest rate. The interest rate appeared unreasonable when compared to similar lease financing agreements at that time and to current interest rates.
- B.1. The health center had not solicited bids for employee medical insurance since 1991.
 - 2. There were no written agreements to support payments made for health surveys and professional medical services, and the payments for health surveys were not reported on Form 1099-Miscellaneous.
 - 3. Supporting documentation was not required for reimbursement claims submitted by health center employees for various expenses.
- C. Checks were occasionally signed in advance by one of the board members.

- D. During 1995, the health center maintained a petty cash fund, but receipt and disbursement records supporting petty cash fund activity were not retained. During 1996, the health center discontinued the petty cash fund and began making petty cash expenditures from the cash donations.
- E. Health Center Fund expenditures exceeded budgeted amounts.
- F. The health center administrator and other employees had accrued vacation leave balances beyond the maximum allowed.
- G.1. Property records did not include the total cost of land and buildings.
 - 2. Property records did not include date and method of disposal.
- H. The health center did not publish annual financial statements.

Recommendations:

The Health Center Board of Trustees:

- A. Evaluate the cost savings associated with refinancing the lease-purchase agreement.
- B.1. Solicit bids for employee medical insurance in accordance with state law.
 - 2. Enter into written agreements for all contractual services received and issue Form 1099-Miscellaneous for all related payments.
 - 3. Require adequate supporting documentation prior to approving expenditures for payment.
- C. Ensure checks are not signed in advance of their preparation.
- D. Establish a petty cash fund on an imprest basis and retain invoices supporting petty cash fund expenditures. In addition, all donation receipts should be recorded in the health center's accounting records and deposited into the bank account.
- E. Not authorize expenditures in excess of budgeted amounts. Any extenuating circumstances should be fully documented in the health center's minutes, and any budget amendments should be filed with the State Auditor's Office.
- F. Ensure compliance with the board's leave policy.
- G.1. Record the total cost of land and buildings on the general fixed asset records.

- 2. Maintain general fixed asset records with a detailed description of date and method of disposition.
- H. Publish annual financial information for the Health Center Fund in accordance with state law.

Status:

- A. Partially implemented. The Health Center evaluated the cost savings associated with refinancing, but decided to stay with the current agreement. The health center made double payments during 1998 and 1999, which has saved approximately \$161,000 in interest. See MAR No. 10.
- B.1. Partially implemented. Medical insurance was bid in 1999, but the low bid was not accepted and the reasons for not taking the low bid were not documented. See MAR No. 10.
- 2. Partially implemented. The health center issued 1099's, but written contracts are not always obtained. Although not repeated in the current MAR, the health center board should ensure written agreements are obtained for all contractual agreements.

B.3,D,
E&G. Implemented.

C. Not implemented. See MAR No. 10.

F. Partially implemented. The health center administrator decreased leave balances to the maximum allowed as of December 31, 1999 for all but one employee, who was allowed to use her excess leave in January 2000. No other employees were allowed to use their excess leave after December 31, 1999. Although not repeated in the current MAR, our recommendation remains as stated above.

H. Partially implemented. The financial statement was published in 2000; however, the financial statement did not include in the cash balance the health center's CD of \$95,426. Although not repeated in the current MAR, our recommendation remains as stated above.

5. Emergency 911 Board

- A. The operations manager, who was responsible for receiving and depositing monies, was not bonded.
- B. Employees did not prepare time sheets to document actual hours worked.

- C. The board occasionally held closed sessions but did not prepare minutes for the closed portion of the meetings.
- D. Annual financial statements were not published.

Recommendations:

The Emergency 911 Board:

- A. Obtain adequate bond coverage for all persons with access to negotiable assets.
- B. Require all employees to prepare monthly time sheets that document actual hours worked.
- C. Prepare minutes for all closed meetings.
- D. Publish annual financial information for the Emergency 911 Fund in accordance with state law.

Status:

A&C. Implemented.

- B. Partially implemented. Part-time employees prepare formal time sheets, but the Director and Operations Manager do not prepare time sheets. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Partially implemented. The 911 Board began publishing their financial statement in 2000.

6. County Collector's Records and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Adequate records of protested taxes were not maintained.

Recommendations:

The County Collector:

- A. Segregate the duties of depositing, recording, and reconciling tax receipts.
- B. Prepare listings of all protested taxes and perform periodic reconciliations between the listings and the bank balances.

Status:

A&B. Implemented

7. Sheriff's Records and Procedures

- A.1. Receipt slips were not issued for some bond monies received. In addition, some bond receipts were transmitted directly to the Associate Circuit Court instead of being deposited, and the Sheriff's office did not retain receipt slips from the court for these bonds.
- 2. Civil process fees were not recorded and deposited until the related process papers were served. Most fees were received by check, and the Sheriff indicated the checks were returned to the payor if papers could not be served.
- 3. Voided receipt slips were not always retained and some receipt slips were not issued in numerical sequence.
- 4. The method of payment received (cash, check, or money order) was not indicated on receipt slips. As a result, the composition of monies received could not be reconciled to the amounts deposited
- 5. Deposits were not made on a timely basis. Receipts were deposited approximately once or twice per week. In addition, receipts were not deposited intact. Some gun permit fees were held to make change.
- B. Bank reconciliations were not prepared.
- C.1. The Sheriff prepared an individual property sheet for each item seized, but the sheets were not maintained in an orderly manner and no summary inventory record was maintained. Property sheets could not be located for some property in the seized property vault. In addition, physical inventories of seized property were not performed periodically.
- 2. Written authorization was not obtained from the applicable court prior to disposing or releasing seized property items.

Recommendations:

The Sheriff:

- A.1. Issue receipt slips for all bond monies received, deposit all bond receipts, and disburse all bonds by check. Receipt slips should be retained for all bonds transmitted directly to the Associate Circuit Court.
- 2. Issue receipt slips for civil process fees immediately upon receipt and deposit them in the bank account. Any refunds should be made by check.
- 3. Retain all copies of voided receipt slips, and issue receipt slips in numerical sequence.
- 4. Indicate the method of payment on all receipt slips, and reconcile the composition of receipt slips to the composition of bank deposits.
- 5. Deposit receipts intact daily or when accumulated receipts exceed \$100. If a change fund is necessary, it should be maintained at a constant amount.
- B. Prepare and document monthly bank reconciliations. In addition, old outstanding checks should be followed-up on, and unidentified balances should be investigated and resolved.
- C.1. Prepare and maintain complete inventory records of seized property. Periodic physical inventories should be performed and to compared to the inventory records.
- 2. Obtain written authorization for the disposition of seized property.

Status:

A.1. Partially implemented. Bond monies received are deposited in the sheriff's checking account and subsequently disbursed by check; however receipt slips do not always reflect the correct amount of cash bonds received. See MAR No. 9.

A.2,3,

5&B. Not implemented. See MAR No. 9.

A.4. Partially implemented. The composition is indicated on receipt slips, but the composition of receipt slips is not reconciled to the composition of bank deposits. See MAR No. 9.

C. Implemented.

8. Associate Circuit Division's Records and Procedures

A. The civil division did not deposit receipts on a timely basis, and did not restrictively endorse checks immediately upon receipt.

- B. Monthly bank reconciliations were not always prepared by the civil and criminal divisions. In addition differences existed between the reconciled bank balance and the book balance for the civil division.
- C. The criminal division's monthly cash control reports listing receipts and disbursements were not always accurate.
- D. The civil division did not prepare monthly listings of open items (liabilities).
- E. The reconciled bank balance for the traffic division exceeded the open-items listing by \$594 at December 31, 1997. Monthly open-items listings were prepared, but the differences between open items and cash balances were not compared or investigated, and the differences sometimes varied from month to month.

Recommendations:

The Associate Circuit Judge:

- A. Deposit receipts daily or when accumulated receipts exceed \$100. In addition, all checks should be restrictively endorsed immediately upon receipt.
- B. Prepare accurate monthly bank reconciliations on a timely basis.
- C. Prepare accurate cash control reports and reconcile to accounting records.
- D. Prepare monthly open-items listings for the civil division and reconcile to the cash balances. Unidentified differences should be investigated and resolved.
- E. Reconcile the cash balances of the traffic division to the monthly open-items listings and investigate and resolve any differences.

Status:

- A-C,
& E. Not implemented. See MAR No. 8.
- D. Partially implemented. A running open items balance is maintained for the civil division; however, because the listing is not copied at month or year-end, the open items at each month or year-end are not documented. Although not repeated in the current MAR, our recommendation remains as stated above.

9. Prosecuting Attorney's Records and Procedures

- A.1. Receipt slips were not issued for some monies received.
 - 2. Cash receipts were not always deposited in the bank account. Instead, some cash payments were transmitted directly to the applicable court, and the clerk stated that in at least one instance, cash was given to a victim. The Prosecuting Attorney's office did not retain receipt slips or other evidence from the court or victims to document the transmittal of these monies.
 - 3. The method of payment was not indicated on the receipt slips. In addition, money orders received that were made payable directly to the victims were not clearly identified as such on receipt slips.
- B. Checks and money orders were not restrictively endorsed immediately upon receipt.
- C. Receipts were not deposited intact, or on a timely basis. Cash was sometimes withheld from deposits to make change.
- D.1. Fee sheets which documented receipts, disbursements, and balances due for each case were not maintained. As a result, the current balance due and the amount being held (open item) for each case were not readily available.
 - 2. Documentation of the various court actions, including the amount of restitution ordered, was not maintained for restitution cases.
- E. Delinquent state taxes collected by the Prosecuting Attorney were not remitted to the Missouri Department of Revenue on a timely basis.

Recommendations:

The Prosecuting Attorney:

- A.1. Issue receipt slips for all monies received.
 - 2. Ensure all receipts are deposited and all disbursements are made by check. Receipt slips should be retained for any monies transmitted directly to the courts.
 - 3. Indicate the method of payment on receipt slips, and reconcile the composition of receipt slips to the composition of bank deposits. Any money orders received which are payable directly to the victim should be clearly identified as such on the receipt slip.
- B. Restrictively endorse checks and money orders immediately upon receipt.

- C. Deposit receipts intact daily or when accumulated receipts exceed \$100. If it is necessary to make change, a change fund should be established and maintained at a constant amount.
- D. Maintain fee sheets for all cases, and maintain documentation of the various court actions for restitution cases. Open balances for each case should be reconciled monthly to the bank and book balances.
- E. Implement procedures to adequately pursue the collection of delinquent state taxes and remit payments to the state in a timely manner. The Prosecuting Attorney should review the old checks on hand and determine the proper disposition of those monies.

Status:

A.1-3,
& E. Implemented.

B&C. Not implemented. See MAR No. 7.

- D. Partially implemented. Although fee sheets are maintained for all cases, information is not adequate to readily determine the amount being held and open balances for each case are not reconciled to the bank and book balances. See MAR No. 7.

**SPECIAL REVIEW OF
WEBSTER COUNTY PROSECUTING ATTORNEY'S OFFICE
JANUARY 1, 1995 THROUGH FEBRUARY 28, 1997**

1. Missing Funds

Payments totaling at least \$26,098 were received and not deposited.

Recommendation:

The Prosecuting Attorney work with law enforcement officials regarding any criminal prosecution and to obtain restitution of the misappropriated funds.

Status:

Implemented. Criminal charges were filed, and the former clerk plead guilty. The former clerk was placed on five years probation, and ordered to pay restitution of \$26,098. Restitution totaling \$892 has been paid, and the balance of \$25,206 is payable in monthly payments as determined by her parole officer.

2. Accounting Controls and Procedures

- A. Accounting duties were not adequately segregated, and neither the Prosecuting Attorney nor other personnel independent of the cash custody and record-keeping functions provided any supervision or review of the work performed by the clerk.
- B. Records were not maintained to account for all bad checks filed with the Prosecuting Attorney and the ultimate disposition. In addition, the Prosecuting Attorney did not always sign case files or otherwise document his authorization to not prosecute a case.
- C. Monthly bank reconciliations were not prepared.
- D. Monthly listings of open items (liabilities) were not prepared and, consequently, were not agreed to the reconciled bank balance. Case fee sheets identifying the amounts collected and not paid out had not been maintained since January 1995.
- E. The Prosecuting Attorney's employees responsible for collecting monies were not bonded.

Recommendations:

- A. Ensure duties are adequately segregated, or perform and document periodic reviews of the accounting records maintained and reconciliations prepared.
- B. Maintain a ledger to account for all bad checks filed with the Prosecuting Attorney's office and the ultimate disposition, and document authorization for cases not prosecuted.
- C. Prepare monthly bank reconciliations.
- D. Maintain case fee sheets, prepare monthly listings of open items and agree the listings to the reconciled bank balance. Any differences should be investigated and resolved.
- E. Obtain bond coverage for all employees responsible for handling monies.

Status:

- A&B. Not implemented. See MAR No. 7.
- C. Partially implemented. Although a bank reconciliation was attempted each month, the reconciliation was not accurate and was not reconciled to the check register. See MAR No. 7.

- D. Partially implemented. Although fee sheets are maintained for all cases, information is not adequate to readily determine the amount being held, and open items listings are not prepared and reconciled to the bank balance. See MAR No. 7.
- E. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

WEBSTER COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1855, the county of Webster was named after Daniel Webster. Webster County is a county-organized, third class county and is part of the Thirtieth Judicial Circuit. The county seat is Marshfield.

Webster County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Webster County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 427,928	14	473,015	16
Sales taxes	957,111	59	851,728	59
Federal and state aid	975,835	3	948,842	3
Fees, interest, and other	743,544	24	665,112	22
Total	\$ 3,104,418	100	2,938,697	100

The following chart shows how Webster County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 847,229	30	789,215	28
Public safety	798,744	29	805,112	28
Highways and roads	1,157,589	41	1,252,336	44
Total	\$ 2,803,562	100	2,846,663	100

In addition, Webster County received \$958,392 and \$921,799 of revenues in the Capital Improvement Sales Tax fund and expended \$1,110,091 and \$909,471 for the purpose of highways and roads in 2000 and 1999, respectively.

The county maintains approximately 67 county bridges and 715 miles of county roads.

The county's population was 15,562 in 1970 and 23,753 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	2000	1999	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 148.0	140.6	71.6	26.6	15.9
Personal property	47.2	40.3	17.4	9.2	5.5
Railroad and utilities	15.4	15.3	6.4	6.9	4.5
Total	\$ 210.6	196.2	95.4	42.7	25.9

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Webster County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	2000	1999
General Revenue Fund	\$.0446	.0400
Special Road and Bridge Fund	.1900	.1900
Health Center Fund	.1400	.1400
Senate Bill 40 Board Fund	.0800	.0800

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

Year Ended February 28,		
	2001	2000
State of Missouri	\$ 62,903	60,530
General Revenue Fund	107,660	91,895
Special Road and Bridge Fund	412,503	397,768
Assessment Fund	77,205	79,030
Health Center Fund	291,877	280,829
Senate Bill 40 Board Fund	168,377	162,147
School districts	6,396,262	6,111,085
Library district	239,277	229,742
Fire protection district	166,425	155,572
Junior college	236,469	220,596
Nursing home district	5,039	5,041
Cities	269,771	278,833
County Clerk	8,076	8,174
County Employees' Retirement	68,370	67,607
Commissions and fees:		
General Revenue Fund	139,069	138,986
County Collector--city commissions	5,077	5,343
Total	\$ <u>8,654,360</u>	<u>8,293,178</u>

Percentages of current taxes collected were as follows:

Year Ended February 28,		
	2001	2000
Real estate	90.9 %	91.9 %
Personal property	86.7	88.0
Railroad and utilities	97.1	100.0

Webster County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50 %
Road capital improvements	.0050	2002	None
Emergency 911	.0020	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Paul Ipock, Presiding Commissioner	\$	29,390	29,060
John E. Haywood, Associate Commissioner		27,390	27,060
Billie Cunningham, Associate Commissioner		27,390	27,060
Stanley Whitehurst, County Clerk		41,500	41,000
Donald G. Cheever, Prosecuting Attorney		51,000	49,000
C.E. Wells, Sheriff		38,000	38,000
Sally Marlin, County Treasurer		30,710	30,340
Dr. J. Edward Blinn, County Coroner		7,000	7,000
Donna Hannah, Public Administrator *		31,626	39,481
David Young, County Collector**, year ended February 28,	46,599	46,236	
Jim Jones, County Assessor ***, year ended August 31,		42,400	41,900
Dennis Amsinger, County Surveyor ****		N/A	N/A

* Includes fees received from probate cases.

** Includes \$5,099 and \$5,236, from commissions earned for collection of city property taxes for the years ended February 28, 2000 and 1999, respectively.

*** Includes \$900 annual compensation received from the state.

**** Compensation on a fee basis.

State-Paid Officials:

Nancy Wester, Circuit Clerk and Ex Officio Recorder of Deeds	46,127	44,292
Daniel Max Knust, Associate Circuit Judge	97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	2	0
Circuit Clerk and Ex Officio Recorder of Deeds	2	3
County Clerk	2	0
Prosecuting Attorney*	4	0
Sheriff	22	0
Public Administrator**	1	0
County Collector*	4	0
County Assessor	7	0
Associate Division*	0	5
Probate Division	0	1
Road and Bridge	19	0
Health Center	17	0
Emergency 911**	3	0
Total	83	9

* Includes three part time employees.

** One part time employee.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Webster County's share of the Thirtieth Judicial Circuit's expenses is 29.91 percent.

In 1995, a juvenile detention center was constructed in the city of Bolivar for the 30th Judicial Circuit. The five counties in the circuit are required to pay for the cost of construction in accordance with a cooperative agreement with the 30th Circuit Youth Services, Inc., a not-for-profit organization established to operate the detention center. The Bolivar Industrial Development Authority issued revenues bonds of \$830,000 on behalf of the 30th Circuit Youth Services, Inc., to finance the required share of construction costs for the counties of Benton, Hickory, and Webster. The 30th Circuit Youth Services, Inc., makes the bond payments, but the counties are required to pay their share of the debt in accordance with the cooperative agreement. Webster County's share of the debt is 52.85 percent, and at December 31, 2000, the county's total obligation for the principal balance was \$357,524. The interest rate is 6 percent and payments are made semi-annually for six years, with a lump sum payment due on November 1, 2001. Webster County's share of the lump sum payment is \$308,622. The debt can be refinanced if the lump sum payment cannot be made.

In 1995, the health center entered into a \$550,000 lease/purchase agreement with a local citizen to finance the building of the health center facility. At December 31, 2000, the principal balance of the lease was \$248,223. The interest rate is 10 percent and payment of \$74,000 is required annually. If the county makes the minimum lease payments, the lease will be paid in full by 2005.



**DEPARTMENT OF CORRECTIONS
KANSAS CITY COMMUNITY RELEASE CENTER**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-88
September 20, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Department of Corrections, Kansas City Community Release Center.

The Kansas City Community Release Center opened in May 1978 and originally housed only men, but was expanded to include women in 1982. The facility currently houses approximately 312 offenders. The administration consists of one superintendent and one associate superintendent with a staff of 81 employees.

The Kansas City Community Release Center has a fleet of approximately 8 vehicles. Travel logs for state-owned vehicles are not always complete. Department of Corrections policy requires that all uses of each vehicle be documented on a vehicle travel log. These logs are necessary to document appropriate use of the vehicle. The logs are also not reviewed by a supervisor to ensure completeness and that vehicle usage is reasonable.

The Kansas City Community Release Center maintains its own Inmate Canteen Fund in an account at a local bank. No authorization for the facility to maintain such an account can be found in Department of Corrections policies. Department policy requires that these funds be held and administered by the department's Inmate Finance Office. In March 2000, the center closed a savings account which was part of its Inmate Canteen Fund and sent the balance of \$28,522 to the Inmate Finance Office. The balance of the center's Inmate Canteen Fund as of June 30, 2000 was \$13,170.

Physical inventories are not always being conducted in compliance with Department of Corrections policy. The physical inventories of the armory are conducted by the same armory personnel that have custody of the inventory. No perpetual records are maintained for either the office supply inventory or the armory. Portions of the office supply inventory were moved to various locations in the facility and any employee with a master key now has access to the inventory.

In 1998, the Kansas City Community Release Center entered into contracts with two vendors to provide and service vending machines and laundry machines at the facility. Bids were not solicited for either of these contracts. The center did not require the vending machine contractor to submit any type of sales reports, did not monitor collections by the vendor, nor did it adequately monitor the contract to ensure commission payments were received monthly as required.

YELLOW SHEET

DEPARTMENT OF CORRECTIONS
KANSAS CITY COMMUNITY RELEASE CENTER

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Gary Kempker, Director
Department of Corrections
and
Kimberly Jones, Superintendent
Kansas City Community Release Center
Kansas City, MO 64106

We have audited the Department of Corrections, Kansas City Community Release Center. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations, and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the correctional center.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the correction center's revenues, expenditures, contracts, applicable legal provisions, rules and regulations, and other pertinent procedures and documents, and interviewed correctional center and other state personnel.

As a part of our audit, we assessed the correctional center's management controls to the extent we determined necessary to evaluate the specific matters describe above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the correctional center's management and was not subjected to the procedures applied in the audit of the Department of Corrections, Kansas City Community Release Center.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Corrections, Kansas City Community Release Center.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 8, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Lori Bryant
Audit Staff:	Kim Fowler
	Tania Williams
	Danielle Freeman

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF CORRECTIONS
KANSAS CITY COMMUNITY RELEASE CENTER
SUMMARY OF FINDINGS

1. Accounting Controls and Procedures (pages 7-9)

Duties in the business office are not adequately segregated. There is no immediate record of all monies received in the mail by the business office. Kansas City Community Release Center (KCCRC) maintains its own Inmate Canteen Fund in a local bank account.

2. Offender Loans (pages 9-11)

Receipts for checks signed by offenders were not always found in the business office's files. No follow up procedures have been established for Request for Withdrawals of Offender's Personal Funds forms submitted for loan reimbursements.

3. Offender Receipts (pages 11-12)

Monies are put in unnumbered envelopes and posted to the control center's log. When the business office picks up the envelopes, they are posted to another log. There is no comparison done between the two logs. The business office log does not always include the final disposition of monies held in the envelopes.

4. State-Owned Vehicles (page 12)

The purpose of trips taken in state-owned vehicles is not always noted on the travel logs. Commuting mileage was not always reported to DOC central office as required. The method used to report mileage is not one of the options available per departmental policy and does not appear reasonable.

5. Inventory Procedures (pages 13-14)

Physical inventories are not always conducted in compliance with departmental policy. There is either no independent verification of physical inventory counts or no documentation maintained.

6. Vending and Laundry Machine Commissions (pages 14-15)

KCCRC entered into contracts with two vendors to provide and service vending and laundry machines without soliciting bids. The vending machine vendor does not submit any type of sales report, KCCRC did not monitor collections by the vendor, and the vendor is not submitting commission checks monthly, as required by the contract.

7. Food Inventories (pages 15-17)

There is no documented independent verification of physical inventory counts. Food requisitions are not being properly signed by the food service manager. KCCRC has a surplus of a year or more in several food items.

DEPARTMENT OF CORRECTIONS
KANSAS CITY COMMUNITY RELEASE CENTER
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

1.	Accounting Controls and Procedures
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- A. Accounting and bookkeeping duties in the business office are not adequately segregated. The business manager performs all duties related to the business office, including receiving, recording and depositing monies, preparing bank reconciliations, and maintaining the accounting records. The business manager also purchases, distributes, and maintains custody of bus passes sold to offenders. An independent review of the deposits, bank reconciliations, and accounting records is not performed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Since this is currently an office of one full-time employee and one part-time employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of the various receipt logs to amounts transmitted or deposited, an independent review of bank statements and reconciliations, and an independent verification of the monthly bus pass inventory count. Any unusual items or discrepancies should be investigated.

- B. An immediate record of receipts is not maintained for all monies received in the mail by the business office. The business office receives through the mail checks from the Inmate Finance Office (IFO), commission checks from vending and laundry machine contractors, offender payroll checks, and monies for offenders from outside sources, such as family and friends.

To account for all monies received in the mail by the business office, an immediate record of receipts should be maintained for all monies received. This mail log should then be reconciled to the business office's weekly offender paycheck transmittal, deposit slips, and log of money envelopes.

- C. Unlike other state correctional institutions, the Kansas City Community Release Center (KCCRC) maintains its own Inmate Canteen Fund in an account at a local bank. Department of Corrections (DOC) policy provides for an Inmate Canteen Fund held in a central account by the department and administered by the IFO. In March 2000, KCCRC closed a savings account which was part of its Inmate Canteen Fund and sent the balance of \$28,522 to the IFO. The balance of KCCRC's Inmate Canteen Fund as of June 30, 2000 was \$13,170.

No authorization for the facility to maintain such an account can be found in DOC policies.

- D. Bank reconciliations were not prepared on a timely basis. Bank reconciliations for July 2000 through October 2000 were prepared in November 2000 by a representative of the DOC - Internal Audit section while completing a facility fiscal compliance audit of the business office. In addition, the amount of outstanding checks on the reconciliations were not supported by a detailed list of checks prior to July 2000.

Formal bank reconciliations should be performed on a monthly basis to ensure errors will be detected on a timely basis.

WE RECOMMEND the KCCRC:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, periodic reviews of business office records should be performed and documented by an independent person.
- B. Require an immediate record of all monies received be maintained and periodically reviewed.
- C. Close the local bank account and transmit the balance to the Inmate Finance Office for deposit in the department's Inmate Canteen Fund.
- D. Prepare bank reconciliations on a monthly basis and retain the list of outstanding checks to support adjustments on the monthly bank reconciliations.

AUDITEE'S RESPONSE

- A. *We agree. Due to the relatively small size of the facility, 300 offenders, the Business Office has only two full-time positions allocated, 1-Executive I and 1-Account Clerk II. This staff pattern does not always allow for sufficient segregation of duties as we would desire. To mitigate opportunities for misappropriation of funds, the institution will implement monthly reviews by a staff person not assigned to the Business Office (facility administrative staff and the Account Clerk IIs from the Western and Northwest Regional Office will be rotated in these duties) to select a sample of transactions for review, documenting that the transactions followed established procedures and accounting practices. Process to be implemented no later than September 1, 2001.*
- B. *We agree. The Business Office currently receives checks and other funds from a variety of sources including commission checks from vendors via the US mail, offender paychecks submitted by the offender, confiscated offender funds via control center and funds transmitted via the Inmate Finance Office via weekly courier trips to Jefferson City, MO. The Business Office will initiate the use of a daily intake log to record the receipt of any funds from any source. The log will be reviewed on a monthly basis by personnel not*

assigned to the Business Office (administrative staff and the Account Clerk IIs from the Western and Northwest Regional Office will rotate in these duties). Randomly selected entries in the log will be tracked against subsequent deposit information in the respective account. Documentation of the review will be made by the independent personnel by initialing the selected entries. Process to be implemented no later than September 1, 2001.

- C. *We disagree in part. The Department of Corrections established the two community release centers, one in St. Louis and one in Kansas City, MO in 1978 as Honor Centers to assist offenders transitioning from prison to community supervision. The primary function of these facilities is to assist the offenders in obtaining employment as a critical component in establishing appropriate home plans for the remainder of their supervision period. Timely access to earnings normally deposited with the Inmate Finance Office in Jefferson City, MO proved very problematic. The local canteen accounts were established not only to handle profits derived from vending and laundry machines located in the facilities, but provided a means for offenders to access their funds to meet emergency needs such as prescription medications, purchase clothing and tools and meet transportation expenses directly related to employment needs.*

As related to the auditors, the DOC is undertaking a more comprehensive review of the business requirements of the two community release centers relative to offender access to funds and process accountability. This review will include analysis of current practices at both facilities and result in recommendations to implement more efficient systems consistent with accepted accounting practices. It is anticipated that the review and implementation process should be concluded by January 1, 2002. By that time, necessary authorizations will be included in policy and procedure modifications. Since it is possible that some local account process may remain the better option, the DOC will not close the local canteen accounts at this time. The DOC will seek assistance during this review from the State Auditor's Office.

- D. *We agree. The institution enlisted as needed business office support from the local Probation and Parole Regional Office and contracts for temporary account clerk services. Pending completion of the review referenced earlier, the institution will continue to insure the local canteen account is reconciled monthly.*

2. Offender Loans

Offenders can obtain monies from their offender accounts by two methods. In the first method, the offender can request monies from his offender account handled by the Inmate Finance Office (IFO) by completing a Request for Withdrawal of Inmate's Personal Funds. A check made payable to the offender would be transmitted from Jefferson City. This is how offenders generally receive their weekly spending allowances. The second method is to obtain a loan from the facility's Inmate Canteen Fund. The offender receives a check from the business office drawn on the facility's local bank account. The IFO issues a check payable to KCCRC for monies withdrawn from the offenders' accounts to reimburse the local bank account. We noted the following concerns regarding loans to offenders:

- A. If the business office issues an offender's check to a caseworker, the caseworker signs a receipt for the check. The caseworker is expected to have the offender sign a similar form to indicate the offender actually received the check. The caseworker is to return the signed form to the business office. For 8 of the 12 loan files we reviewed, we were unable to locate the receipt form signed by the offender.

To adequately account for all monies distributed to offenders, receipt forms signed by the offender should be returned to the business office by the caseworker and retained in the offender's file. Without the signed form on file, there is no documentation the offender actually received the monies.

- B. The business office does not adequately follow up on loans made to offenders from the facility's Inmate Canteen Fund. Requests for Withdrawals of Inmate's Personal Funds forms for loans made to offenders from the facility's Inmate Canteen Fund are submitted to the IFO for reimbursement. During our review, we found two instances in which monies were not withdrawn from an offender's IFO account to reimburse the local bank account. While a clerk in the business office does keep track of the Requests for Withdrawals of Inmate's Personal Funds forms for the offenders' weekly spending allowances, to ensure that the checks issued to the offenders by IFO agree to the Requests for Withdrawals of Inmate's Personal Funds form which have been submitted, this is not done for Requests for Withdrawals of Inmate's Personal Funds forms submitted for reimbursements for loans made to offenders.

In addition, the IFO generally sends one check payable to the facility which represents reimbursement for loans made to several offenders. The IFO does not send a report detailing the amounts making up the check total, but does send back the Requests for Withdrawals of Inmate's Personal Funds forms. However, under certain circumstances, the IFO is not able to withhold the entire amount from an offender's accounts at one time. Instead, the IFO may make several withholdings over a period of time. While partial withholdings are included in the check to the facility, Requests for Withdrawals of Inmate's Personal Funds forms are not returned to the facility until the entire amount has been withheld from the offender's accounts.

Without a complete listing of the individual amounts making up the reimbursement check or a reconciliation between the Requests for Withdrawals of Inmate's Personal Funds forms returned by the IFO and the check total or other follow-up procedures, the business office has no assurance that the Inmate Canteen Fund is being reimbursed for all loans made to the offenders.

WE RECOMMEND the KCCRC:

- A. Require the receipt form signed by an offender to be filed with the business office for all monies distributed.

- B. Ensure reimbursement for all Inmate Canteen Fund loans are received from the IFO by requesting the IFO provide a detailed report of the amounts included in reimbursement checks to the facility.

AUDITEE'S RESPONSE

- A. *We agree. The institution's practices at the time of the onsite audit required verification be returned to the business office where the offender acknowledged receipt of the funds. With the additional support provided by the regional office staff, business office filing and records were brought up to date. The institution was able to locate the documents verifying the offenders receipt in 7 of the 8 loan files referenced by the auditor. As the offender listed in the remaining file is no longer under supervision, the institution is attempting to locate him and verify receipt of the fund.*
- B. *We agree. Pending completion of the internal process review, the institution will request more detailed information be provided by the Inmate Finance Office.*

3. Offender Receipts

The KCCRC's Temporary Administrative Segregation Confinement (TASC) unit receives KCCRC offenders and parole and probation violators brought in under the Violation Assessment Program. These individuals bring with them personal property, including cash. All monies are held by KCCRC until the offenders leave the TASC unit.

- A. The envelopes used to transmit cash to the business office are not prenumbered and are not accounted for properly. The monies are put into unnumbered sealed envelopes and are posted to the control center's log. The envelopes are put into a locked box in the control center to be picked up by the facility's business office.

To ensure all offender monies from the TASC unit are properly accounted for and transmitted, all monies should be placed in prenumbered envelopes. The envelope number should be posted to the log and the numerical sequence accounted for properly.

- B. The business office posts all money received from the control center to a log, along with any monies received by the business office in the mail for offenders from outside sources. The final disposition of these monies is to either return it to the offender or outside source or transmit it to the IFO to be deposited into the individual offender's account or a combination of the two. The type of disposition and date is posted to the business office's log. Our review of the business office's log disclosed the following concerns:

1. There is no reconciliation of the control center's log and the business office's log. Without a proper reconciliation between control center and business

office records, there can be no assurance that all monies were properly transmitted to the business office.

2. The business office's log did not indicate the final disposition for all items tested. Without an adequate accounting for the disposition of all items, there is no assurance that the items were properly disposed of by the business office.

WE RECOMMEND the KCCRC:

- A. Require prenumbered envelopes be used for all offender receipts and the numerical sequence of the envelopes to be accounted for properly.
- B.1. Require reconciliations between the control center's log and the business office's log.
- B.2. Ensure the final dispositions are noted for all items on the business offices' log.

AUDITEE'S RESPONSE

- A. *We agree. The institution initiated use of pre-numbered envelopes while auditors were still conducting the onsite reviews.*
- B.&C. *We agree. This recommendation has already been implemented.*

4. State-Owned Vehicles

As of June 30, 2000, the KCCRC had a small fleet consisting of approximately eight vehicles. Travel logs for state-owned vehicles were not always complete. The purpose of the trip was not always recorded on the log. DOC policy requires that all uses of each vehicle be documented on a vehicle travel log. These logs are to contain the employee's name, date and time of trip, destination, purpose of trip, and beginning and ending odometer readings and are necessary to document appropriate use of the vehicles. In addition, these logs are not reviewed by a supervisor to ensure the logs are complete and vehicles usage is reasonable.

WE RECOMMEND the KCCRC ensure that vehicle travel logs are completed for all state vehicles and reviewed by a supervisor periodically for completeness and reasonableness.

AUDITEE'S RESPONSE

We agree. The institution instituted weekly review of vehicle logs by the Chief of Custody or designee.

The KCCRC maintains expendable inventories for food service supplies, offender clothing, armory, office supplies, housekeeping, maintenance, and forms. We noted the following concerns during our reviews of these inventories:

- A. Physical inventories are not always being conducted in compliance with DOC policy. DOC policy D4-5.1, Section III.B. requires monthly physical inventory counts for the armory and quarterly physical inventory counts for both maintenance and office supplies. The armory conducts quarterly physical inventories and the business office conducts no physical inventories for office supplies. While the maintenance department indicated that semiannual physical inventories were being conducted, documentation of these counts was not maintained nor were inventory reports filed with the chief administrative officer as required by DOC policy D4-5.1, Section III.D. The armory's quarterly inventory reports were filed with the Chief of Custody; however, the reports were discarded after the next quarter's report was filed. By not performing physical inventories in accordance with department policy, the KCCRC is more susceptible to loss or misuse of assets.
- B. The physical inventories of the armory are conducted by the same armory personnel that have custody of the inventory. This practice is in violation of the DOC policy No. D4-5.1, Section III.B.1., which states that the physical inventory must be verified by an institutional employee whose duties are not the maintenance of that particular inventory. An independent verification enhances controls of inventories. In addition, while an employee who does not otherwise handle the inventories does help conduct the storekeeper's physical inventories of food service supplies, offender clothing, housekeeping, and forms, this independent verification is not documented.
- C. No perpetual records are maintained for either the office supply inventory or the armory. As a result, a comparison of physical inventory counts to balances recorded in the perpetual records is not possible, and the effectiveness of the periodic physical inventory procedures is minimized. DOC policy D4-5.1, Section III.A. requires the facility to maintain perpetual records for the armory and for office supplies.

Effective internal controls over inventories require perpetual records be maintained on all inventory items in accordance with departmental policy. In addition, a comparison of the balances obtained during the physical inventory count with the balances recorded on the perpetual inventory records must be required. Furthermore, adequate controls over inventories are necessary to ensure errors and other irregularities are prevented or detected in a timely manner.

- D. Although the business office is responsible for the office supply inventory, access to the inventory is not limited to business office personnel. During calendar year

2000, portions of the office supply inventory were moved to various locations in the facility and any employee with a master key now has access to the inventory. Increased access to inventory items increases the risk of loss or misuse of inventory items.

WE RECOMMEND the KCCRC:

- A. Conduct physical inventories in accordance with DOC policy and ensure inventory reports are filed and retained as required by DOC policy.
- B. Require physical inventories to be verified by an employee independent of custodial and record-keeping duties.
- C. Require perpetual inventory records be maintained for the armory and for office supplies, document the comparison of physical inventory counts to the perpetual inventory records, and follow up on discrepancies noted.
- D. Restrict access to the office supply inventory.

AUDITEE'S RESPONSE

- A. *We agree. The institution has implemented revisions in inventory practices to bring them into compliance with procedures established by the Department.*
- B. *We agree. Independent staff verifications inventory checks are now being documented by staff initials. Required inventories will be conducted by personnel not assigned to the area (possibly rotating administrative staff and the Account Clerk IIs from the Western or Northwest Regional Office).*
- C. *We agree. The institution will develop and maintain perpetual inventory records on expendable office supplies and critical expendable and non-expendable security equipment.*
- D. *We agree and have already limited access authority.*

6. Vending and Laundry Machine Commissions

- A. In 1998, the KCCRC entered into contracts with two vendors to provide and service vending machines and laundry machines at the facility. The institution receives commissions from both vendors based on the volume of sales. Bids were not solicited for either of these contracts.

Bids are necessary to ensure the facility receives the largest commission and best services available. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the facility's business.

- B. The KCCRC did not require the vending machine contractor to submit any type of sales reports, did not monitor collections by the vendor, nor did it adequately monitor the contract to ensure commission payments were received monthly as required. We noted the vendor was submitting a commission check approximately every three months.

Monthly reports, showing the total amount collected by the vending machine contractor, should be filed monthly with the institution and are necessary to determine the propriety of the commissions received. In the absence of these reports, institution personnel should monitor collections by the vendor from the machines.

WE RECOMMEND the KCCRC:

- A. Solicit bids related to the vending and laundry machine operations.
- B. Require the vending machine contractor to submit monthly reports of sales or monitor collections taken from the machines. In addition, the institution should require the vending machine contractor to submit payments of commissions monthly to the facility, as provided in the contract.

AUDTIEE'S RESPONSE

- A. *We agree that the Department should have solicited competitive bids prior to awarding the contracts. The contracts in question were awarded for a period of five years and expire in 2003. Absent a significant incident or period of time where the contractors fail to perform essential requirements of the existing contracts, the institution will solicit competitive bids for the required services 90 days prior to the contract expiration dates. All subsequent contract awards will be made in accordance with established Department procedures.*
- B. *We agree. The vendors will be required to provide monthly payments and reports of sales by vending machine. Compliance with contract requirements will be monitored by institution administration.*

7. Food Inventories

During the year ended June 30, 2000, the KCCRC served approximately 291,000 meals to offenders with food costs of approximately \$168,000. The institution maintains perpetual inventory records for all food items except bread and milk products and fresh produce.

- A. Generally, the warehouse employees perform the monthly physical counts of food inventories. These employees also have custody of the inventory. While an employee not regularly assigned to either the warehouse or the food service section does participate in the physical counts, this independent verification is not documented.

DOC policy IS10-1.15 states the physical inventory count must be verified by an institutional employee who is not assigned to the food service section. Signatures on the monthly inventory summary reports could serve as documentation of the independent verification.

- B. The Cook III, who serves as food services manager, prepares the daily menus for the cooks, who then prepare a food requisition form listing the food needed for each day's meals. The completed requisition is sent to the food storage area in the warehouse where a warehouse employee fills the order. Neither the Cook III nor the warehouse employee sign all requisition forms as required by DOC policy IS10-1.17.

To maintain adequate control and accountability over food inventories, food should only be removed from storage with an authorized requisition form. Failure to enforce proper controls and procedures over the food inventory subjects the facility to a significantly increased risk of theft.

- C. The KCCRC operates on a three month cycle for ordering canned and dry foods. Department policy also allows each institution an emergency stock of grocery items up to a maximum of six weeks. As a result, each institution should stock a supply of canned and dry foods to meet its needs for approximately three months plus a small emergency supply.

During our review, we examined selected individual food items to determine if the institution was maintaining excess food supplies. The following items were noted as exceeding a three month supply:

<u>Food Item</u>	<u>Quantity on hand June 30, 2000</u>	<u>Quantity Used During Year Ended June 30, 2000</u>	<u>Number of Months Supply on Hand</u>	<u>Total Inventory Cost</u>
Jello	74 cases	24	37	\$ 254
Brown sugar	12 bags	4	36	35
Sauerkraut	28 cases	16	21	188
Sweet potatoes	88 cases	51	20	588
Potatoes, dry sliced	151 cases	103	17	302
Coffee	680 cans	540	15	591
Vanilla flavoring	20 gallons	20	12	40

Maintaining food inventories at levels of expected usage, given the reorder time frames, is necessary to reduce the potential for spoilage, misuse, or loss.

- D. DOC policy IS10-1.15 Section III.C. requires regular random counts of at least ten items, verifying perpetual inventory records, be conducted monthly by the Associate Superintendent. These random counts are not performed.

WE RECOMMEND the KCCRC:

- A. Ensure documentation of the physical inventory counts is maintained.
- B. Require the food service manager and the warehouse employee to sign completed requisitions.
- C. Order food items based on expected usage to reduce excessive food inventories. The institution should transfer appropriate excessive stock of food items to the DOC central warehouse for redistribution.
- D. Ensure the Associate Superintendent conducts random counts of food items monthly.

AUDITEE'S RESPONSE

- A. *We agree. Inventory sheets will also include initials of staff verifying items on hand.*
- B. *We agree. Requisition reports will include signatures of the staff requesting the item, the staff filling the orders, and the signatures of the food service staff receiving the items.*
- C. *We agree in part. Food-stock on hand should not be excessive compared to normal use rates. However, several of the items represent over shipments by the DOC Central Warehouse and items that have to be purchased in bulk in order to obtain the best price. The food service and warehouse staff closely monitor items to insure acceptable shelf life is not exceeded prior to use and the items in question represent less than \$2,000 in inventory costs. The institution will monitor stock on hand to insure ordering and shipping practices do not jeopardize efficient use of state goods.*
- D. *We agree. The Associate Superintendent will insure he initials the inventory reports next to the items verified.*

This report is intended for the information of the management of the Kansas City Community Release Center and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

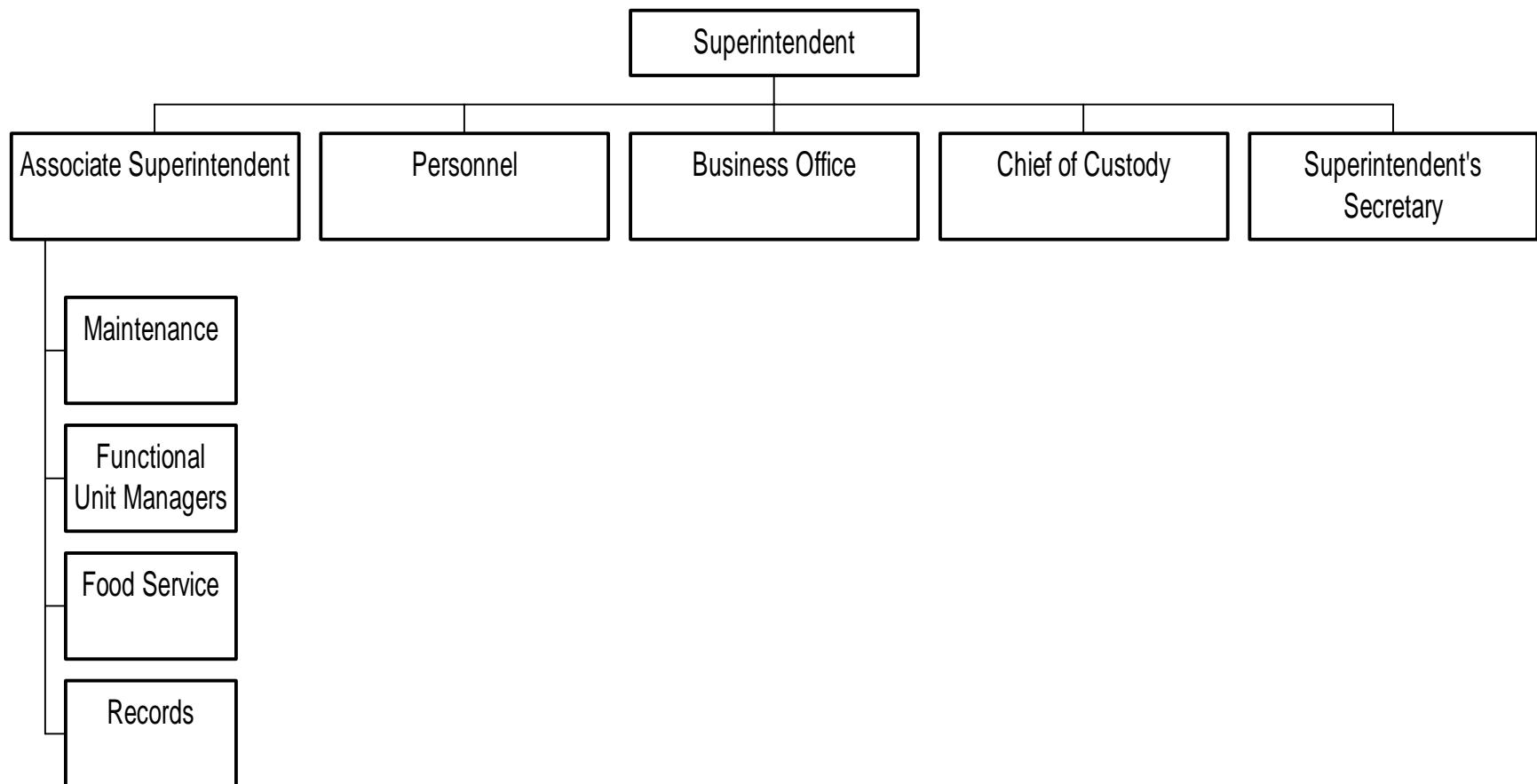
DEPARTMENT OF CORRECTIONS
KANSAS CITY COMMUNITY RELEASE CENTER
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Kansas City Community Release Center (KCCRC), which opened in May 1978, moved to its present location at 651 Mulberry Street in December 1998 from its previous location at 919 Oak Street. The facility originally housed only men but was expanded to include women in 1982. The facility currently houses approximately 312 offenders. The new facility was funded through an August 1994 general obligation bond vote of the people. The construction and design costs for the new facility were approximately \$10.3 million.

The facility is a work release program operated by the Division of Probation and Parole for minimum security offenders within one year of their release from prison. Following a two week orientation, which includes mental health and substance abuse treatment screenings, offenders must work to remain at the facility and adhere to a rigid schedule of verified activities. Failure to abide by these restrictions can result in a return to confinement. Offenders are required to reimburse the state for their room and board at a rate of one-fourth of their gross salary. Another one-fourth of the offender's salary is placed in a mandatory savings account. Offenders work for various employers throughout the Kansas City area, but are not allowed to work where alcohol is the main source of revenue, in adult entertainment venues, or as a temporary employee through an employment agency. The facility also houses the Violation Assessment Program, which enhances the processing of parole violators.

The administration of the KCCRC consists of one superintendent and one associate superintendent. The KCCRC staff included approximately 81 employees assigned to various administrative, service, and security functions as of June 30, 2000. Prior to May 1, 2000, Sharon Fairchild served as superintendent. Sally Halford served as superintendent from May 1, 2000 to October 27, 2000. On December 8, 2000, Kimberly Jones was appointed as the facility superintendent.

DEPARTMENT OF CORRECTIONS
KANSAS CITY COMMUNITY RELEASE CENTER
ORGANIZATION CHART
JUNE 30, 2000



Appendix

DEPARTMENT OF CORRECTIONS
KANSAS CITY COMMUNITY RELEASE CENTER
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2000			1999		
	Appropriations	Expenditures	Lapsed Balances	Appropriation	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE						
Personal Service	\$ 901,428	899,882	1,546	860,417	836,896	23,521
Total General Revenue - State	\$ 901,428	899,882	1,546	860,417	836,896	23,521

Note: The appropriations presented above are used to account for and control the facility's expenditures from amounts appropriated to the facility by the General Assembly. The facility administers transactions from the appropriations presented above. However, the state treasurer as fund custodian and the Office of Administration provide administrative control over the fund resources within the authority prescribe by the General Assembly. This fund only represents personal service expenditures of the facility. Some expenditures relating to individual facilities are charged to department-wide appropriations and are not identified by facility (including some purchases of food inventory, computer equipment, and paper products).

* * * * *



**HOWELL COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-87
September 18, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Howell, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Howell County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Howell County's Associate County Commissioners salaries were each increased approximately \$5,400 yearly, according to information from the county clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,800, for the two years ended December 31, 2000, should be repaid. Any raises given to other officials within their term of office should also be re-evaluated for propriety.

- The county does not have procedures in place to track federal awards for preparation of the schedule of expenditures of federal awards. The county prepared a schedule for the years ended December 31, 2000 and 1999; however, the schedule contained a number of errors and omissions with expenditures understated by \$56,304 and \$93,253, respectively.
- State law allows county officials, with the approval of the County Commission, to perform services for cities that they normally provide to the county for additional compensation. The county entered into written contracts in 1988 and 1990 which provide for the county to collect property taxes for the city of West Plains and the city of Willow Springs, respectively.

(over)

YELLOW SHEET

The County Collector currently assesses a penalty on delinquent city tax payments in accordance with state law, which provides for a 5 percent penalty to be collected from the taxpayer, and the proceeds are to be distributed two-fifths to the General Revenue Fund and three-fifths to the County Employees' Retirement Fund. However, the County Collector personally retains these penalties.

The audit also includes some matters related to budgetary practices, published financial statements, collateral securities, and the Juvenile Office, upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

HOWELL COUNTY, MISSOURI

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HOWELL COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Howell County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Howell County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Howell County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Howell County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Howell County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 14, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Howell County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

June 14, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robyn Vogt
Audit Staff:	Steve Garner
	Cindy Elliott



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Howell County, Missouri

We have audited the special-purpose financial statements of various funds of Howell County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Howell County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Howell County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Howell County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 14, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

HOWELL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 278,548	2,748,192	2,698,525	328,215
Special Road and Bridge	176,227	1,446,160	1,460,857	161,530
Assessment	12,441	298,632	263,775	47,298
School Resource Officer	31,712	34,797	39,935	26,574
Law Enforcement Training	13,100	15,095	11,781	16,414
Prosecuting Attorney Bad Check	14,995	50,940	52,453	13,482
Recorder's Special	41,221	17,372	3,650	54,943
Prosecuting Attorney Training	2,713	2,476	3,234	1,955
911 Emergency Telephone	334,135	385,619	374,489	345,265
Criminal Pleas	4,365	237	4,602	0
Children's Trust	0	7,350	7,350	0
Sheriff's Equipment	1,943	908	2,851	0
Prosecuting Attorney Special	4,532	964	4,713	783
Drug Enforcement	25,505	9,857	11,426	23,936
Sheriff Special	357	49,715	44,113	5,959
CDBG Project #98-PF-13	0	79,572	79,572	0
Sheriff Emergency Response Team	4,856	283	2,138	3,001
Special Grants	0	262,340	258,719	3,621
Election Services	54	2,943	1,069	1,928
Micro Enterprise Loan	0	51,100	51,100	0
Law Enforcement Sales Tax	0	66,478	0	66,478
Senate Bill 40 Board	12,816	134,669	111,503	35,982
Circuit Clerk Interest	24,131	3,977	995	27,113
Associate Circuit Division Interest	10,384	8,684	3,529	15,539
Law Library	1,191	14,817	4,604	11,404
Total	\$ 995,226	5,693,177	5,496,983	1,191,420

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HOWELL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 258,908	2,686,274	2,666,634	278,548
Special Road and Bridge	214,100	1,416,452	1,454,325	176,227
Assessment	11,858	270,463	269,880	12,441
School Resource Officer	28,190	42,109	38,587	31,712
Law Enforcement Training	8,792	16,350	12,042	13,100
Prosecuting Attorney Bad Check	19,476	47,991	52,472	14,995
Recorder's Special	61,241	18,631	38,651	41,221
Prosecuting Attorney Training	3,446	2,849	3,582	2,713
911 Emergency Telephone	324,420	361,958	352,243	334,135
Criminal Pleas	9,207	404	5,246	4,365
Children's Trust	0	6,199	6,199	0
Sheriff's Equipment	3,840	889	2,786	1,943
Prosecuting Attorney Special	2,719	2,902	1,089	4,532
Drug Enforcement	11,802	120,081	106,378	25,505
Sheriff Special	408	28,831	28,882	357
EDA Grant - Phase 1	0	14,875	14,875	0
EDA Grant - Phase 2	0	982	982	0
CDBG Project #96-ED-09	0	924	924	0
CDBG Project #97-PF-11	0	40,761	40,761	0
CDBG Project #98-PF-13	0	298,728	298,728	0
Sheriff Emergency Response Team	2,578	5,008	2,730	4,856
South Central Drug Task Force	0	167,698	167,698	0
Election Services	0	54	0	54
Senate Bill 40 Board	21,366	129,164	137,714	12,816
Circuit Clerk Interest	27,034	7,176	10,079	24,131
Associate Circuit Division Interest	5,825	5,249	690	10,384
Law Library	2,391	3,052	4,252	1,191
Total	\$ 1,017,601	5,696,054	5,718,429	995,226

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 5,752,525	5,599,221	(153,304)	5,652,959	5,680,523	27,564
DISBURSEMENTS	6,238,381	5,487,855	750,526	6,211,400	5,703,408	507,992
RECEIPTS OVER (UNDER) DISBURSEMENTS	(485,856)	111,366	597,222	(558,441)	(22,885)	535,556
CASH, JANUARY 1	959,520	959,520	0	982,351	982,351	0
CASH, DECEMBER 31	473,664	1,070,886	597,222	423,910	959,466	535,556
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	34,500	38,029	3,529	29,000	31,954	2,954
Sales taxes	1,582,000	1,493,560	(88,440)	1,422,000	1,450,344	28,344
Intergovernmental	681,225	704,090	22,865	675,304	694,380	19,076
Charges for services	434,483	426,357	(8,126)	392,470	434,513	42,043
Interest	25,000	34,565	9,565	30,000	22,079	(7,921)
Other	38,747	46,108	7,361	37,057	48,004	10,947
Transfers in	5,000	5,483	483	5,000	5,000	0
Total Receipts	2,800,955	2,748,192	(52,763)	2,590,831	2,686,274	95,443
DISBURSEMENTS						
County Commission	92,895	92,033	862	92,295	92,091	204
County Clerk	89,675	85,325	4,350	85,775	82,943	2,832
Elections	89,900	96,140	(6,240)	59,500	49,977	9,523
Buildings and grounds	63,320	68,554	(5,234)	66,650	55,615	11,035
Employee fringe benefits	392,700	361,285	31,415	304,000	299,037	4,963
County Treasurer	46,902	44,481	2,421	46,277	44,649	1,628
County Collector	118,254	118,239	15	113,760	113,748	12
Ex Officio Recorder of Deeds	68,750	69,299	(549)	67,900	66,782	1,118
Circuit Clerk	34,500	14,219	20,281	30,000	31,947	(1,947)
Associate Circuit Court	17,100	15,363	1,737	17,354	16,062	1,292
Court administration	8,200	5,250	2,950	8,350	5,147	3,203
Public Administrator	20,555	19,000	1,555	20,515	19,405	1,110
Sheriff	523,940	471,316	52,624	482,040	481,970	70
Jail	172,890	157,921	14,969	162,500	140,109	22,391
Prosecuting Attorney	141,506	141,706	(200)	138,383	139,553	(1,170)
Juvenile Officer	141,596	124,710	16,886	166,213	155,141	11,072
County Coroner	19,500	17,624	1,876	17,000	19,261	(2,261)
Grants	312,783	227,746	85,037	306,675	257,529	49,146
Public health and welfare services	31,000	62,916	(31,916)	31,000	45,421	(14,421)
Debt service	135,000	127,700	7,300	135,000	123,823	11,177
Other	349,869	310,008	39,861	326,173	355,118	(28,945)
Transfers out	67,690	67,690	0	73,720	71,306	2,414
Emergency Fund	85,000	0	85,000	80,000	0	80,000
Total Disbursements	3,023,525	2,698,525	325,000	2,831,080	2,666,634	164,446
RECEIPTS OVER (UNDER) DISBURSEMENTS	(222,570)	49,667	272,237	(240,249)	19,640	259,889
CASH, JANUARY 1	278,548	278,548	0	258,908	258,908	0
CASH, DECEMBER 31	55,978	328,215	272,237	18,659	278,548	259,889

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	23,000	26,918	3,918	21,000	22,618	1,618
Sales taxes	285,000	285,000	0	265,000	275,000	10,000
Intergovernmental	1,122,410	1,120,899	(1,511)	1,140,366	1,104,926	(35,440)
Charges for services	500	300	(200)	500	745	245
Interest	11,000	10,432	(568)	11,000	11,018	18
Other	0	2,611	2,611	0	2,145	2,145
Total Receipts	1,441,910	1,446,160	4,250	1,437,866	1,416,452	(21,414)
DISBURSEMENTS						
Salaries	480,000	478,942	1,058	460,000	456,814	3,186
Employee fringe benefits	176,100	136,979	39,121	147,000	123,947	23,053
Supplies	123,000	138,673	(15,673)	138,000	105,201	32,799
Insurance	35,000	37,337	(2,337)	25,000	4,671	20,329
Road and bridge materials	435,000	367,483	67,517	463,000	405,131	57,869
Equipment repairs	75,000	95,843	(20,843)	90,000	61,772	28,228
Rentals	34,000	33,309	691	19,000	33,161	(14,161)
Equipment purchases	200,000	132,646	67,354	250,000	238,163	11,837
Construction, repair, and maintenance	6,000	14,098	(8,098)	4,600	246	4,354
Other	25,600	25,547	53	28,650	25,219	3,431
Total Disbursements	1,589,700	1,460,857	128,843	1,625,250	1,454,325	170,925
RECEIPTS OVER (UNDER) DISBURSEMENTS	(147,790)	(14,697)	133,093	(187,384)	(37,873)	149,511
CASH, JANUARY 1	176,227	176,227	0	214,100	214,100	0
CASH, DECEMBER 31	28,437	161,530	133,093	26,716	176,227	149,511
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	242,570	213,672	(28,898)	222,641	192,289	(30,352)
Charges for services	9,000	18,349	9,349	9,000	9,084	84
Interest	2,200	3,421	1,221	2,000	2,284	284
Transfers in	63,190	63,190	0	69,220	66,806	(2,414)
Total Receipts	316,960	298,632	(18,328)	302,861	270,463	(32,398)
DISBURSEMENTS						
Assessor	326,960	263,775	63,185	307,260	269,880	37,380
Total Disbursements	326,960	263,775	63,185	307,260	269,880	37,380
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,000)	34,857	44,857	(4,399)	583	4,982
CASH, JANUARY 1	12,441	12,441	0	11,858	11,858	0
CASH, DECEMBER 31	2,441	47,298	44,857	7,459	12,441	4,982

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SCHOOL RESOURCE OFFICER FUND</u>						
RECEIPTS						
Intergovernmental	43,798	34,797	(9,001)	41,241	42,109	868
Total Receipts	43,798	34,797	(9,001)	41,241	42,109	868
DISBURSEMENTS						
Salaries	36,316	35,603	713	33,759	33,854	(95)
Office expenditures	600	507	93	600	568	32
Equipment	500	116	384	500	143	357
Mileage and training	6,456	3,709	2,747	6,382	4,022	2,360
Total Disbursements	43,872	39,935	3,937	41,241	38,587	2,654
RECEIPTS OVER (UNDER) DISBURSEMENTS	(74)	(5,138)	(5,064)	0	3,522	3,522
CASH, JANUARY 1	31,712	31,712	0	28,190	28,190	0
CASH, DECEMBER 31	31,638	26,574	(5,064)	28,190	31,712	3,522
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	4,500	4,907	407	3,000	5,525	2,525
Charges for services	9,200	9,337	137	9,500	10,295	795
Interest	500	851	351	500	530	30
Total Receipts	14,200	15,095	895	13,000	16,350	3,350
DISBURSEMENTS						
Sheriff	26,500	11,781	14,719	20,500	12,042	8,458
Total Disbursements	26,500	11,781	14,719	20,500	12,042	8,458
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,300)	3,314	15,614	(7,500)	4,308	11,808
CASH, JANUARY 1	13,100	13,100	0	8,792	8,792	0
CASH, DECEMBER 31	800	16,414	15,614	1,292	13,100	11,808
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	45,000	49,985	4,985	40,000	47,125	7,125
Interest	500	955	455	1,500	866	(634)
Total Receipts	45,500	50,940	5,440	41,500	47,991	6,491
DISBURSEMENTS						
Prosecuting Attorney	58,707	52,453	6,254	57,822	52,472	5,350
Total Disbursements	58,707	52,453	6,254	57,822	52,472	5,350
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,207)	(1,513)	11,694	(16,322)	(4,481)	11,841
CASH, JANUARY 1	14,995	14,995	0	19,476	19,476	0
CASH, DECEMBER 31	1,788	13,482	11,694	3,154	14,995	11,841

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S SPECIAL FUND</u>						
RECEIPTS						
Charges for services	20,000	14,742	(5,258)	20,000	16,064	(3,936)
Interest	3,000	2,630	(370)	4,000	2,567	(1,433)
Total Receipts	23,000	17,372	(5,628)	24,000	18,631	(5,369)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	12,100	3,650	8,450	40,000	38,651	1,349
Total Disbursements	12,100	3,650	8,450	40,000	38,651	1,349
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,900	13,722	2,822	(16,000)	(20,020)	(4,020)
CASH, JANUARY 1	41,221	41,221	0	61,241	61,241	0
CASH, DECEMBER 31	52,121	54,943	2,822	45,241	41,221	(4,020)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	2,550	2,332	(218)	2,200	2,572	372
Interest	100	144	44	200	132	(68)
Other	0	0	0	0	145	145
Total Receipts	2,650	2,476	(174)	2,400	2,849	449
DISBURSEMENTS						
Prosecuting Attorney	5,150	3,234	1,916	5,800	3,582	2,218
Total Disbursements	5,150	3,234	1,916	5,800	3,582	2,218
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,500)	(758)	1,742	(3,400)	(733)	2,667
CASH, JANUARY 1	2,713	2,713	0	3,446	3,446	0
CASH, DECEMBER 31	213	1,955	1,742	46	2,713	2,667
<u>911 EMERGENCY TELEPHONE</u>						
RECEIPTS						
Charges for services	345,000	360,152	15,152	313,000	346,840	33,840
Interest	16,000	16,565	565	17,000	14,620	(2,380)
Other	0	8,902	8,902	0	498	498
Total Receipts	361,000	385,619	24,619	330,000	361,958	31,958
DISBURSEMENTS						
Salaries	248,800	235,952	12,848	227,500	221,176	6,324
Office expenditures	76,300	69,766	6,534	75,900	72,684	3,216
Equipment	32,000	22,025	9,975	29,000	36,072	(7,072)
Mileage and training	6,500	8,207	(1,707)	5,000	6,137	(1,137)
Contractual services	17,000	21,384	(4,384)	15,000	0	15,000
Other	17,330	12,155	5,175	10,730	11,174	(444)
Transfers out	5,000	5,000	0	5,000	5,000	0
Total Disbursements	402,930	374,489	28,441	368,130	352,243	15,887
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,930)	11,130	53,060	(38,130)	9,715	47,845
CASH, JANUARY 1	334,135	334,135	0	324,420	324,420	0
CASH, DECEMBER 31	292,205	345,265	53,060	286,290	334,135	47,845

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CRIMINAL PLEAS FUND</u>						
RECEIPTS						
Interest	0	237	237	0	404	404
Total Receipts	0	237	237	0	404	404
DISBURSEMENTS						
Equipment	3,365	1,094	2,271	8,207	4,971	3,236
Other	1,000	1,419	(419)	1,000	275	725
Transfers out	0	2,089	(2,089)	0	0	0
Total Disbursements	4,365	4,602	(237)	9,207	5,246	3,961
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,365)	(4,365)	0	(9,207)	(4,842)	4,365
CASH, JANUARY 1	4,365	4,365	0	9,207	9,207	0
CASH, DECEMBER 31	0	0	0	0	4,365	4,365
<u>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Charges for services	9,500	7,350	(2,150)	9,000	6,199	(2,801)
Total Receipts	9,500	7,350	(2,150)	9,000	6,199	(2,801)
DISBURSEMENTS						
Payments to shelters	9,500	7,350	2,150	9,000	6,199	2,801
Total Disbursements	9,500	7,350	2,150	9,000	6,199	2,801
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>SHERIFF'S EQUIPMENT FUND</u>						
RECEIPTS						
Interest	30	126	96	0	143	143
Other	900	782	(118)	2,000	746	(1,254)
Total Receipts	930	908	(22)	2,000	889	(1,111)
DISBURSEMENTS						
Sheriff	2,800	622	2,178	5,800	2,786	3,014
Transfers out	0	2,229	(2,229)	0	0	0
Total Disbursements	2,800	2,851	(51)	5,800	2,786	3,014
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,870)	(1,943)	(73)	(3,800)	(1,897)	1,903
CASH, JANUARY 1	1,943	1,943	0	3,840	3,840	0
CASH, DECEMBER 31	73	0	(73)	40	1,943	1,903

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY SPECIAL FUND</u>						
RECEIPTS						
Intergovernmental	2,700	814	(1,886)	1,300	2,735	1,435
Interest	150	150	0	200	167	(33)
Total Receipts	2,850	964	(1,886)	1,500	2,902	1,402
DISBURSEMENTS						
Prosecuting Attorney	7,000	4,713	2,287	4,200	1,089	3,111
Total Disbursements	7,000	4,713	2,287	4,200	1,089	3,111
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,150)	(3,749)	401	(2,700)	1,813	4,513
CASH, JANUARY 1	4,532	4,532	0	2,719	2,719	0
CASH, DECEMBER 31	382	783	401	19	4,532	4,513
<u>DRUG ENFORCEMENT FUND</u>						
RECEIPTS						
Intergovernmental	10,000	8,426	(1,574)	107,000	117,598	10,598
Interest	200	1,431	1,231	500	2,483	1,983
Total Receipts	10,200	9,857	(343)	107,500	120,081	12,581
DISBURSEMENTS						
Equipment	4,000	0	4,000	4,000	0	4,000
Mileage and training	500	0	500	500	0	500
South Central Drug Task Force	26,700	11,426	15,274	113,500	106,378	7,122
Total Disbursements	31,200	11,426	19,774	118,000	106,378	11,622
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,000)	(1,569)	19,431	(10,500)	13,703	24,203
CASH, JANUARY 1	25,505	25,505	0	11,802	11,802	0
CASH, DECEMBER 31	4,505	23,936	19,431	1,302	25,505	24,203
<u>SHERIFF SPECIAL FUND</u>						
RECEIPTS						
Charges for services	50,000	49,715	(285)	32,000	28,831	(3,169)
Total Receipts	50,000	49,715	(285)	32,000	28,831	(3,169)
DISBURSEMENTS						
Sheriff	50,000	44,113	5,887	32,000	28,882	3,118
Total Disbursements	50,000	44,113	5,887	32,000	28,882	3,118
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	5,602	5,602	0	(51)	(51)
CASH, JANUARY 1	357	357	0	408	408	0
CASH, DECEMBER 31	357	5,959	5,602	408	357	(51)

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>EDA GRANT - PHASE 1 FUND</u>						
RECEIPTS						
Intergovernmental				37,403	14,875	(22,528)
Total Receipts				37,403	14,875	(22,528)
DISBURSEMENTS						
Grant expenditures				37,403	14,875	22,528
Total Disbursements				37,403	14,875	22,528
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0
<u>EDA GRANT - PHASE 2 FUND</u>						
RECEIPTS						
Intergovernmental				122,051	982	(121,069)
Total Receipts				122,051	982	(121,069)
DISBURSEMENTS						
Grant expenditures				122,051	982	121,069
Total Disbursements				122,051	982	121,069
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0
<u>CDBG PROJECT #96-ED-09 FUND</u>						
RECEIPTS						
Intergovernmental				2,324	924	(1,400)
Total Receipts				2,324	924	(1,400)
DISBURSEMENTS						
Grant expenditures				2,324	924	1,400
Total Disbursements				2,324	924	1,400
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CDBG PROJECT #97-PF-11 FUND</u>						
RECEIPTS						
Intergovernmental				52,232	40,761	(11,471)
Total Receipts				52,232	40,761	(11,471)
DISBURSEMENTS						
Grant expenditures				52,232	40,761	11,471
Total Disbursements				52,232	40,761	11,471
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0
<u>CDBG PROJECT #98-PF-13 FUND</u>						
RECEIPTS						
Intergovernmental	79,572	79,572	0	205,000	298,728	93,728
Total Receipts	79,572	79,572	0	205,000	298,728	93,728
DISBURSEMENTS						
Grant expenditures	79,572	79,572	0	205,000	298,728	(93,728)
Total Disbursements	79,572	79,572	0	205,000	298,728	(93,728)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>SHERIFF EMERGENCY RESPONSE TEAM FUND</u>						
RECEIPTS						
Interest	150	194	44	200	142	(58)
Other	5,000	89	(4,911)	5,000	4,866	(134)
Total Receipts	5,150	283	(4,867)	5,200	5,008	(192)
DISBURSEMENTS						
Sheriff	10,000	2,138	7,862	7,700	2,730	4,970
Total Disbursements	10,000	2,138	7,862	7,700	2,730	4,970
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,850)	(1,855)	2,995	(2,500)	2,278	4,778
CASH, JANUARY 1	4,856	4,856	0	2,578	2,578	0
CASH, DECEMBER 31	6	3,001	2,995	78	4,856	4,778

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SOUTH CENTRAL DRUG TASK FORCE FUND</u>						
RECEIPTS						
Intergovernmental				169,000	167,698	(1,302)
Total Receipts				169,000	167,698	(1,302)
DISBURSEMENTS						
Grant expenditures				169,000	167,698	1,302
Total Disbursements				169,000	167,698	1,302
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0
<u>SPECIAL GRANTS FUND</u>						
RECEIPTS						
Intergovernmental	255,000	262,340	7,340			
Total Receipts	255,000	262,340	7,340			
DISBURSEMENTS						
Grant expenditures	255,000	258,719	(3,719)			
Total Disbursements	255,000	258,719	(3,719)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,621	3,621			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	3,621	3,621			
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	4,000	2,816	(1,184)			
Interest	0	9	9			
Other	0	118	118			
Total Receipts	4,000	2,943	(1,057)			
DISBURSEMENTS						
Elections	4,000	1,069	2,931			
Total Disbursements	4,000	1,069	2,931			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,874	1,874			
CASH, JANUARY 1	54	54	0			
CASH, DECEMBER 31	54	1,928	1,874			

Exhibit B

HOWELL COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>MICRO ENTERPRISE LOAN FUND</u>						
RECEIPTS						
Intergovernmental	150,000	51,100	(98,900)			
Total Receipts	150,000	51,100	(98,900)			
DISBURSEMENTS						
Grant expenditures	150,000	51,100	98,900			
Total Disbursements	150,000	51,100	98,900			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			
<u>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Property taxes	130,000	129,945	(55)	120,000	125,012	5,012
Intergovernmental	1,850	614	(1,236)	1,550	998	(552)
Interest	3,500	4,110	610	2,500	3,154	654
Total Receipts	135,350	134,669	(681)	124,050	129,164	5,114
DISBURSEMENTS						
Office expenditures	500	323	177	400	270	130
Contractual services	145,000	111,180	33,820	140,000	137,444	2,556
Total Disbursements	145,500	111,503	33,997	140,400	137,714	2,686
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,150)	23,166	33,316	(16,350)	(8,550)	7,800
CASH, JANUARY 1	12,816	12,816	0	21,366	21,366	0
CASH, DECEMBER 31	2,666	35,982	33,316	5,016	12,816	7,800

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

HOWELL COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Howell County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	2000 and 1999
Associate Circuit Division Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999
Law Enforcement Sales Tax Fund	2000
Election Services Fund	1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Criminal Pleas Fund	2000
Sheriff's Equipment Fund	2000
Special Grants Fund	2000
CDBG Project #98-PF-13 Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	2000 and 1999
Associate Circuit Division Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999
Senate Bill 40 Board Fund	1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Senate Bill 40 Board's deposits at December 31, 2000 and 1999 were entirely covered by federal depositary insurance, collateral securities held by the county's custodial bank in the county's name, or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

HOWELL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
	Passed through state:			
	Office of Administration -			
10.665	Schools and Roads - Grants to States	N/A	\$ 70,003	76,671
U.S. DEPARTMENT OF COMMERCE				
	Direct program -			
11.300	Grants for Public Works and Economic Development	05-01-02896	0	14,875
		05-01-02925	0	982
	Program Total		0	15,857
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state:			
	Department of Economic Development -			
14.228	Community Development Block Grants/State's Program	96-ED-09	0	924
		97-PF-11	0	40,761
		98-PF-13	79,572	298,728
		2000-ME-02	51,100	0
	Program Total		130,672	340,413
	Department of Social Services -			
14.231	Emergency Shelter Grants Program	ERO1640282	31,743	19,966
U.S. DEPARTMENT OF JUSTICE				
	Direct programs:			
16.710	Public Safety Partnership and Community Policing Grants			
	COPS More	1999CMWX1819	6,136	8,824
	COPS Methamphetamine Initiative	1999CKWX0063	80,000	0
	Program Total		86,136	8,824
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	21,351	112,434
	Passed through:			
	State Department of Public Safety -			
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	98-JFJ5-25	0	8,804

Schedule

HOWELL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2000	1999
16.548	Title V - Delinquency Prevention Program	99-JJT5-05	42,376	0
16.579	Byrne Formula Grant Program	98-NCD2-036	0	78,781
		99-NCD2-013	72,749	71,579
		2000-NCD2-012	90,560	0
	Program Total		<u>163,309</u>	<u>150,360</u>
16.588	Violence Against Women Formula Grants	97-VAWA-0068	0	14,521
		98-VAWA-0033	0	17,440
		98-VAWA-0085	22,420	0
		99-VAWA-0023	21,727	0
	Program Total		<u>44,147</u>	<u>31,961</u>
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	0	770
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state Highway and Transportation Commission:			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	2,647	0
GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	0	896
FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety:			
83.534	Emergency Management - State and Local Assistance	N/A	4,659	4,524
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:			
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	60,280	52,994
93.667	Social Services Block Grant	ER0172078	94	7,589
		ER0172079	8,443	23,079
		ER0172080	8,732	24,729
	Program Total		<u>17,269</u>	<u>55,397</u>
	Total Expenditures of Federal Awards		<u>\$ 674,592</u>	<u>879,871</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

FEBRUARY 2001

Notes to the Supplementary Schedule

HOWELL COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Howell County, Missouri, except for the programs accounted for in the Howell County Public Housing Agency Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended June 30, 2000 and 1999.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Equitable Sharing of Seized and Forfeited Property Program (CFDA number 16.unknown) represent the county's share of seized monies or property.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

<u>Federal CFDA Number</u>	<u>Program Title</u>	<u>Amount Provided</u> <u>Year Ended December 31,</u>	
		<u>2000</u>	<u>1999</u>
14.231	Emergency Shelter Grants Program	\$ 31,743	19,966
16.unknown	Equitable Sharing of Seized and Forfeited Property	18,351	109,434
16.548	Title V - Delinquency Prevention Program	42,376	0
16.579	Byrne Formula Grant Program	163,309	150,360
16.710	Public Safety Partnership and Community Policing Grants	80,000	0

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Howell County, Missouri

Compliance

We have audited the compliance of Howell County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Howell County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

Internal Control Over Compliance

The management of Howell County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Howell County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

June 14, 2001 (fieldwork completion date)

Schedule

HOWELL COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weakness? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable condition identified that is
not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.665	Schools and Roads - Grants to States
14.228	Community Development Block Grants/State's Program
16.579	Byrne Formula Grant Program

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads – Grants to States
Pass-Through Entity	
Identifying Number:	Not Applicable
Award Years:	2000 and 1999
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Number:	96-ED-09, 97-PF-11, 98-PF-13, & 2000-ME-02
Award Years:	2000 and 1999
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	16.579
Program Title:	Byrne Formula Grant Program
Pass-Through Entity	
Identifying Number:	98-NCD2-036, 99-NCD2-013, & 2000-NCD2-012
Award Years:	2000 and 1999
Questioned Costs:	Not Applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have a procedure in place to track federal awards for preparation of the SEFA. For the years ended December 31, 2000 and 1999, the county's SEFA contained numerous errors and omissions. For example, expenditures relating to several federal grants were not included on the schedules. Other programs reported did not include the required pass-through grantor's number. In addition, some programs were reported incorrectly, and in total, expenditures were understated by \$56,304 and \$93,253 for 2000 and 1999, respectively.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated the procedures for the preparation of the SEFA will be reviewed prior to the next due date.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HOWELL COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HOWELL COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HOWELL COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Howell County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 14, 2001. We also have audited the compliance of Howell County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 14, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Howell County Public Housing Agency is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and other applicable information.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county official referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Howell County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.	Budgetary Practices and Published Financial Statements
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- A. Formal budgets were not prepared for various county funds for the two years ended December 31, 2000.

Chapter 50, RSMo 2000, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- B. Actual disbursements exceeded the budgeted amounts in various funds as follows:

Fund	Year Ended December 31,	
	2000	1999
Criminal Pleas	\$ 237	N/A
Sheriff's Equipment	51	N/A
Special Grants	3,719	N/A
CDBG Project #98-PF-13	N/A	93,728

The budgets for the Criminal Pleas Fund and the Sheriff's Equipment Fund were exceeded because funds were transferred to the new Law Enforcement Sales Tax Fund at the end of the year and the county did not budget for the transfers.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246(1954), that county officials are required to strictly comply with the county budget laws. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- C. The annual published financial statements of the county did not include the financial activity of some county funds as required. Sections 50.800, RSMo 2000, provides that the financial statements show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds.

For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

WE RECOMMEND the County Commission:

- A. Ensure financial information for all county funds is included in the annual budgets.
- B. Refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office.
- C. Ensure financial information for all county funds is properly reported in the annual financial statements.

AUDITEE'S RESPONSE

- A. *Three funds (the Circuit Clerk Interest Fund, the Associate Circuit Division Interest Fund, and the Law Library Fund) are not under the direct control of the County Commission. Budgets for these funds were not received from the appropriate offices to be included in the 1999 and 2000 county budget documents.*

All funds under the direct control of the County Commission are budgeted in January of each year.

A new fund was established in the later part of 1999 and 2000, respectively:

- 1. *The Election Services Fund was established on December 3, 1999. The December 31, 1999 fund balance was \$54.*
- 2. *The Law Enforcement Sales Tax Fund was established on November 8, 2000. The December 31, 2000 fund balance was \$66,478.*

Section 50.622 provides that counties may amend the annual budget during the year in which the county receives additional funds, which could not be estimated when the budget was adopted.

In this case, the fund balance in these two funds were held frozen since no expenditures were intended in the remaining few days of the calendar year.

We will request this information from the appropriate offices to be included in the 2002 budget.

- B. *On December 29, 2000, the balances of the Criminal Pleas Fund and the Sheriff's Equipment Fund were transferred to the new Law Enforcement Sales Tax Fund in order to combine law enforcement funds.*

The Special Grants Fund and the CDBG Project #98-PF-13 Fund are pass through accounts. In most situations, federal regulations require that receipts to these funds be paid out within five days.

This recommendation will be reviewed and applied appropriately for the 2001 budget year.

- C. *Three funds (the Circuit Clerk Interest Fund, the Associate Circuit Division Interest Fund, and the Law Library Fund) are not under the direct control of the County Commission. Financial statements for these funds were not received from the appropriate offices to be included in the 1999 and 2000 county financial statements.*

2. Collateral Securities

The county and the Senate Bill 40 Board have not established procedures to monitor collateral securities pledged by their depository banks, and as a result, funds were under-collateralized during January 2001 and January 2000. The amount of collateral securities pledged by the county's depository bank to cover deposits of the County Treasurer was insufficient by approximately \$4,600,000 and \$4,300,000 during January 2001 and January 2000, respectively. The Senate Bill 40 Board's funds on deposit exceeded the Federal Deposit Insurance Corporation (FDIC) coverage by approximately \$40,000 and \$11,000 during January 2001 and January 2000, respectively. No collateral securities were pledged by the depository bank to cover the monies in excess of the FDIC coverage. The high balance periods were primarily due to property tax monies collected by the County Collector and disbursed to the County Treasurer and the Senate Bill 40 Board.

Section 110.020, RSMo 2000, requires that the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave county funds and Senate Bill 40 Board funds unsecured and subject to loss in the event of a bank failure.

In addition, the county and the Senate Bill 40 Board have not entered into written depository agreements with their depository banks. A depository contract is necessary to ensure both the bank and the county or county board understand and comply with the agreement. Such a contract may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged. In addition, Section 110.130, RSMo 2000, requires the county and the Senate Bill 40 Board to enter into agreements with the bank selected as the depository during the May term in each odd-numbered year.

WE RECOMMEND the County Commission and the Senate Bill 40 Board establish monitoring procedures to ensure depository banks pledge adequate collateral securities at all times. In addition, the County Commission and the Senate Bill 40 Board should enter into written depository agreements with all depository banks, as required by state law.

AUDITEE'S RESPONSE

The County Commission indicated procedures have been established to ensure adequate collateral securities are pledged. Depositary agreements will be reviewed this year.

The Senate Bill 40 Board treasurer indicated the bank pledged collateral securities to secure Senate Bill 40 Board funds. When property tax monies are received, the board will notify the bank that additional securities need to be pledged. The bank has provided the board with a letter discussing competitive interest rates to be paid. In the future, the board will solicit proposals from the various banks and will enter into a written contract with the bank selected.

3. Official's Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Howell County's Associate County Commissioners salaries were each increased approximately \$5,400 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,800 for the two years ended December 31, 2000, should be repaid. In addition, in light of the ruling, any other raises given to other officials within their term of office should be re-evaluated for propriety.

WE RECOMMEND the County Commission review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission is aware of the court decision addressing officials' salaries pursuant to Senate Bill 11 passed by the Missouri Legislature in 1997. This legislation gave permission for a one-time increase in compensation to Associate Commissioners due to the extension of their terms. Although the court decision did not rule favorably on the legislative provisions of the mid-term salary increase, it appears the court, at the time of their decision, chose not to address repayment. The County Commission is following this matter closely. At such time the court gives direction on repayment, the County Commission will respond appropriately.

The Juvenile Office maintains six bank accounts. Reimbursements from other counties, grants, and donations are deposited into these accounts and disbursements are made for operations of the Juvenile Office, various grant programs, and special activities for juveniles. Restitution monies received from juvenile offenders are not deposited into a bank account. Our review of the procedures of the Juvenile Office disclosed the following concerns:

- A. Accounting duties are not adequately segregated. One clerk is primarily responsible for preparing checks and deposit slips, preparing bank reconciliations, and maintaining the accounting records.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. The Juvenile Office is responsible for collecting court ordered restitution from juvenile offenders and remitting monies collected to victims. A bank account is not maintained, instead, receipts from each juvenile, in the form of money order or certified check, are forwarded by the Juvenile Office to the victim.

The Juvenile Office does not issue receipt slips for restitution monies received unless requested by the payor. Further, no centralized restitution log is maintained to account for restitution assessed, collected, and distributed for each case. As a result of the lack of adequate receipt records and because restitution receipts are not deposited in a bank account, the total amount of restitution received was not available.

To properly account for all monies received, prenumbered receipt slips should be issued for all receipts. In addition, complete documentation of juvenile restitution receipts provides a framework for ensuring restitution owed, paid, and distributed to victims is properly accounted for and accurately recorded.

WE RECOMMEND the Juvenile Division:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Issue prenumbered receipt slips for all restitution monies received. In addition, a centralized restitution log should be maintained to ensure complete documentation of juvenile restitution activity.

AUDITEE'S RESPONSE

The Juvenile Officer provided the following responses:

- A. *We have implemented a policy whereby the Juvenile Officer or the Chief Deputy Juvenile Officer reviews monthly bank reconciliations and dates and initials the bank reconciliations to document the review.*
- B. *We have started issuing prenumbered duplicate receipt slips for all restitution monies received. In addition, all monies received are logged in the juvenile's case file.*

5. County Collector's Commissions
--

Section 50.332, RSMo 2000, allows county officials, with the approval of the County Commission, to perform services for cities that they normally provide to the county for additional compensation. The county entered into written contracts in 1988 and 1990 which provide for the county to collect property taxes for the city of West Plains and the city of Willow Springs, respectively. The contracts provide for the County Collector to receive a fee of three percent withheld from all taxes collected, and to receive penalties, in the amount of two percent, on delinquent taxes as prescribed by law which are collected from the taxpayers. In addition, the county receives a fee of one percent withheld from all taxes collected for providing the use of county employees and equipment in collecting the taxes.

The County Collector currently assesses a penalty on delinquent city tax payments in accordance with Section 52.290.1, RSMo 2000, which provides for a 5 percent penalty to be collected from the taxpayer, and the proceeds are to be distributed two-fifths to the General Revenue Fund and three-fifths to the County Employees' Retirement Fund. However, the County Collector personally retains these penalties, and during the two years ended February 28, 2001, the County Collector collected and retained \$4,604 in 5 percent penalties collected for city taxes. The 5 percent penalty currently collected on delinquent taxes exceeds the penalty of two percent stated in the contracts due to changes in state law which have not been reflected in amended contracts.

Any add on fee or penalty charged to taxpayers must be based on state law or city ordinance. The contracts with the cities should clearly define the amount of penalties to be assessed on delinquent taxes and how these amounts should be distributed.

WE RECOMMEND the County Collector and the County Commission amend the contracts with the cities to specifically define the amount of penalties to be collected on delinquent city taxes and how the penalties are to be distributed. The penalty amounts should be based on applicable state laws and city ordinances.

AUDITEE'S RESPONSE

As recommended by the Missouri State Auditor, the cooperative agreement to collect city taxes for the City of West Plains has been amended as requested and has been agreed to and approved by all parties; the City of West Plains, the Howell County Commission and the Howell County Collector.

The City of Willow Springs contract is worded such, that it appears no change is necessary.

This report is intended for the information of the management of Howell County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

HOWELL COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Howell County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices

- A. Formal budgets were not prepared for various county funds for the years ended December 31, 1996 and 1995.
- B. Actual expenditures exceeded budgeted amounts for the Assessment and School Resource Officer Funds in 1996.

Recommendation:

The County Commission:

- A. Ensure financial information for all county funds is included in the annual budgets.
- B. Refrain from incurring disbursements in excess of budgeted amounts. If additional funds are received which could not be estimated when the budget was adopted, the budget should be amended by following the procedures required by state law.

Status:

A&B. Not implemented. See MAR finding number 1.

2. Drug-Free Workplace Act

The county received \$18,707 in direct federal financial assistance. The county did not have a drug-free workplace policy or awareness program for its employees as required by the Drug-Free Workplace Act.

Recommendation:

The County Commission establish written policies and programs to ensure compliance with the Drug-Free Workplace Act. These policies and programs should be adequately communicated to all county employees who perform functions associated with federal funds. The County Commission should also contact the grantor agencies and resolve the questioned costs.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

3. Prosecuting Attorney's Restitution Account

- A. Cash duties were not adequately segregated.
- B. Proper bank reconciliations were not prepared.
- C. Monthly listings of open items were not prepared and, consequently, open items were not reconciled with the cash balance.

Recommendation:

The Prosecuting Attorney:

- A. Provide for adequate segregation of duties and performance of independent reconciliations and reviews of accounting records.
- B. Properly reconcile the monthly bank statements to the checkbook balance.
- C. Prepare a monthly listing of open items and reconcile it to the cash balance.

Status:

- A. Implemented.
- B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.
- C. Not implemented. However, this procedure no longer appears necessary as all monies are disbursed at the end of the month.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HOWELL COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1857, the county of Howell was named after Josiah Howell, a pioneer settler. Howell County is a county-organized, third-class county and is part of the Thirty-Seventh Judicial Circuit. The county seat is West Plains.

Howell County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Howell County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 64,947	2	54,572	1
Sales taxes	1,778,560	42	1,725,344	42
Federal and state aid	1,824,989	44	1,799,306	44
Fees, interest, and other	525,856	12	523,504	13
Total	\$ 4,194,352	100	4,102,726	100

The following chart shows how Howell County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 1,594,632	38	1,561,356	38
Public safety	1,103,893	27	1,105,278	27
Highways and roads	1,460,857	35	1,454,325	35
Total	\$ 4,159,382	100	4,120,959	100

The county maintains approximately 41 county bridges and 1,042 miles of county roads.

The county's population was 23,521 in 1970 and 31,447 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	169.8	162.6	84.6	33.1	21.2
Personal property		80.9	71.0	22.1	9.1	6.3
Railroad and utilities		14.7	14.1	6.7	6.8	4.6
Total	\$	265.4	247.7	113.4	49.0	32.1

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Howell County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
Senate Bill 40 Board Fund	\$	.05	.05

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

Year Ended February 28 (29),		
	2001	2000
State of Missouri	\$ 80,779	77,814
General Revenue Fund	49,760	41,554
Special Road and Bridge Fund	28,472	28,453
Assessment Fund	87,324	79,311
Senate Bill 40 Board Fund	137,424	132,574
Schools	7,441,340	7,156,231
Ambulance district	527,921	509,025
Fire protection district	172,946	170,362
Overplus Fund	5,430	32,342
Tax Sale Advertising	166	228
Cities	499,205	461,305
County Clerk	5,611	5,797
County Employees' Retirement	85,461	83,660
Commissions and fees:		
General Revenue Fund	160,318	153,830
Collector	17,975	16,447
Total	\$ 9,300,132	8,948,933

Percentages of current taxes collected were as follows:

Year Ended February 28 (29),		
	2001	2000
Real estate	91 %	92 %
Personal property	89	89
Railroad and utilities	100	100

Howell County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50 %
Law Enforcement	\$.0025	None	0 %

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Larry Spence, Presiding Commissioner	\$	29,390	29,390
Judy Thorton, Associate Commissioner		27,390	27,390
Mark B. Collins, Associate Commissioner		27,390	27,390
Dennis K. VonAllmen, County Clerk		41,500	41,500
Michael P. Hutchings, Prosecuting Attorney		51,000	51,000
Bill Shephard, Sheriff		40,000	40,000
Truell Harrison, County Treasurer		30,710	30,710
Lonnie Pruett, County Coroner		8,000	8,000
Charm L. Eagleman, Public Administrator *		34,299	28,255
Wayne Scharnhorst, County Collector**, year ended February 28 (29),	59,725	57,947	
Daniel Franks, County Assessor ***, year ended August 31,		42,400	42,400
Ralph Riggs, County Surveyor ****			

* Includes fees received from probate cases.

** Includes \$17,975 and \$16,447, respectively, of commissions earned for collecting city property taxes.

*** Includes \$900 annual compensation received from the state.

**** Compensation on a fee basis.

State-Paid Officials:

Fern Freeman Welker, Circuit Clerk and Ex Officio Recorder of Deeds		46,127	44,292
David Dunlap, Associate Circuit Judge		97,382	87,235
David Evans, Associate Circuit Judge		97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	2 *	0
Circuit Clerk and Ex Officio Recorder of Deeds	4 *	6
County Clerk	5 *	0
Prosecuting Attorney	10 *	0
Sheriff	25 *	0
County Treasurer	1 *	0
County Collector	6 **	0
County Assessor	8	0
Road and Bridge	22	0
911 Center	14 ***	0
Total	<u>97</u>	<u>6</u>

* Includes one part-time employee

** Includes three part-time employees

*** Includes four part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Howell County's share of the Thirty-Seventh Judicial Circuit's expenses is 58.19 percent.

Leasehold revenue bonds, dated December 1, 1995, were issued in the original amount of \$1,500,000 by the Public Building Corporation of Howell County. These bonds were issued to provide funds for a jail expansion project. The county is lease-purchasing the jail expansion from the Public Building Corporation of Howell County. The revenues from the lease-purchase agreement are being used to make debt service payments. Bonds payable at December 31, 2000, totaled \$1,260,000 and this debt issue is scheduled to be fully liquidated in 2015.



**MISSOURI DEPARTMENT OF TRANSPORTATION
5-YEAR ROAD AND BRIDGE PROGRAM**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-86
September 18, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

www.auditor.state.mo.us

The following conditions were reported related to an audit conducted by our office of the Missouri Department of Transportation 5-Year Road and Bridge Program.

Our audit of the 5-Year Plans of the Missouri Department of Transportation (MoDOT) disclosed that more accountability over the plans is needed. MoDOT has not established a performance-based management system with goals or performance measures used in developing the 5-Year Plans that would determine the progress towards improving the state's highway system. Therefore, the awarding and/or completion of projects on the 5-Year Plans does not clearly correlate to any pre-established goals. In addition, the department does not formally compare and report on a summarized basis the projects programmed for award to those actually awarded annually.

In a response to the audit, MoDOT indicated it continually seeks ways to improve its accountability and its reporting mechanisms. MoDOT indicated the department has developed both system goals and performance measures to guide the direction of the department and the Missouri Highway and Transportation Commission formally adopted the goals in June 2001. The goals cited by MoDOT in its response included: ensure safety and security, relieve congestion, facilitate the efficient movement of goods, and enhance the quality of our communities. Some of the measures cited included: number of projects awarded vs. programmed projects, cost of awarded projects vs. programmed costs, and projects completed by month, quarter, and year.

In a comment to MoDOT's response, we commended MoDOT for its recognition of the need to develop goals and performance measures to improve its accountability and reporting mechanisms. However, we noted the goals cited in MoDOT's response cannot be easily quantified and the measures established by the department appear to be elements of a project management system instead of measures to monitor the overall improvement in the quality of the state's highway system. We believe additional goals/measures that can be quantified and measure the overall condition of the highway system would enhance the department's system of accountability. For example, establishing goals such as achieving a specified percent of roadways on the National Highway System as being rated good or better or a specified percent of state owned bridges being rated good or better, and then monitoring the progress toward the attainment of those goals, would allow MoDOT to determine whether progress was being made toward improving the highway system.

(over)

YELLOW SHEET

Background Information

- In 1992, the Missouri Department of Transportation adopted a 15-Year (1992-2007) Road and Bridge Program (15-Year Plan).
- The State Auditor's review of the 15-Year Plan, issued in October 1997, disclosed the department did not adequately monitor progress on the plan. Among other things, the department did not track the plan's actual construction costs by project or periodically compare the original estimated costs to actual costs incurred and did not consider inflation in its cost estimates when developing the plan.
- In November 1998, the department concluded that the initial cost estimates for the 15-Year Plan were substantially understated and the underlying assumptions were not correct, and it was not possible under any reasonable assumptions, for the department to complete the 15-Year Plan with currently anticipated revenues. The 15-Year Plan was replaced with the 5-Year Plan. The 5-Year Plan is a rolling plan, in that as each year of the plan is completed, a new year is added.

Since our review of the 15-Year Plan in 1997, the State Auditor's office has noted improvement in the department's monitoring and oversight of its road and bridge program; however, as noted above, further improvements are needed.

MISSOURI DEPARTMENT OF TRANSPORTATION
5-YEAR ROAD AND BRIDGE PROGRAM

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Missouri Highway and Transportation Commission
and
Henry Hungerbeeler, Director
Missouri Department of Transportation
Jefferson City, MO 65102

We have audited the 5-Year Road and Bridge Program of the Missouri Department of Transportation (MoDOT). The objectives of this audit were to:

1. Determine if the MoDOT has established appropriate goals or performance measures and whether such goals/measures have been used in developing the 5-Year Plans.
2. Determine the status of the fiscal years 2000 and 1999 projects in the 5-Year Plans (from July 1, 1999 to June 30, 2004 and July 1, 1998 to June 30, 2003).
3. Determine if the MoDOT has adequately monitored the progress of the 5-Year Plans.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed department personnel, reviewed various internal and public documents and records, and analyzed and compared data obtained from department personnel and the project database.

As part of our audit, we assessed the department's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on these controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Department of Transportation, 5-Year Road and Bridge Program.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

April 20, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Toni Crabtree, CPA
Audit Staff:	Stacy Wright

EXECUTIVE SUMMARY

MISSOURI DEPARTMENT OF TRANSPORTATION
5-YEAR ROAD AND BRIDGE PROGRAM
EXECUTIVE SUMMARY

The Missouri Department of Transportation (MoDOT) is responsible for administering the state's transportation programs, with oversight by the Missouri Highway and Transportation Commission (MHTC). The MoDOT has more than 6,000 employees in ten districts and a general headquarters. With annual expenditures of over \$1.6 billion, the MoDOT operates the 6th largest state-maintained highway system (over 32,000 miles of road/69,000 lane-miles) in the nation, and is also responsible for multimodal operations which include mass transit, airports, waterways, and rails. How well the department accomplishes its mission plays a major role in Missouri's economic development, environment, and quality of life.

In 1992, the MoDOT adopted a 15-Year (1992-2007) Road and Bridge Program (15-Year Plan). The State Auditor's review of the 15-Year Plan, issued in October 1997, disclosed the department did not adequately monitor progress on the plan. The department did not track the plan's actual construction costs by project or periodically compare the original estimated costs to actual costs incurred; did not consider inflation in its cost estimates when developing the plan; did not adequately prioritize and periodically reevaluate projects; and did not adequately monitor estimated and actual revenues and project costs.

In November 1998, the department submitted its first Annual Report to the Joint Committee on Transportation Oversight, and concluded that the initial cost estimates of the 15-Year Plan were substantially understated and the underlying assumptions were not correct. The MoDOT indicated that it was not possible under any reasonable assumptions, for the department to complete the 15-Year Plan with currently anticipated revenues. Thus, the 15-Year Plan was replaced with a 5-Year Plan. The department is responsible for implementing the 5-Year Plan approved by the MHTC, and adhering to all federal and state regulations.

The 5-Year Plan is a rolling plan, in that as each year of the plan is completed, a new year is added. The plan relies on currently anticipated revenues, and it specifies projects expected to be placed under contract in the applicable years. The plan also includes programmed costs for preliminary engineering, construction engineering, and right-of-way.

The MoDOT's first 5-Year Plan covered the period from July 1, 1998 to June 30, 2003 (1999-2003). The second 5-Year Plan covered the period from July 1, 1999 to June 30, 2004 (2000-2004), and the third 5-year plan covers the period from July 1, 2000 to June 30, 2005 (2001-2005). According to the department, projects are reprioritized and added to the plan based upon urban planning organization decisions, adjustments for unforeseen circumstances, or to accommodate changes in environmental review or right-of-way acquisition.

Since our review of the 15-Year Plan in 1997, we have noted improvement in the department's monitoring and oversight of its road and bridge program. When construction projects are completed, the estimated cost is now compared to the actual costs incurred. In addition, reasons are provided for projects where there is a difference of more than 10 percent or \$5 million

between the estimated and actual cost. The department also reevaluated all project cost estimates for the 1999-2003 plan, and an inflation factor is included in the cost estimates for projects placed on the 5-Year Plan. The department developed written criteria for the prioritization (selection) of projects, and each year the department lists the projects that were reprioritized (priority changed) on the 5-Year Plan and identifies the reasons for the reprioritization. Also, each year the department lists projects added to the 5-Year Plan, and provides an explanation of why a project was added.

However, our audit of the 5-Year Plans disclosed that more accountability over the plans is needed. The MoDOT has not established a performance-based management system with goals or performance measures used in developing the 5-Year Plans. Therefore, the awarding and/or completion of projects on the 5-Year Plans does not clearly correlate to any preestablished goals. In addition, the department does not formally compare and report on a summarized basis the projects programmed for award to those actually awarded annually.

MANAGEMENT ADVISORY REPORT

MISSOURI DEPARTMENT OF TRANSPORTATION
5-YEAR ROAD AND BRIDGE PROGRAM
MANAGEMENT ADVISORY REPORT

5-Year Road and Bridge Program

Using reports and information obtained from the MoDOT and data from the department's project database, we analyzed the department's progress regarding the 5-Year Plans. We also reviewed program revenues, available construction dollars, and actual construction dollars spent on the plan projects; the projects programmed (estimated costs of the projects to be awarded) for fiscal years 2000 and 1999 and determined the results of the 2000 and 1999 construction schedule; and the department's policies and procedures used to monitor the progress of the plan. On a limited basis, we performed tests to determine the reliability of the MoDOT's project database information that we used in this report. Our audit disclosed the following:

A. Background Information

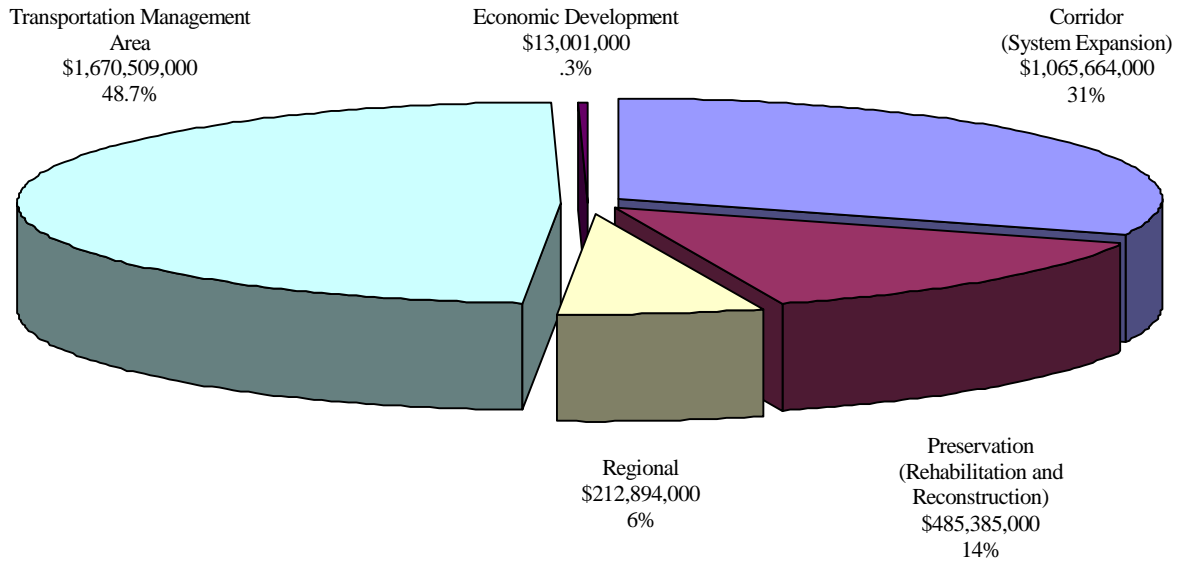
As part of the 15-Year Plan, in April 1995, the MoDOT adopted a Short-Term Action Plan (STAP). The STAP was initially scheduled to end December 31, 1998; however, the department extended the STAP to December 31, 1999. Thus, the fiscal year 1999 projects on the first 5-Year (1999-2003) Plan were essentially the STAP projects. Except for projects reprioritized and added, the 2000-2004 plan projects for the fiscal years 2000 to 2003 were the same as in the 1999-2003 plan. For fiscal year 2004, the plan included several hundred million dollars that had been set aside, but not specifically earmarked to specific projects. In addition, the 2001-2005 plan identifies projects for fiscal years 2001-2003 and a limited number for fiscal year 2004. Projects for the remainder of 2004 and 2005 will be added using the Long-Range Transportation Plan.

The MoDOT indicated it planned to identify future projects for which this money will be used based on a Needs Study and a Long Range Transportation Plan. A draft Needs Study and Long Range Transportation Plan (LRTP) was completed in September 2000, and will be used to identify projects for subsequent 5-year plans.

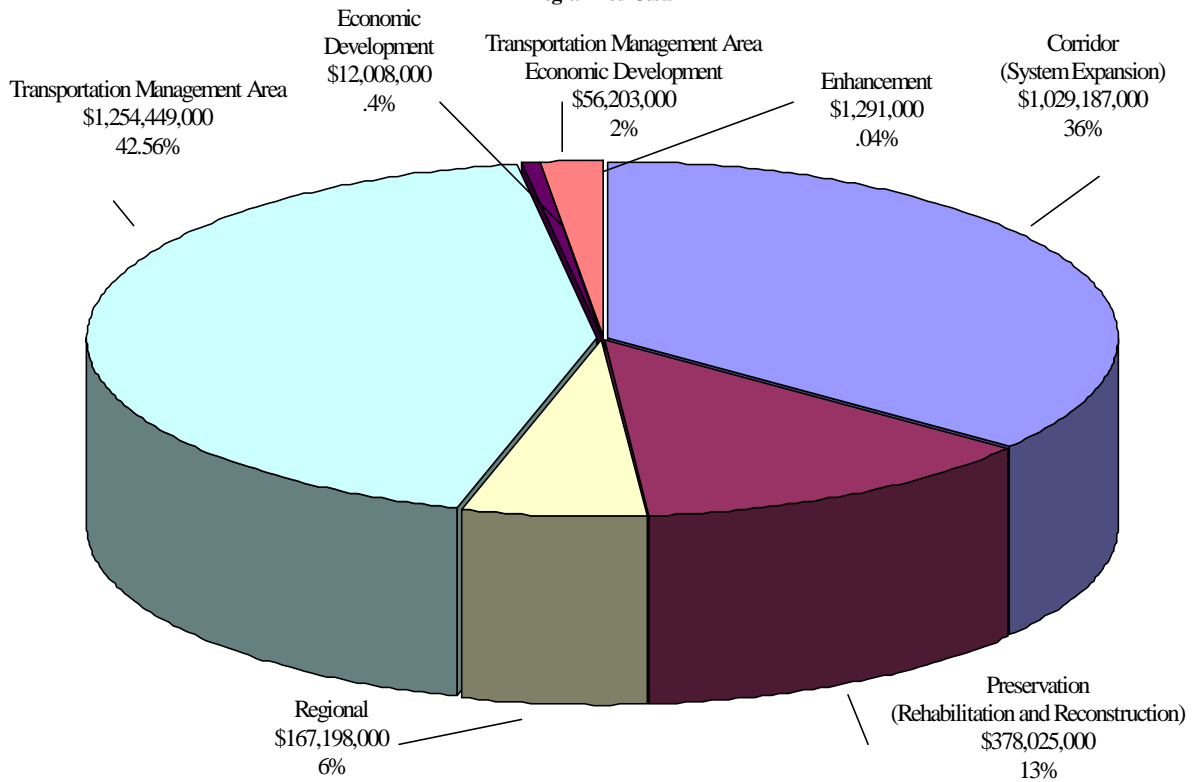
The 1999-2003 plan included 909 projects with total programmed costs (contracts to be awarded) of \$3,447,453,000, the 2000-2004 plan included 870 projects with total programmed costs of \$2,898,361,000, and the 2001-2005 plan included 912 projects with total programmed costs of \$2,671,947,000. The projects on the plans are identified by various categories such as corridor projects, preservation projects, regional projects, Transportation Management Area projects, economic development projects, and enhancement projects. In the 2001-2005 plan, system expansion replaced the corridor category and rehabilitation and reconstruction replaced the preservation category. These changes in terminology were made to more clearly reflect the activities in these categories.

The programmed costs by category for these three plans are as follows:

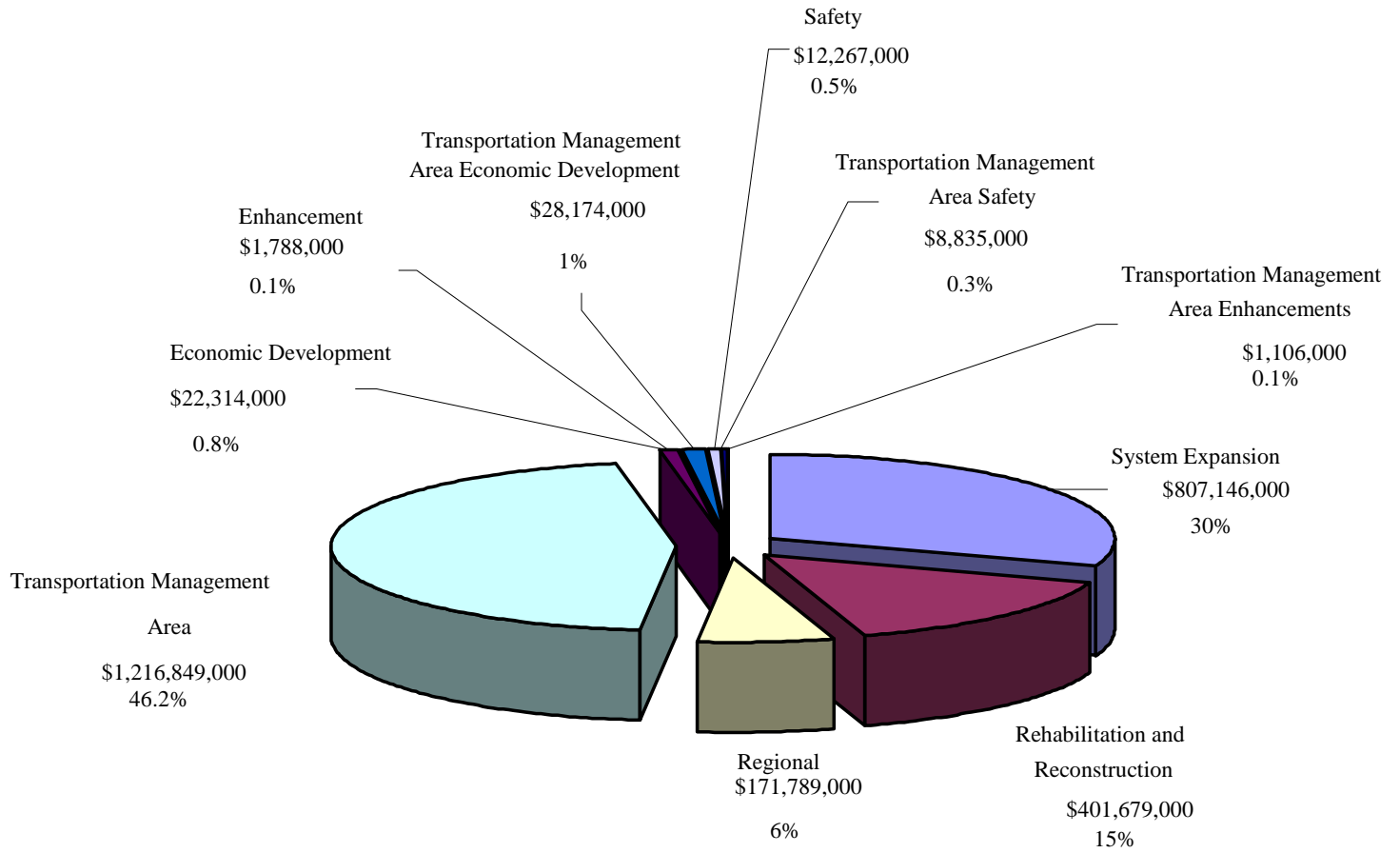
**1999-2003
Programmed Costs**



**2000-2004
Programmed Costs**



**2001-2005
Programmed Costs**



Corridor (System Expansion) projects involve high priority rural roads connecting Missouri cities and/or out-of-state metropolitan areas. These roads largely represent Missouri's portion of the National Highway System (NHS). Preservation (Rehabilitation and Reconstruction) projects involve the resurfacing and/or rehabilitating of existing roads and bridges. Regional projects are district specific and generally only benefit the citizens who live in that particular district. Transportation management area projects are those involving metropolitan planning organizations for St. Louis and Kansas City. Economic development projects are projects that directly enhance the economic well-being of Missouri. Enhancement projects are projects which are over and above what is considered normal construction or maintenance, such as facilities for bicycle riders and pedestrians, landscaping and other scenic beautification, historic preservation, archaeological site preservation, etc. Safety projects are projects which reduce accidents at high accident locations and include activities such as traffic lights and signs, turning lanes, realignment of roadways, etc.

B. Lack of Plan Goals

We determined that as of April 2001 (almost three full years into the inception of the 5-Year Plan process), the department has not established formal goals nor has it established formal performance measures or standards. Funding for the road and bridge program should not be measured by simply comparing available funds to a list of potential projects. Instead, it is better to link the amount of available funding to performance objectives, such as striving to maintain pavement condition at a predetermined level and to know how different levels of funding would affect these performance objectives. In addition, highway projects involving expansion or safety need to be evaluated on a cost-benefit basis.

According to Governmental Accounting Standards Board (GASB)'s Concepts Statement No. 2 "Service Efforts and Accomplishments Reports," performance goals would allow a government entity to measure quantitatively its success in meeting predetermined targets on a periodic basis. By establishing performance goals/standards, the department would know how it is performing relative to the plan and could identify potential deficiencies that require increased attention. A performance measuring system measures changes (outcomes) that occur as a result of resources used (inputs) and includes standardized, measurable indicators of performance.

For example, goals for a road and bridge program might be that a specified percent of roadways on the NHS be rated as good or better; that a specified percent of state owned bridges be rated as good or better; and/or that the percent of crashes where road-related conditions are a contributing factor is below an established percent, with these standards to be met over a predefined period of time. Projects could then be selected that would help achieve the goals established. Therefore, the specific number of miles of new lanes of roadway, the number of bridges rehabilitated, the number of miles resurfaced, etc., could be established each year to meet the overall goal(s). The department could then measure changes that occur such as an increase in bridge sufficiency ratings, the decrease in the number of deficient bridges, the number of miles of roadway with a specific

pavement rating, etc., against the established goals, to determine the extent of progress in meeting those goals.

According to MoDOT personnel, one purpose of the Needs Study and the LRTP is to define performance measures that will be used to track the quality of the state transportation system. The department indicated that the LRTP will “include a comprehensive assessment of the state’s existing transportation system and its needs, develop standards by which the system’s condition will be judged in the future and establish ways to identify and prioritize improvements.” In addition to roads and bridges, the LRTP will also examine other modes of transportation such as aviation, rail, waterways, and mass transit. The Needs Study is a component of the LRTP and will provide the department “a more clear understanding of the condition of the existing transportation system as well as an evaluation of acceptable levels of service, which will help MoDOT plan and prioritize future improvements.”

However, the draft LRTP did not include performance measures. MoDOT personnel indicated that the department decided to include performance measures in a separate plan, entitled the Investment Strategy Plan. As of April 2001, the Investment Strategy Plan had not been completed. In addition, a time frame has not been established for approval of either the LRTP or the Investment Strategy Plan by the Commission.

While department officials indicated performance goals and measures were in the process of being established at the time of the audit, such goals/measures were not in place for projects planned and awarded in fiscal years 1999 through 2001. The MoDOT should ensure performance goals/measures are established and used in developing the 5-Year Plans as soon as practical.

C. Monitoring the 5-Year Plan

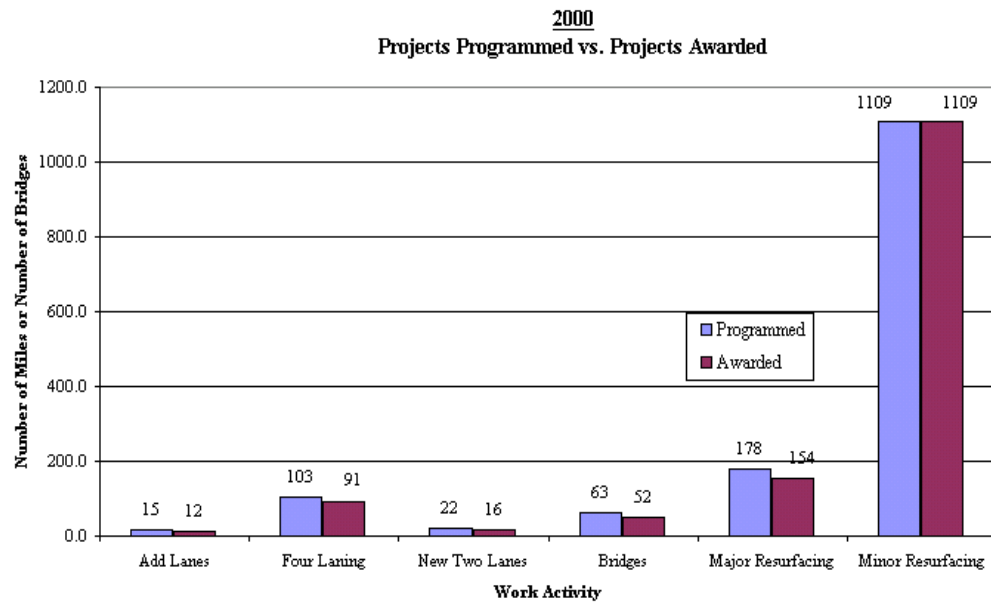
1. The department does not formally compare and report on a summarized basis the projects programmed for award to the projects actually awarded annually. Therefore, the department does not adequately monitor and report planned activity compared to actual activity. In addition, for fiscal years 2000 and 1999 (the only years completed to date in the 5-year Plan cycle), the department over-programmed projects to be awarded. They placed more projects on the plans than there were funds available for award.

We compared projects programmed for award in 2000 and 1999 to the projects actually awarded in 2000 and 1999. The original programmed costs for fiscal year 2000 involved 247 projects totaling \$1,113,361,000 in the 2000-2004 plan. During fiscal year 2000, the department awarded 3 additional projects totaling \$6,057,000 which were not originally programmed, but reprioritized (deferred to later years or eliminated) 59 other projects totaling \$238,063,000. Thus, 191 projects totaling \$881,355,000 were awarded in fiscal year 2000. The original programmed costs for fiscal year 1999 involved 216 projects totaling \$1,096,428,000 in the 1999-2003 plan. During fiscal year 1999, the department

awarded 24 additional projects totaling \$98,684,000 which were not originally programmed, but reprioritized 53 other projects totaling \$335,540,000. Thus, 187 projects totaling \$859,572,000 were awarded in fiscal year 1999.

The reprioritized projects in fiscal years 2000 and 1999, totaling \$238,063,000 and \$335,540,000 represented about 21 percent and 31 percent of the programmed totals of \$1,113,361,000 and \$1,096,428,000, respectively. From the reprioritized projects in fiscal year 2000, projects totaling \$172,865,000 were programmed for fiscal year 2001; projects totaling \$18,488,000 were programmed for fiscal year 2002; projects totaling \$44,874,000 were programmed for future years (outside the 5-year time frame); and projects totaling \$1,836,000 were combined with other projects. From the reprioritized projects in fiscal year 1999, projects totaling \$260,417,000 were programmed for fiscal year 2000; projects totaling \$59,141,000 were programmed for fiscal year 2001; projects totaling \$541,000 were programmed for future years; and projects totaling \$15,441,000 were eliminated. The projects eliminated represent approximately 1 percent of the totaled projects programmed in fiscal year 1999.

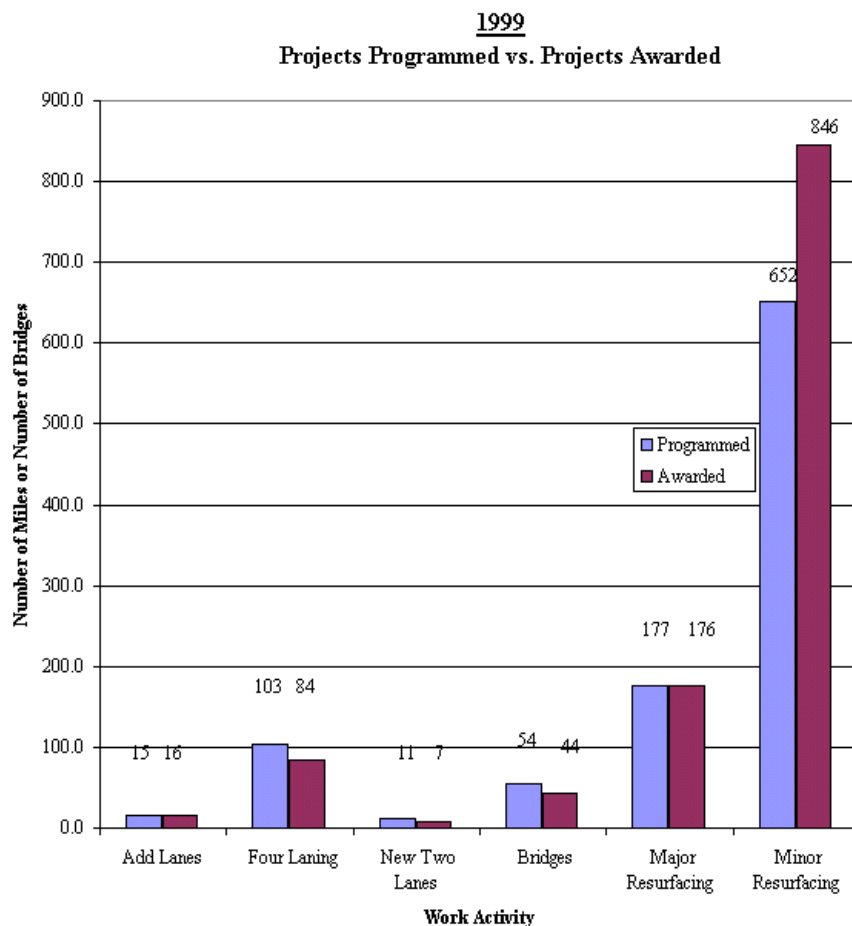
From the department's project database, we compared the work activities originally programmed for award to those actually awarded for fiscal years 2000 and 1999 with the following results:



Because projects were over-programmed, added to, or reprioritized in fiscal year 2000, the MoDOT did not award as planned the following activities:

- 1 major bridge project
- 7 bridge replacement projects
- 3 bridge retrofit and strengthening projects

- 9 miles of new or improved lanes
- 12 miles of four-lanes
- 24 miles of high-type resurfacing
- 2 miles of freeway
- 3 enhancement projects



Because projects were over-programmed, added to, reprioritized, or removed in fiscal year 1999, the MoDOT did not award as planned the following activities:

- 4 bridge replacement projects
- 19 miles of four-lanes
- 1 mile of high-type resurfacing
- 3 miles of interchanges
- 1 major bridge project
- 2 bridge rehabilitation projects
- 3 bridge retrofit projects
- 4 miles of new or improved two-lanes
- 1 mile of pavement replacement

The MoDOT should formally review and report the results of the 5-Year Plans on an annual basis to determine whether projects are awarded as scheduled and any progress toward any established performance goals. In addition, the MoDOT should not over-program and only place projects on the plans for which there are sufficient funds available for award. According to MoDOT personnel, the department did not knowingly over-program projects in the 2001-2005 plan.

2. While the MoDOT has not established performance goals/measures nor performed an annual comparison of projects programmed for award to those actually awarded, the department does prepare and make public other information related to the 5-Year Plan. The department submits an annual report to the Joint Committee on Transportation Oversight each November, and the report is available to the public on the department's Internet website.

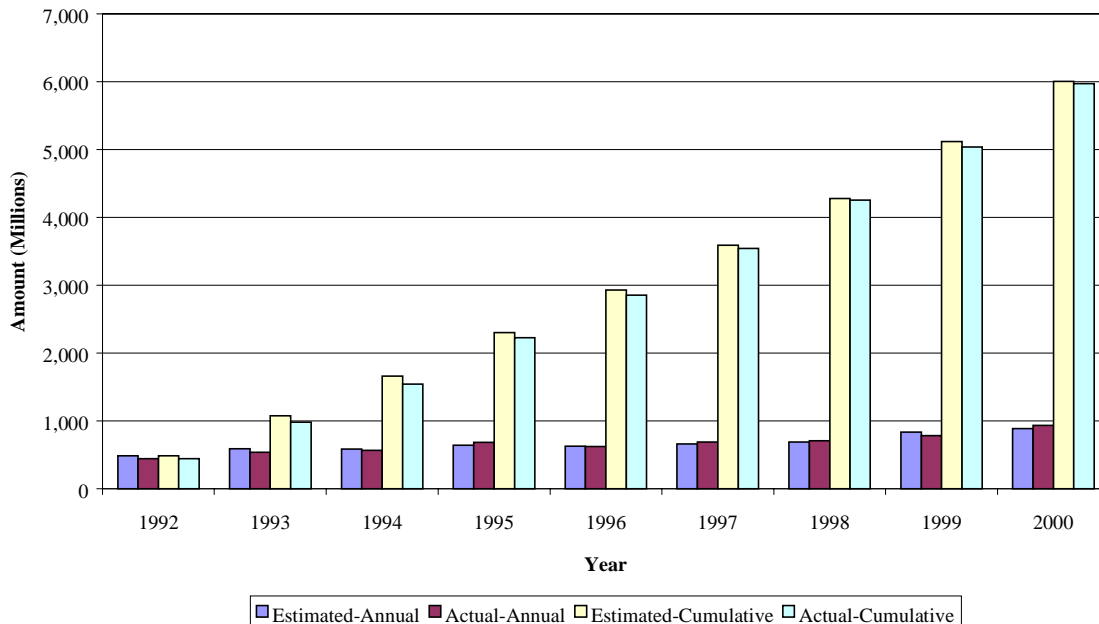
Besides a detailed listing of projects on the current 5-Year Plan, the report includes a listing of new or reprioritized projects along with an explanation of how the project met the selection method/criteria; a listing of projects which were under construction in the prior fiscal year and a comparison of programmed to actual costs; and a listing of projects completed in the prior fiscal year with a comparison of programmed to actual costs, with reasons provided when there is a difference of more than 10 percent or \$5 million between the programmed and actual costs.

However, these reports don't indicate how well the department is doing overall in improving the condition of the state's roads and bridges. This type of information will only be available when the department establishes performance goals and measures; when the 5-Year Plan projects are selected based on these goals/measures; and when annual accomplishments are compared to the goals.

3. The 5-Year Plans rely only on currently anticipated revenues for the years specified. Thus, a significant component in the success or failure in meeting the 5-Year Plans is the accuracy of the estimates of revenues; non-construction expenditures (maintenance, department administration, and other state agencies); and the funds available for construction (right-of-way, preliminary engineering, construction engineering, and construction).

The MoDOT continually updates its estimates of revenues and disbursements through a specialized software system. We did not perform an in-depth review of the underlying assumptions, trend lines, growth analyses, and system reports, etc.; however, from the MoDOT's data, we compared the estimated funds available for construction to actual funds available for construction for 1992 to 2000 as presented below:

Total Available for Construction Annual and Cumulative



The actual funds available for construction in fiscal years 1999 and 2000 are within 6 percent (plus/minus) of the estimated funds available. In addition, the actual cumulative funds through 2000 is less than the estimated cumulative funds by under 1 percent. Therefore, it appears the MoDOT's monitoring and updating of its projected revenues/funds available for construction assumptions has been reasonably adequate and accurate.

While we noted improvement in the department's monitoring and oversight of its road and bridge program, our audit of the 5-Year Plans disclosed that more accountability over the plans is needed. The MoDOT has not established a performance-based management system with goals or performance measures of the 5-Year Plans. Therefore, the awarding and/or completion of projects on the 5-Year Plans do not correlate to any pre-established goals. In addition, the department does not compare the projects programmed for award to those actually awarded on an annual basis. Doing so, would help the department determine if the plan is on schedule.

WE RECOMMEND the MoDOT establish a performance-based management system and use it in developing the 5-Year Plans. Such a system should include setting measurable targets for accomplishments/desired outcomes (especially long-range goals) and developing and reporting indicators that measure the progress in achieving the goals/objectives. In addition, the department should formally compare and report on a summarized basis the projects programmed for award to the projects actually awarded annually.

AUDITEE'S RESPONSE

MoDOT continually seeks ways to improve its accountability and its reporting mechanisms. In addition to the Annual Report submitted to the General Assembly each November, the department has established Organization Performance Measurements, discussed more fully below, based on work completed in the department's Strategic Plan, revised September 1, 2000, and the department's Business Plan, implemented July 17, 2000. Further, in September of 2000 the department's draft Long-Range Transportation Plan (LRTP) was published. It contains the overall policies for the state's transportation system. These are reflected in the projects that were incorporated in the Statewide Transportation Improvement Program (STIP) in the years 2004, 2005, and 2006.

The department has developed both system goals and performance measures to guide the direction of the department. In developing the LRTP, department personnel worked with citizens of Missouri, transportation providers, transportation stakeholders, government agencies and other entities to determine what Missourians wanted out of a transportation system. Based on that knowledge, MoDOT developed system goals to work towards achieving the type of transportation system Missouri needs. The goals were formally adopted by the MHTC at the June 2001 MHTC meeting in the Missouri Transportation Investment Strategy (MoTIS) plan. The goals are:

- i. Ensure safety and security*
- ii. Take care of the existing system*
- iii. Relieve congestion*
- iv. Broaden access to opportunity and essential services*
- v. Facilitate the efficient movement of goods*
- vi. Ensure Missouri's continued economic competitiveness*
- vii. Protect Missouri's environmental and natural resources*
- viii. Enhance the quality of our communities*

During the early part of 2001, MoDOT developed organizational performance measurements for its work processes. These performance measurements affect each functional unit in the department. In particular to this audit, the department has established measures for:

- Number of STIP projects on time, behind or on schedule*
- Number of projects awarded vs. programmed projects*
- Cost of awarded projects vs. programmed costs*
- Projects completed by month, quarter, year*
- Percentage of projects completed on schedule according to Show-Me Progress signs*

These measures became effective on July 1, 2001. The comparison of projects programmed for award vs. those that are actually awarded on an annual basis will be made based on these measures. Additionally, the measure of an awarded project being completed on time will be accomplished by the fourth measure listed above. Results of the measures will be reported monthly, quarterly and yearly, depending on the measure. These measures along with the others

found in the Organizational Performance Measurements report will aid MoDOT leadership in the effective management of key department operations.

Along with the performance measures, LRTP goals and annual reporting, MoDOT will continually seek to refine its accountability methods and its reporting mechanisms. MoDOT has been working with its partners to determine the best methods for reporting progress on Missouri's transportation projects. Additional new tools are being developed and should be available in the fall of this year.

AUDITOR'S COMMENT

We commend the MoDOT's recognition of the need to develop goals and performance measures and improve its accountability and reporting mechanisms. However, the goals noted in the department's response cannot be easily quantified. Furthermore, the established measures noted by the department appear to be elements of a project management system instead of measures designed to monitor the overall improvement in the quality of the state's highway system. We noted in our 1997 report on the 15-Year Plan the need to improve systems used to track projects and related costs.

We believe additional goals/measures that can be quantified and measure the overall condition of the highway system would enhance the department's system of accountability regarding the quality of the highway system, not just the quantity of projects. For example, as cited earlier in the report, establishing goals such as achieving a specified percent of roadways on the NHS as being rated good or better or a specified percent of state owned bridges being rated good or better, and then monitoring the progress toward the attainment of those goals, would allow the department to determine whether progress was being made toward improving the overall condition of the state's highway system.

This report is intended for the information of the department's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *



MANAGEMENT OF CELLULAR TELEPHONES AT STATE AGENCIES

**From The Office Of State Auditor
Claire McCaskill**

*State agencies can better manage
cellular telephones to ensure use
is efficient and cost effective.*

Report No. 2001-85
September 17, 2001
www.auditor.state.mo.us

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

September 2001

www.auditor.state.mo.us

Better monitoring of state employee cellular telephone use could reduce costs

State officials spent about \$2.5 million on cellular telephone costs in fiscal year 2000. This audit examined how effectively state agencies manage cellular telephone use and found no assurance that employees are enrolled in the most cost-effective plans or that telephones are fully utilized. Auditors reviewed cellular telephone policies at 16 state agencies and made detailed reviews of billing plans at seven organizations within four agencies. The following highlights the findings:

Employee cellular telephone plans not matched to usage

Audit tests showed that some employee cellular telephone plans did not match their usage patterns. Agencies would place employees in light-, medium- or heavy-user plans, which each designated a number of “free” minutes per month. But auditors found several instances of employees using the telephone beyond their plan, which resulted in significant additional charges. Almost half the cellular telephone costs paid by the seven organizations in this audit were not covered by the individuals’ plan. In some cases, state officials paid double what they would have if they had upgraded an employee to a higher - use plan. (See page 3)

One division did not know who used cellular telephones

Users of 16 telephones at one division could not be identified by organization officials. This finding prompted the division to suspend the contracts on these telephones which cost \$1,751 in fiscal year 2000. In addition, \$7,126 was spent on telephones that were used one-half the time or less. (See page 5)

Telephone billing errors go unquestioned

Audit tests found many instances of agency personnel not noting incorrect charges, paying bills late and misclassifying telephone expenses. For example, agency officials paid and did not question bills without call-by-call data. In addition, one organization had a \$21,601 delinquent balance for cellular telephone use. (See page 9)

No assurance all personal calls are reimbursed

Agency personnel do not always review bills for personal calls or require employees to reimburse the state for such use. One organization relied on employees to verbally note personal calls and reimburse the agency. Another organization sent bills to employees for reimbursement, but the personal calls were not identified on the bill, which made reconciliation difficult. (See page 11)

YELLOW SHEET

Some agencies lack guidance on telephone management

Nine of the 16 state agencies in this audit did not have guidance to manage telephone use and four of the remaining seven had inadequate policies. Inadequate policies included one agency that only addressed reimbursing employees for business calls made on personal cellular telephones. In addition, only two of the 16 agencies had performed an internal review of cellular telephones. (See page 13)

Agency officials unaware of extensive local service provider use

Agency officials can purchase cellular telephones from four statewide contractors or contract on their own when costs are expected to total less than \$25,000. However, Office of Administration officials, charged with monitoring expenditures statewide, were not aware the extent agencies used local providers. One agency paid up to 18 different cellular telephone vendors in 1 year. Making it too easy for agencies to contract with local providers has negated the effectiveness of statewide contracts. (See page 16)

MANAGEMENT OF CELLULAR TELEPHONES AT STATE AGENCIES

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Michael Hartmann, Commissioner
Office of Administration
Jefferson City, MO 65102

The State Auditor's Office performed an audit of cellular telephone practices at selected state agencies. The purpose of the audit was to determine whether agency officials have provided adequate oversight of the management and procurement of cellular telephone services. Specific objectives included determining whether agencies (1) placed employees in the most cost-effective cellular telephone plans, (2) monitored cellular telephone use, (3) adequately reviewed cellular telephone billings, and (4) adequately supervised organization practices.

We concluded that improvements are needed in the management and oversight of cellular telephones. Agency personnel responsible for procuring and administering cell phones have not always (1) assured that individuals using cell phones have the most cost-effective cell phone plans or that cell phones have been fully utilized, and (2) identified billing errors, paid charges on time, and required employees to reimburse personal phone calls. In addition, agency officials have not effectively overseen the procurement and administration of cellular telephones and Office of Administration officials have not monitored procurement practices of agency personnel.

The audit was conducted in accordance with applicable standards contained in the *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests of the procedures and records that were considered appropriate under the circumstances.

Claire McCaskill
State Auditor

March 27, 2001 (fieldwork completion)

The following auditors participated in the preparation of this report:

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RESULTS AND RECOMMENDATIONS

1. Cellular Telephone Plans for State Agencies Could Be More Cost-effective and Cellular Telephones Could Be Used More Efficiently

State agencies' controls over use of cellular telephones and payments for cellular telephone services were not adequate. Because agency managers have not analyzed usage and cost data from monthly cellular telephone statements, there is no assurance that (1) employees are enrolled in the most cost-effective plans and (2) cellular telephones are fully utilized. As a result, agencies have incurred unnecessary cellular telephone charges and in one case, agency officials did not know who used the telephones.

Background

Purchasing officials from the Office of Administration administer statewide contracts to procure goods and services used by state agencies. Officials contract for goods and services to secure the most favorable contract terms, and reduce state agency costs. Office of Administration officials have four statewide contracts with cellular telephone services. Usually, state agencies are required to use statewide contracts; however, agency personnel have the option to contract for cellular telephone services, when costs are expected to total less than \$25,000. Contracted services valued at \$3,000 or more must be bid on a competitive basis. (*See Appendix II, page 21, for additional information.*)

Audit Procedures

Cellular telephone costs for the state during the period July 1, 1999, through June 30, 2000, were \$2,474,620. To determine how effectively cellular telephone plans were managed, we selected invoices from 16 state agencies and their organizations (*see Appendix III, page 22*) and reviewed the agency policies for cellular telephones. For purposes of this report, the term "organization" refers to an agency division, sub-agency, or subordinate site location. We made detailed reviews of billings and plans at seven organizations within four state agencies (*see Appendix I, page 18*) that were selected because we were able to obtain records from their contractors.

Organization personnel need to ensure that cellular telephone plans are cost-effective

Analyses of cellular telephone accounts for seven agency organizations that used a statewide contract revealed that many employees incurred significant costs for cellular telephone calls that were not covered by the contract rate in the state plans. These additional costs included local usage, roaming, and toll fees.

Table 1.1: Examples of Additional Costs Incurred

Agency Organization	Additional Costs	Total Cellular Costs	Percent of Total Costs
Conservation-Northeast Region	\$ 8,115	\$ 13,148	62
Conservation-Southeast Region	9,964	20,987	47
Conservation-Central Region	2,334	5,391	43
Conservation-Design and Development	9,141	18,678	49
Division of Family Services-St. Louis Office	11,328	25,642	44
Missouri State Water Patrol	1,732	5,103	34
Mental Retardation Developmental Disabilities-Certification Program	10,700	21,495	50
Totals	\$53,314	\$110,444	48

Source: Agency records of telephone calls

As shown in table 1.1, over \$53,000, or almost one-half, of the total costs incurred by employees at these organizations were not covered by the individuals' plans under a statewide contract.

Telephone service plans need to be reviewed and changed

Organization personnel responsible for the review and payment of cellular telephone services stated they analyzed cellular usage from one to four times a year. However, our analysis of 12 months' usage data for each of these organizations revealed that very few, if any, changes were made to cellular plans. For example, five of the seven organizations reviewed made no changes to cellular telephone plans for the 12-month period analyzed. In addition, personnel at one organization stated that it was time consuming and involved too much paperwork to change cellular telephone plans. However, a representative for one of the statewide service providers stated that organization personnel could initiate a change to another cellular telephone plan over the telephone.

5 of 7
organizations
did not change
plans

Organization personnel incurred additional costs that could have been avoided if cellular telephone plans had been reviewed and changed. Audit tests disclosed that some employee plans did not match their usage patterns. Either the employee plan or the employees' use of the telephones was not proper. The problems noted should have been disclosed by personnel that review the plans.

At Department of Conservation locations:

- One site had 37 of 40 cellular telephones in the "medium-user" plan for a monthly fee of \$18 per telephone that included 80 free peak minutes. However, our analysis showed that 10 of these cellular telephones incurred average monthly costs greater than \$50, with the highest average cost being \$87 per month.

- At another site, organization personnel included an employee in the “medium-user” plan at a monthly rate of \$18. However, the employee used the cellular telephone an average of 763 minutes a month and incurred an average monthly cost of \$128.
- At a third site, organization personnel included an employee in the “heavy-user” plan at a monthly rate of \$27 with 150 free peak minutes. However, the employee used the cellular telephone an average of 740 minutes and incurred an average monthly cost of \$181.

Employees at one Department of Mental Health site incurred similar monthly costs for cellular telephone service. However, none of the employees had been included in a plan that accommodated the employee’s usage. See examples below:

- The agency placed an employee in the “light-user” plan, which cost \$11.50 per month and included 30 free peak minutes per month. However, the employee used the cellular telephone an average of 536 minutes per month and incurred an average monthly cost of \$137.
- The agency placed another employee in the “medium-user” plan that cost \$18 per month and included 80 free peak minutes per month. The employee used the cellular telephone an average of 329 minutes per month and incurred an average monthly cost of \$121 over a period of 11 months.
- Organization personnel included another employee in the “heavy-user” plan that cost \$27 per month and included 150 free peak minutes per month. However, the employee used the cellular telephone an average of 492 minutes per month and incurred an average monthly cost of \$148 over a period of 7 months.

The majority of employees at one Department of Social Services site had been placed in the “light-user” plan at a cost of \$11.50 per month. However, our analysis revealed that some employees incurred significant additional charges. See examples below:

- One employee used a cellular telephone an average of 997 minutes per month and incurred an average monthly cost of \$180 over a 10-month time frame.
- Another employee used a cellular telephone an average of 602 minutes per month and incurred an average monthly cost of \$107 over a 10-month time frame.

For all of these examples, agencies could have put employees in more cost-effective plans. Those in the medium-user plans that consistently incurred time and minutes above the plan’s parameters could be moved to a higher-use plan to fit their usage patterns.

Statewide contract provided few alternatives for cellular telephone users

Personnel at the seven organizations reviewed incurred additional costs that were not covered by the individual cellular telephone plans they were using. However, further analysis of the statewide contract used by these organizations revealed that the plans offered limited options for users.

Table 1.2: Options Available Under Statewide Plan

Type Plan	Free Peak Minutes	Monthly Cost
Emergency	10	\$ 8.75
Light-use	30	11.50
Medium-use	80	18.00
Heavy-use	150	27.00
Very-heavy use ¹	720/1440	99.95

Note: ¹Two options were available to users—one provided 720 minutes of free nationwide coverage, and the other provided 1,440 minutes local and expanded service areas.

Source: Contract files in Office of Administration

As shown above, this contract does not provide options between the 150 and 720 minute plans. Personnel at the seven organizations frequently incurred additional costs because they had used 300 to 600 minutes per month; therefore, if organization personnel wanted to upgrade the employees' plans, they would have to enroll the employees in the most expensive plan, which cost \$99.95.

Upon expiration of the statewide contract, purchasing officials had the option to either extend the contract for a year or terminate the contract and re-bid the services. They chose to extend the contract before analyzing the market for the availability of more cost-effective plans.

A market analysis was needed

Division of Family Services personnel did not ensure cellular telephones were fully utilized

Analysis of the vendor records of telephone calls for a 12-month period disclosed that some telephones had not been used during the period and others had not been used very much. Since these telephones were on monthly billing plans, division personnel paid for services they did not use.

Table 1.3: Utilization for One Division of Family Services Organization

Number of Months Telephones Were Used	Number of Cellular Telephones ¹	Total Cost of the Cellular Telephones
0	12	\$1,751
3 or less	17	2,703
6 or less	18	4,423
Total	47	\$8,877

Note: ¹Thirty-three of the cellular telephones were activated for the full 12 months and 14 were activated for 10 months.

Source: Vendor telephone records

Organization personnel incurred \$1,751 for telephones that were never used and an additional \$7,126 for cellular telephones that were used one-half of the time or less.

Division of Family Services personnel had no control of cellular telephones at one location

Analysis of usage data for the same Division of Family Services site revealed that personnel had requested that the statewide service provider suspend services on three cellular telephones, because the telephones were reported as lost or stolen. Furthermore, inquiries during this audit prompted the division to suspend an additional 16 cellular telephones because they could not identify telephone users. When a customer requests that services for cellular telephones be suspended, the telephone company disconnects service so that calls cannot be placed or received. However, the customer continues to pay the recurring monthly fee for the telephone because the service was suspended rather than canceled.

The division paid approximately \$463 (\$12.50 per month for a total of 37 months) in cellular telephone expenses for lost or stolen cellular telephones because personnel had not canceled service. Agency personnel responsible for suspending cellular telephone services did not know why services had not been canceled.

Users of 16 of 93, or 17 percent, cellular telephones could not be identified. No one at the organization was assigned to monitor cellular telephones and usage. Table 1.4 displays cellular telephones that were suspended as of March 15, 2001, because the users could not be identified.

Personnel did not know who had cellular telephones

**Table 1.4: Usage for Suspended Cellular Telephones
Because User Could Not Be Identified**

Cellular Telephone	Date Suspended	Minutes Used Prior to Suspension
#1	August 2000	5,361
#2	January 2001	465
#3	March 2001	482
#4	March 2001	702
#5	March 2001	1,245
#6	March 2001	0
#7	March 2001	1,089
#8	March 2001	68
#9	March 2001	0
#10	March 2001	794
#11	March 2001	1,208
#12	March 2001	248
#13	March 2001	344
#14	March 2001	30
#15	March 2001	0
#16	March 2001	17

Source: Division of Family Services telephone inventory records

Conclusions

State agency organizations have not properly managed cellular telephones. Cellular telephone plans for employees were not as cost-effective as they could be and employees were not properly monitored for efficient telephone use. Market analyses were needed before proceeding with contract renewals.

Recommendations

We recommend the Commissioner, Office of Administration:

- 1.1 Require executive agency officials to establish procedures to ensure organization personnel are placed in the most cost-effective plans and that they properly monitor telephone usage.
- 1.2 Conduct market analyses before renewing statewide cellular telephone contracts.
- 1.3 Re-examine the plans on statewide contracts to determine if they meet the needs of state agency organizations. Of particular concern is the gap between the heavy-use plan and the very-heavy use plan.

Office of Administration Comments

- 1.1 *The Office of Administration will convene an interdepartmental work group to develop and recommend procedures for the use of cellular telephones. Based on the recommendation of the work group, the Commissioner will issue the procedures to executive agency officials.*
- 1.2 *The Office of Administration, Division of Purchasing & Materials Management (DPMM) will evaluate the feasibility of conducting a market analysis before renewing statewide cellular telephone contracts.*
- 1.3 *The Office of Administration concurs and is presently reviewing plan requirements prior to issuance of a new cellular telephone contract.*

2. Reviews of Cellular Telephone Charges Need Improvement

Personnel that manage cellular telephones should be more diligent in reviewing expenditures. Audit tests at 16 state agencies and subordinate organizations showed that personnel did not:

- ✓ Identify incorrect cellular telephone charges or billing errors.
- ✓ Ensure timely payment of cellular telephone charges.
- ✓ Ensure employees reimbursed the agency for personal telephone calls.
- ✓ Identify misclassified cellular telephone expenses.

This occurred because reviews of monthly cellular telephone statements were not thorough and not properly documented. As a result, unnecessary expenses for cellular telephones occurred and managers cannot be assured, in all cases, that agency employees have identified and reimbursed costs for personal telephone calls.

Potential billing errors were not questioned by agency personnel

At 2 of 16 organizations included in audit tests, personnel paid cellular telephone bills based on incomplete billing information. For example, a service provider billed one Department of Public Safety organization for a total of 1,038 minutes for one cellular telephone, but the monthly statement only contained detailed information for calls totaling 592 minutes. Organization personnel stated that they review monthly statements prior to paying the bill; however, there was no evidence that personnel had questioned the difference of 446 minutes that was not documented on the bill. At a Department of Mental Health organization, we noted additional examples on a billing statement that included only total minutes for calls rather than call-by-call data, which personnel indicated had been reviewed.

Personnel paid charges without proper support

- A bill for one cellular telephone included 1,484 total minutes.
- Another cellular telephone on the same billing statement included 582 minutes.

The bills were paid without questioning the lack of call-by-call data. Personnel did not have an explanation for not questioning the bills.

One organization has significant delinquent cellular telephone charges

Personnel within the Office of Adjutant General, Department of Public Safety, paid 6 months' cellular telephone charges at one time and still had outstanding balances. Personnel responsible for cellular telephone reviews stated that the organization was late paying these charges because the National Guard Bureau, rather than the Office of Adjutant General, was supposed to begin paying these costs. This issue took several months to resolve according to organization personnel. Information supplied by a representative of the statewide service provider showed that this organization had a delinquent balance of \$21,601 as of March 21, 2001.

\$21,601 in charges has not been paid

Of this total, \$2,251 represented balances owed on closed accounts, and payments had not been made on the closed accounts since July 2000. The Adjutant General representative responsible for cellular telephone billings did not know about the delinquent balances on the closed accounts and could not explain the \$19,350 outstanding balance on the active account. Table 2.1 depicts the amounts owed for these accounts.

Table 2.1: Amounts Owed on Accounts

Date of Last Payment	Past Due Balance	Account Status
7/19/00	\$ 846	Closed 4/11/00
7/19/00	701	Closed 4/11/00
7/19/00	704	Closed 4/11/00
3/10/01	19,350	Active
Total	\$21,601	

Source: Billing records from statewide service provider

We analyzed charges and payments on the active account, as shown on the cellular telephone vendor's records, to reconcile the past due amount. Table 2.2 presents the account activity that resulted in the outstanding balance of \$19,350.

Table 2.2: Analysis of Past Due Amount on Active Account

Date	Charges per Vendor	Payment per Vendor	Past Due Amount
November 1999	\$2,560	\$1,467	\$1,092
August 2000	5,915	-0-	5,916
December 2000	6,000	-0-	6,000
February 2001	6,342	-0-	6,342
Totals	\$20,817	\$1,467	\$19,350

Source: Telephone vendor records

Organization personnel performed an analysis of payment history after we brought this matter to their attention. From the analysis, personnel indicated that the payment made for November 1999 cellular charges was \$2,560 and that the cellular telephone vendor improperly applied a payment during this month. Furthermore, organization personnel noted that a payment in the amount of \$6,000 was made for December 2000 cellular charges, but the check never cleared.

A representative of the cellular telephone vendor indicated that during June 2000, personnel within the Office of Adjutant General requested a payment trace be performed. This had been requested because a past due balance appeared on the statement and vendor personnel fulfilled the request at that time. However, when we inquired about past due amounts, organization personnel were not aware of the balances, even though the amounts were indicated on the monthly statements. Furthermore, they had not noticed that the payment for November 1999 or December 2000 had not been properly credited on their cellular telephone statement.

Personnel at several organizations did not ensure reimbursement of personal calls

Personnel at the Sikeston Regional Center, Department of Mental Health said they do not review cellular telephone statements. Instead, organization personnel relied on cellular telephone users to notify an account clerk about personal calls and reimburse the agency. At the St. Louis Division of Family Services, Department of Social Services personnel indicated that not all bills were reviewed because of the large number of statements received.

Agency personnel do not always review bills

At another Department of Mental Health organization, personnel stated they send copies of invoices to employees so that the employees can identify and reimburse the organization for personal calls. We noted that reimbursements were made for personal use of cellular telephones; however, personal calls were not identified on the invoice submitted to the Office of Administration for payment. Therefore, the amount reimbursed could not be reconciled to the actual calls on the statement, which made it difficult for personnel to ensure all personal calls were reimbursed.

Other expenses were misclassified as cellular telephone expenses

Organization personnel at the Departments of Mental Health, Public Safety, and Conservation made errors in coding cellular telephone expenses in the state's accounting system. As a result, the total reported cellular telephone expenses for the state was overstated. Expenses are normally charged to an object code, which identifies the type of expense. For example, Office of Administration personnel have assigned object code 2412 for cellular telephone expenses. Audit tests of charges to this object code disclosed expenses unrelated to cellular telephones. These expenses amounted to less than \$500 each at the Departments of Mental Health and Public Safety. However, organizations within the Department of Conservation incorrectly charged approximately \$22,300 of expenses to the cellular telephone object code as shown in table 2.3.

Table 2.3: Examples of Charges Incorrectly Classified as Cellular Expenses at The Department of Conservation

Vendor Name	Type of Procurement	Charges
Corporate Express	Office supplies	\$17
Data Communications Inc.	Internet services	585
Deems Farm Equipment Co.	Equipment	600
GE Capital-Erlanger	Computer hardware	16,544
Goodyear Auto Center-Atlanta	Tires	1,133
Jefferson City Auto Supply	Automotive maintenance	689
Payless Cashways-Blue Springs	Lumberyard materials	1,477
Moore Equipment Co.	Equipment	555
West Group	Internet services	285
University of Missouri-Columbia	Computer support services	442
Total		\$22,327

Source: Department of Conservation accounting record entries

Organization personnel are responsible for identifying and classifying costs for goods and services and then submitting documentation to the Office of Administration for payment. Prior to submission for payment, organization personnel and management are required to review documentation for appropriateness and proper classification. Organization and agency personnel believe the expenditures shown above were reviewed; however, the incorrect charges were not identified prior to submission to the Office of Administration. Office of Administration officials stated that agency personnel should have identified the incorrectly categorized charges.

Conclusions

Employees responsible for ensuring proper billings for cellular telephone use need to do a better job of reviewing individual statements. Delinquent payments and the inability to determine if personal calls have been properly reimbursed indicate a weakness in internal controls. Without proper review and control over cellular telephones, responsible personnel cannot attest to the accuracy of payments.

Recommendation

We recommend the Commissioner, Office of Administration, instruct agency executives to:

- 2.1 Establish policies and procedures that ensure organization personnel adequately review monthly cellular telephone statements to detect billing errors, monitor reimbursement for personal telephone calls and properly classify cellular telephone expenses in accounting records.

Office of Administration Comments

- 2.1 *The Office of Administration will convene an interdepartmental work group to develop and recommend procedures for the use of cellular telephones. Based on the recommendation of the work group, the Commissioner will issue the procedures to executive agency officials.*

3. Oversight of Organization Actions Needs Improvement

Improvements in the oversight of procurement and administration of cellular telephones are needed because most agency officials have not:

- ✓ Provided guidance to agency personnel responsible for the procurement and administration of cellular telephone services (where guidance was provided it was not adequate).
- ✓ Monitored cellular telephone activities conducted by subordinate organizations.

Office of Administration officials have not monitored procurement and administrative practices of agency organizations contracting for cellular telephone services and were not aware of the extent of local procurements of services. As a result, organization personnel were independently procuring and administering local cellular telephone services. Agency and Office of Administration officials have exercised little control over cellular telephone practices and have not been aware of problems emerging in the procurement and management of cellular telephone services.

Agency officials have not provided adequate guidance to organizations

Nine of 16 agencies did not have guidance regarding the management of cellular telephones services. (*See Appendix III, page 22, for a listing of these agencies.*) Four of the seven remaining agencies did not have adequate policies. The following are examples of deficiencies in agency's guidance.

9 of 16
agencies did
not have
guidance

- The Department of Elementary and Secondary Education's policy consisted of a user agreement, which covered only "pooled" cellular telephones shared by employees. There was no policy for other cellular telephones used by management personnel.
- The Department of Mental Health's policy allowed personal cellular calls to be made if the call was charged to a credit card or home telephone number. However, when this occurred, the employee used air time and the policy did not address reimbursement for this time.
- The Department of Social Services' policy only addressed instances in which individuals would be reimbursed when using their personal cellular telephones to make business calls.

Guidance by 4
of 7 agencies
was not
adequate

At the three remaining agencies, the Departments of Health, Revenue, and Corrections, guidance included a number of essential elements to better control the use of cellular telephones. The following is an example of guidance issued by the Department of Health:

- Cellular telephone bills shall include detail of all calls.
- Internal controls shall be developed to restrict personal use and ensure reimbursement of personal calls.
- Supervisors shall review and approve all calls with a statement on the invoice to note the review.
- Employees shall reimburse the department for personal calls occurring during periods of free usage.
- Corrective action shall be taken regarding excessive personal use of cellular telephones.
- Reimbursement shall be made on personally owned cellular telephones.

Most agencies have not monitored organization practices

Only two of 16 agencies had performed internal reviews of cellular telephone services at agency organizations. The following highlights internal audit findings by the two agencies:

Personnel at the Department of Social Services reviewed cellular telephones at the Division of Family Services and issued a report dated December 20, 1999, noting:

- Inadequate cellular telephone policies.
- Discrepancies regarding the total number of cellular telephones used.
- Lack of support to show that usage was monitored.
- Untimely delivery of accounting procedures and policies.
- Cellular telephone plans were not the most economical plans available.

Internal audit
highlighted
similar
problems

According to the Director of Division of Family Services, personnel have only implemented two of seven corrective actions in the 14 months since the internal report was issued. The Division compiled a list of every cell phone to include the telephone number, serial number, tag number, and identified the plan used for the telephones. They also issued six memorandums to clarify the cellular telephone policy. *(See pages 5-7 of this report for a discussion of findings relating to one Division of Family Services location.)*

Personnel within the Audit and Business Analysis Division of the Missouri Department of Transportation issued an internal audit report in June 2000 regarding cellular telephones. The report noted:

- Cellular telephone policies were not adequate.

- Use of cellular telephones was not monitored.
- Department personnel did not periodically compare cellular telephone usage patterns to the package purchased for each user.
- Errors on billing statements that went undetected such as duplicate charges for monthly services and charges for roaming when no roaming calls were listed on the statement.
- The department was not reimbursed for personal calls.

Department of Transportation personnel stated that changes were being made to policies and procedures to address problems noted by internal auditors.

Office of Administration personnel have not reviewed procurement practices

Eight of 16 organizations used local or a combination of both state and local providers for cellular telephone services. Three of these eight organizations did not follow Office of Administration procurement guidance. However, Office of Administration officials were not aware of this because they had not reviewed procurement practices at agencies and organizations. Office of Administration guidance prohibits agencies and organizations from procuring contracts for a period greater than 12 months and requires agency personnel to competitively bid contracts that exceed \$3,000. The following examples illustrate instances in which agency personnel did not follow that guidance.

Procurement
guidance was
not followed

- One Department of Mental Health organization had 14 local contracts for cellular telephone services; 10 were 2-year contracts. Personnel could not locate any of the contracts and could only obtain 12 of the 14 contracts from the local provider.
- A Department of Conservation organization entered into a cellular telephone contract with a local service provider for a period of 2 years.
- Another Department of Conservation organization spent \$3,200 on local cellular telephone services but did not competitively bid these services.

Compliance personnel within the Office of Administration's Division of Purchasing have performed compliance reviews of procurement procedures at organizations; however these reviews did not include cellular telephone procurement. Office of Administration officials stated that compliance reviews are conducted to determine whether agency personnel comply with Office of Administration procurement procedures. If agency personnel do not comply, Office of Administration officials can revoke an agency's procurement authority.

Compliance
audits have
not been done

Office of Administration personnel were not aware of the extensive use of local service providers

The Department of Public Safety made payments to as many as 18 different cellular vendors during a period of 1 year. Purchasing officials within the Office of Administration's Division of Purchasing and Materials Management were not aware of the extent of local procurements. Division officials entered into four separate statewide contracts with cellular telephone vendors, but did not require agencies to use these contracts. Division officials stated they decided not to make the use of the statewide contracts mandatory because cellular telephone users (1) wished to use the same cellular vendor as their contractors so calls between cellular telephones were free, (2) could not receive a cellular signal in certain areas, and (3) preferred certain features, which were not available from the statewide contracts.

Discussions with organization personnel responsible for procuring cellular telephone services revealed that, in some cases, personnel had valid reasons for procuring services locally. For example, personnel at one location stated that reception was extremely poor in their area so they decided to use a local provider. However, several organizations were procuring locally because it was "more convenient." For example, a telephone switchboard operator acted as the cellular telephone procurement officer at one Department of Mental Health location, a responsibility rotated among department telephone operators. This employee said she was told they did not have to use the state contract, adding that it was more convenient to "go down the street" and procure the service. However, the individual procured a local contract with one of the statewide providers.

Conclusions

Agency personnel are using local providers "at will" and without any justification because Office of Administration officials have made it too easy to contract with local providers. This practice in turn, has negated the effectiveness and efficiency of statewide contracts for cellular telephone services. Organization personnel, some with little training or experience in procurement matters, have not followed state procurement guidelines when contracting with local providers. This practice has occurred because of the lack of guidance and monitoring of cellular telephone use by agency management.

Recommendations

We recommend the Commissioner, Office of Administration:

- 3.1 Ensure department officials issue comprehensive guidance on the procurement and administration of cellular telephones and provide training to agency personnel responsible for the administration of this service.
- 3.2 Strengthen oversight responsibilities by requiring compliance audits of agency procurement and administration activities related to cellular telephone services.

- 3.3 Strengthen mandatory use of statewide contracts by requiring agency officials to seek formal approval prior to contracting with local vendors for cellular telephone services.

Office of Administration Comments

- 3.1 *The Office of Administration will convene an interdepartmental work group to develop and recommend procedures for the use of cellular telephones. Based on the recommendation of the work group, the Commissioner will issue the procedures to executive agency officials.*
- 3.2 *The DPMM currently performs an audit function to monitor compliance with the delegation of authority issued to state agencies. The DPMM will evaluate the feasibility of adding cellular telephone services to our compliance monitoring function.*
- 3.3 *The DPMM is developing a new Request for Proposal for cellular telephone services. This audit recommendation will be taken into consideration during the development process.*

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The overall objective was to determine whether agency officials effectively manage and oversee the procurement and use of cellular telephone services. Specific objectives included determining whether agencies (1) place employees in the most cost-effective cellular telephone plans, (2) monitor cellular telephones use, (3) adequately review cellular telephone billings, and (4) adequately oversee organization practices.

Scope and Methodology

The audit period included July 1, 1999, through June 30, 2000, which represented fiscal year 2000. Auditors focused on the Departments of Conservation, Mental Health, Public Safety, Social Services and Transportation.¹ The cellular telephone expenditures for these departments totaled \$1,778,830 and represented approximately 72 percent of total cellular telephone expenditures reported through the state's accounting system for fiscal year 2000. Table I.1 depicts expenditures for fiscal year 2000.

Table I.1: Department Expenditures for Fiscal Year 2000

Department Name	Fiscal Year 2000 Expenditures	Percent of Total
Transportation	\$722,068	29
Other State Entities/Agencies ²	\$354,530	14
Social Services	\$326,528	13
Public Safety	\$264,210	11
Conservation	\$243,822	10
Mental Health	\$222,202	9
Corrections	\$143,238	6
Natural Resources	\$112,470	4
Revenue	\$ 60,489	3
Miscellaneous ³	\$ 25,063	1
Totals	\$2,474,620	100

¹ An internal review of cellular telephones was completed by the Audit and Business Analysis Division of the Department of Transportation and released to its management on June 2, 2000. Rather than duplicate this work, we obtained the report and followed-up on the recommendations made by the internal auditors.

² Includes all other state entities that are not state departments and cellular telephone expenses of all other state agencies that are not separately identified.

³ Includes misclassifications and insignificant adjustments identified by state auditors.

APPENDIX I

To determine whether agency officials provided effective management and oversight, we obtained and reviewed the following:

- Applicable codes of state regulation that provide guidance to the Office of Administration on procurement.
- Applicable state statutes that govern state purchasing, including proper bidding procedures.
- Office of Administration procurement authority delegation procedures.
- Formal cellular telephone policies, if available, from all sixteen state agencies.
- Bid documentation including the Invitation for Bid and evaluation criteria for potential statewide cellular telephone service providers.
- Four statewide cellular telephone contracts with Southwestern Bell Wireless, Chariton Valley Wireless, Alltel Communications and United States Cellular.

A report of all fiscal year 2000 expenditures charged to the object code 2412, cellular telephone expenditures, from the state's centralized accounting system.

Based on state accounting system data, we selectively sampled invoices from 16 organizations within 4 departments and reviewed the organizations' policies and procedures for cellular telephones, if available. We selected seven organizations for further analysis as indicated in table I.2.

APPENDIX I

Table I.2: Listing of Department and Organizations Reviewed

Department Name	Organization Number	Organization Name
Conservation	2D&D	Design & Development ¹
Conservation	6230	Blind Pony Hatchery
Conservation	6995	Southwest Region
Conservation	6977	Central Region ¹
Conservation	6987	Southeast Region ¹
Conservation	6972	Northwest Region ¹
Conservation	6986	Northeast Region
Mental Health	F837	Fulton State Hospital
Mental Health	SI00	Sikeston Regional Center
Mental Health	M1CM/M56S	Marshall Habilitation
Mental Health	4803	Mental Retardation Developmental Disabilities—Certification Program ¹
Public Safety	2000	Office of the Director
Public Safety	2060	Missouri State Water Patrol ¹
Public Safety	4430	Office of Adjutant General—Communications
Public Safety	5345	Highway Patrol D Communication
Social Services	5401	Division of Family Services—St. Louis ¹

Note: ¹These organizations were further reviewed by obtaining usage data for a 12-month period from one of the statewide contract vendors.

Auditors conducted the audit at the Office of Administration in Jefferson City and conducted telephone interviews with agency personnel at various locations from the Departments of Conservation, Mental Health, Public Safety, and Social Services.

The audit was conducted in accordance with generally accepted government accounting standards.

BACKGROUND

The Division of Purchasing and Materials Management, within the Office of Administration, is responsible for the procurement of supplies, equipment and services for state departments.

Chapter 34 of the state statutes includes the applicable requirements for state purchasing as follows:

- Section 34.040, RSMo 2000 requires that all purchases, with some exceptions noted, in excess of \$3,000 shall be based on competitive bids. Furthermore, the statute indicates that for any purchase where the estimated expenditure shall be \$25,000 or over, the commissioner of administration shall advertise, post notice, solicit bids, and contract with the lowest and best bidder.
- Section 34.042, RSMo 2000 provides that when the commissioner of administration determines that the use of competitive bidding is not practical or not advantageous to the state, supplies may be procured by competitive proposals.
- Section 34.100, RSMo 2000 allows the commissioner of administration, when in the best interest of the state, to delegate the commissioner's procurement authority to individual departments.

The Code of State Regulations, Title 1, Office of Administration, Division 40, Purchasing and Materials Management, Chapter 1, Procurement; implements state statutes for purchasing. In addition, the Office of Administration adopted Agency Procurement Authority Delegation and Procedures to provide guidance over delegation of local procurement authority.

These procedures, in part, allow state agencies to award local contracts to vendors for "supplies" (supplies, materials, equipment, and contractual services), provided that state agencies do not procure:

- Supplies which are available on current agency, statewide, or blanket contracts, unless specifically allowed by the contract terms.
- Supplies for which the award of a single Local Purchase Contract has a total value of \$25,000 or more within a contract period which cannot exceed 12 months.

The guidance states that agencies may further delegate local purchase authority to its sub-agencies. However, state agencies and employees assigned responsibility to conduct procurement activities must be furnished with a copy of authority guidelines.

TABLE OF RESULTS—AGENCY CELLULAR TELEPHONE POLICIES

The following table identifies the seven state agencies that had cellular telephone policies and/or guidance and the nine agencies that did not during fiscal year 2000.

Table III.1: State Agency Results Regarding Existence of Cellular Telephone Policies

Department Name	Formal Cellular Telephone Policy
Department of Corrections	Yes
Department of Elementary and Secondary Education	Yes
Department of Health	Yes
Department of Mental Health	Yes
Department of Revenue	Yes
Department of Social Services	Yes
Department of Transportation	Yes
Department of Agriculture	No
Department of Conservation	No
Department of Economic Development	No
Department of Higher Education	No
Department of Insurance	No
Department of Labor and Industrial Relations	No
Department of Natural Resources	No
Department of Public Safety	No
Office of Administration	No

DEPARTMENTAL RESPONSES TO FACTS IN REPORT

Although the recommendations were directed to the Office of Administration, the following Departments provided responses addressing the facts presented in the report. Mental Health, Conservation, Public Safety, Social Services and Transportation provided the following responses.

Department of Mental Health

Comments were made to various parts of the audit report and are identified here by the captions in the audit report.

Organization personnel need to ensure that cellular telephone plans were cost - effective (page 2)

The Department believes that policies and procedures put into place to safeguard the use of cellular telephones were adequate at the time. However, the Department will initiate a review of current cellular telephone plan packages and will reassess the cost-effectiveness of each cellular telephone package at least annually. The Department will have a written cellular telephone policy in place, in lieu of separate facility and Central Office policies, by September 1, 2001, which will address the periodical review of plan packages.

Potential billing errors were not questioned by agency personnel (page 9)

We do not dispute that in the two instances cited, that the billing statements did not include detailed information. However, we do not agree that errors of this type are pervasive throughout the Department. We respectfully request this finding be removed. We will ensure that the written cellular telephone policy which the Department will have in place by September 1, 2001, will address the examination and authorization for payment of cellular telephone bills.

Personnel at several organizations did not ensure reimbursement of personal calls (page 11)

The Department believes that policies and procedures put into place to safeguard the use of cellular telephones were adequate at the time. However, the Department will initiate a review of current processes in place for the reimbursement of personal cellular telephone calls. The Department will have a written cellular telephone policy in place, in lieu of separate facility and Central Office policies, by September 1, 2001, which will address the identification of personal cellular telephone calls and the reimbursement for such calls.

APPENDIX IV

Other expenses were misclassified as cellular telephone expenses (page 11)

The Department agrees that a few very immaterial misclassification errors occurred. The Department is working with the facility where the errors occurred to reclassify the expenses correctly. Due to the immateriality of the errors, we respectfully request this finding be removed from the final audit report.

Agency officials have not provided adequate guidance to organizations (page 13)

The Department believes that policies and procedures put into place to safeguard the use of cellular telephones were adequate at the time. However, the Department will initiate a review of current processes in place regarding the usage of state-funded cellular telephones. The Department will consider including the “essential elements” identified by the State Auditor’s Office in the draft report, in our written cellular telephone policy that we will have in place, in lieu of separate facility and Central Office policies, by September 1, 2001.

Office of Administration personnel have not reviewed procurement practices (page 15)

The Department believes that policies and procedures put into place for cellular telephones were adequate at the time. However, the Department will review current policies and procedures and consult with the Office of Administration for guidance in this area. This issue will be addressed in our written cellular telephone policy which we will have in place by September 1, 2001. In addition, the cellular telephone contracts were on site at the facility cited; however they were not readily available. Staff at the facility contacted the cellular service provider for copies of the contracts in an effort to provide the requested information as quickly as possible to the auditors.

Office of Administration personnel were not aware of the extensive use of local service providers (page 15)

The Department believes that policies and procedures put into place to safeguard the use of cellular telephones were adequate at the time. However, the Department will initiate a review of current processes and procurement practices for cellular telephones and consult with the Office of Administration for guidance in this area. This issue will be addressed by the Department in the written cellular telephone policy that will be in place by September 1, 2001.

State Auditor’s Comment

This audit report is intended to be a snapshot of cellular telephone management across many agencies, which make these issues material.

Department of Conservation

Thank you for your comments and findings on the cell phone report. The Department will take them under advisement as we review our current communication policy. As always, we are continually looking for ways to reduce costs.

Department of Public Safety (Adjutant General of the National Guard)

This is to provide a response to the information presented on delinquent cellular phone charges within the Office of the Adjutant General.

We would like the opportunity to explain the events that led up to the six months of invoices being paid at one time. For fiscal year 2000, National Guard Bureau (NGB) selected MCI as the carrier for the FTS2000 federal contract. The Missouri National Guard (MONG) participated at the direction of NGB. The transition began on October 1, 1999. All long distance charges to include cell charges were to be paid by NGB. MONG was directed to forward all statements to MCI. A point of contact was appointed at MCI and assigned to our account. From October through February statements were mailed to MCI. As of March 2000, none of the invoices had been paid by the FTS2000 carrier. After much discussion with NGB and the FTS2000 carrier, NGB agreed that the invoices could be paid by this agency. This agency requested the invoices be returned from the FTS2001 carrier and began preparing the invoices for payment.

We agree with the information presented in your draft report that the past due balances exist. We are working with a representative of the vendor to ensure the past due balances in question are expedited. We reviewed our financial records to determine if any of the past due balances were paid subsequent to the issuance of your report. Of the \$21,601 in past due balances, our office determined that checks had been issued for two of the payment cycles listed in the amount of \$8,560.82. In addition, the vendor's representative acknowledged receipt of \$951.51. The documents provided by the vendor indicated that an additional \$656.22 was received without instructions on which account it was to be credited.

a. Our records indicate that check number 5656303A, dated 01/24/01 was issued in an amount sufficient to cover four invoices received for the December payment cycle. We contacted the bank and were informed that the check in question had not cleared. A request for stop pay was submitted to our accounting department on April 12, 2001. In accordance with the Office of the Missouri State Treasurer, a replacement check will be issued upon receipt of an affidavit for a replacement check from the vendor. This process generally takes approximately 30 days to complete. It is estimated that a replacement check will be issued not later than the end of May 2001.

b. The invoices for the August 2000 payment cycle could not be located. Appropriate invoices were requested and received from the vendor. Payment will be included in this pay cycle. It is estimated that the check will be issued by mid May 2001.

APPENDIX IV

c. The invoices for the February 2001 payment cycle were received after the cutoff date and are included in the current payment cycle. It is estimated that the check will be issued by mid May 2001.

d. The records for the November 1999 payment cycle indicate that a check in an amount sufficient to cover the 9 invoices submitted that month. A copy of the cancelled check was requested on April 12, 2001. Upon receipt, it and copies of the invoices submitted with the original check will be provided to the vendor's representative.

e. The vendor's representative provided documents indicating that \$951.51 had been received and credited to three of the accounts identified. An additional \$656.22 has been posted but not credited to any particular account pending receipt of instructions on the appropriate account to credit.

This agency has used a combination of state and local cellular service providers in the past. The two local vendors used were Ameritech Cellular and Mid America Mobile Systems. Our units and personnel are located in areas that previously did not have adequate cellular service; therefore, it was necessary to utilize local vendors.

Corrective Action. A thorough review of all records relating to the payments in question was initiated and a line of communication was established with the vendor's representative to facilitate the resolution of all past due balances. In addition management control procedures were evaluated to determine if adequate procedures exist to reduce the possibility of past due payments.

a. As a result of the records review, it was determined that checks were issued for two of the payment cycles in question. One had cleared but the other had not. A copy of the cleared check and copies of the appropriate invoices will be provided to the vendor. A stop pay action was initiated on the other check. Upon receipt of the affidavit for a replacement check, a new check will be issued.

b. The communications channel established with the vendor's representative has served to speed up the reconciliation process. We are confident that we can resolve the past due balance issues to the vendor's satisfaction by not later than the end of May 2001.

c. The management control review resulted in additional control points in the payment process that should greatly reduce recurrences of past due balances. The new procedures include setting a suspense for all new accounts to ensure we are billed for new services and that payments are made within the appropriate payment cycle. For old accounts and for the second billing cycle of new accounts or new service, a review will be made of account records to ensure invoices were received and paid for the previous month. In addition, all open accounts missing an invoice for that month will be placed in suspense and the vendor will be notified. This procedure was implemented April 12, 2001. Follow up action on missing invoices for all open accounts will continue until resolved.

Department of Social Services

The following comments are in regard to findings made in the report.

Finding – Organization personnel need to ensure that cellular telephone plans are cost-effective. (page2)

Response –Agree

The Division of Family Services is in the process of implementing a shared cell phone policy. This will reduce costs by utilizing minutes on phones with time available. The division is also planning on conducting quarterly reviews of phone usage to ensure the most cost-effective plan is in place.

Finding – Division of Family Services personnel did not ensure cellular telephones were fully utilized (page 5)

Response – Partially Agree

Some of the cell phones are placed with Social Service Workers who need to have a cell phone for emergency situations but do not necessarily use on a day-to-day basis. The shared cell phone policy will also help to fully utilize minutes available on these phones.

Finding – Division of Family Services personnel did not ensure cellular telephones were fully utilized (page 5)

Response – Agree

The Division is putting into effect a 30-day suspension rule in addition to the logging system, which is being implemented. This will allow the Division to more effectively track cellular telephones to prevent loss and theft.

Finding – Division of Family Services personnel had no control of cellular telephones at one location (page 6)

Response – Agree

The Division of Family Services has created a cell phone manual with procedures and guidelines for cell phone usage and DFS staff is traveling around the state to educate key personnel. With new guidelines in place, the Divisions' ability to track cellular telephone usage will increase.

Finding – Agency officials have not provided adequate guidance to organizations (page 13)

Response – Partially Agree

The Division is in the final stages of development of a procedures and guidelines manual for cell phone usage. DFS personnel are providing on-site training to local offices around the state.

Department of Transportation

The report noted (on page 15) the findings of a departmental internal audit on cellular telephone use issued in June 2000. The department responded with an update on its progress in correcting these issues.

Most agencies have not monitored organization practices (page 14)

Response: Revisions to the current cell phone policy and procedures include a second review of the employee cell phone invoice by the employee's supervisor to check for proper reimbursement of personal calls.

Department of Public Safety (Missouri State Water Patrol)

The report states, "many State of Missouri employees incurred significant costs for cellular telephone calls that were not covered by individual plans under a statewide contract." The Missouri State Water Patrol was included in this portion of the report. We are aware that occasionally we have employees that will exceed their rate plan. On certain occasions this is the fiscally responsible alternative. If you have an employee who exceeds the plan one to three months in the year, it is still more cost-effective than raising the service plan to a more costly plan for 12 months.

It has always been the policy of the Missouri State Water Patrol to actively monitor the billing of cellular and all other on-going expenditures. Our fiscal employees constantly verify compliance to departmental guidelines and strive to utilize tax dollars in the most prudent and cost-effective manner.

We hope that this clarifies any concerns that you may have regarding the audit.



**STATE AGENCY-PROVIDED
FOOD EXPENDITURES**

**From The Office Of State Auditor
Claire McCaskill**

*Over \$10.6 million spent on
agency-provided food in two years*

**Report No. 2001-84
September 11, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of
Missouri State Auditor
Claire McCaskill

September 2001

www.auditor.state.mo.us

State officials spent over \$10.6 million in 2 years on food, mostly for its employees

Auditors reviewed the costs incurred by state agencies to feed employees during various agency-sponsored events including meetings, employee retirement receptions, training sessions, employee recognition events, and public marketing events to spotlight state products. Meal costs reimbursed to employees for business-related travel expenses were not included.

Auditors focused on expenditures for fiscal years 1999 and 2000 identified in the state accounting system as “agency-provided food.” After scanning nearly 47,000 transactions from every government branch (executive, legislature, judiciary and all state agencies), auditors selected more than 500 expenditures and reviewed for adequate supporting documentation, an appropriate business purpose, and reasonableness.

Our audit found the discretion on food purchases is left up to agency personnel because state officials have not established a comprehensive food policy. As a result, the expenditures were inconsistent among agencies and sometimes excessive. The following highlights some common practices involving agency provided food:

Meetings were often scheduled around lunch hour

Many agencies frequently scheduled meetings around the lunch hour and provided a meal to the attendees. In many cases, the meetings lasted three hours or less and likely could have been scheduled in the morning or afternoon. Auditors also noted several instances in which a standing committee or an agency’s management level employees met regularly and a meal was provided, even though some attendees were in their official domicile. (See page 13 for examples.)

State funds used for employee retirement receptions

Many agencies routinely purchased food for retirement receptions of state employees, which were often held on state time. State regulations do not clearly address whether these expenditures are appropriate. Food costs varied widely with some agencies only providing cake, punch and coffee, while others hosted parties at restaurants and bars. (See pages 14-15 for examples.)

YELLOW SHEET

No price limits causes some excessive meal costs

State officials paid up to \$19 per person for breakfast; \$25 per person for lunch; and \$32 per person for dinner at agency-sponsored functions. State regulations do not provide price limits or guidelines regarding per person meal costs. (See page 16 for examples.)

Meals and receptions to market Missouri

A portion of these food expenditures were not used to feed state employees, but instead represented food provided to business persons or members of the public, in an effort to market Missouri or its products. These often involved large dollar expenditures, including such events as wine-tastings promoting Missouri's wine industry and receptions at national conventions to promote Missouri business or tourism opportunities. (See pages 17-18 for examples.)

Employees are often fed during training

Many agencies routinely provide lunch to employees during training sessions without regard to whether the participating employees were in their official domicile. The food costs varied widely as did the training locations, which included Lake of the Ozark resorts and Missouri wineries. (See pages 11-12 for examples.)

Recommendation and response

The audit recommended the Office of Administration (OA) develop comprehensive policies regarding state agency-provided food expenditures. In its response, OA indicated it will convene an interagency work group to review the current policies and recommend any changes to the commissioner.

STATE AGENCY-PROVIDED FOOD EXPENDITURES

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Michael Hartmann, Commissioner
Office of Administration
Jefferson City, MO 65102

We have audited state agency-provided food expenditures for the two years ended June 30, 2000. The scope of this audit included applicable expenditures incurred by the statewide elected officials, state legislature, the state judiciary branch and related agencies, and the sixteen executive departments. State colleges and universities were not included within the scope of this audit. In addition, food expenditures reimbursed to employees through expense accounts for business-related travel were not included within the scope of this audit. The objectives of this audit were to:

1. Determine total state agency-provided food expenditures by agency during this two-year period.
2. Determine if the state has established adequate regulations/policies to effectively monitor and limit the extent of agency-provided food expenditures.
3. Review the nature of the food expenditures being incurred by state agencies.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed applicable state laws and regulations, contacted applicable personnel of various agencies, and reviewed certain records and documents.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The following report presents our findings arising from our audit of state agency-provided food expenditures.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

May 1, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Stacy Wright
Audit Staff:	Cindy Eberting Hall
	Linda Cockrell

SCOPE AND METHODOLOGY

STATE AGENCY-PROVIDED FOOD EXPENDITURES

SCOPE AND METHODOLOGY

Scope

Using information provided by the state's accounting system, we identified the object codes that related to agency-provided food expenditures during the two years ended June 30, 2000, and determined the amount of expenditures charged by the various agencies to those object codes. The applicable state accounting system object codes were: object code 2991 in fiscal year 2000 (listed in the chart of accounts as Agency Provided Food) and object code 2547 in fiscal year 1999 (listed in the chart of accounts as Department Provided Food Expenses). Total charges to these object codes during the two years ended June 30, 2000, exceeded \$10.6 million. The audit focused primarily on the expenditures charged to these object codes.

Methodology

We performed the following procedures to accomplish the audit objectives:

- Examined the fluctuations of food expenditures charged to the agency/department-provided food object codes by the various agencies during fiscal years 2000 and 1999.
- Reviewed applicable policies, regulations and procedures of the Office of Administration (OA).
- Contacted agency personnel to determine the types of expenditures charged to these object codes and to identify agency food policies, if any.
- Scanned transactions charged to these object codes by the various agencies and judgmentally selected individual transactions for review. Over 46,800 transactions were charged to these object codes in fiscal years 2000 and 1999. We selected over 500 transactions and reviewed the supporting documentation submitted by those agencies to the Office of Administration (OA). We tested these transactions for the following:
 - ❑ Was the business purpose of the expenditure adequately documented?
 - ❑ Was there adequate supporting documentation for the expenditure? We looked for various items depending on the type of expenditure: an invoice/statement, receipts, purchase/warrant request, agenda, etc.
 - ❑ Did the supporting documentation adequately reflect what was charged? We looked for a description and summary of the food items purchased, a cost of food items, and/or the charge per person served.

- ❑ Did the supporting documentation adequately reflect who was served? We looked for a list of attendees and/or general information documenting who was served.
- ❑ Did the expenditure appear to be coded to the correct object code? Using the object code definitions for agency/department provided food, we determined whether the expenditure was charged to the proper object code.
- ❑ Did the expenditure appear reasonable and/or necessary? To determine the reasonableness and/or necessity of the expenditure, we considered the following:
 1. Business purpose
 2. Supporting documentation
 3. What was charged
 4. Who was served
 5. Amount of the entire expenditure
 6. Amount per person
 7. Time the food was served in relation to the state business conducted
 8. Frequency of the same types of expenditures
 9. Whether or not the employees were in their official domicile.

Limitations

- During our selection of transactions for review, it was noted that the state's database [of both Statewide Accounting for Missouri (SAM) and Statewide Advantage for Missouri (SAM II) systems] did not require agencies to include a description or purpose of the expenditure. Therefore, the information maintained in the state's database did not always provide adequate information.
- The OA could not locate and provide some of the supporting documents requested. OA officials indicated that the conversion to the new state accounting system (from SAM to SAM II) resulted in some filing problems. In addition, the OA indicated fiscal year 2000 expenditure documentation had not been received from some agencies.

OBSERVATIONS AND RESULTS

STATE AGENCY-PROVIDED FOOD EXPENDITURES

OBSERVATIONS AND RESULTS

Missouri's state agencies expended more than \$10.6 million for agency-provided food during the two years ended June 30, 2000. This amount primarily represents the expenditures charged to agency-provided food object codes.

Over \$10.6
million spent
on agency-
provided food
in two years

The Office of Administration (OA), which oversees the expenditure of state funds, has defined these food expenditures as: "Expenses for food, beverages, and related supplies provided at agency sponsored functions. These expenses may include charges for refreshments at training sessions or meetings for state employees and the general public." OA provided this definition as a guideline for the types of food expenditures that should be charged to these object codes.

The following table presents food expenditures by agency for fiscal years (FY) 2000 and 1999:

State Agency-Provided Food Expenditures

<i>Agency/Department</i>	<i>FY 2000</i>	<i>FY 1999</i>
<i>Governor*</i>	\$ 4,956	5,811
<i>Lt. Governor</i>	0	93
<i>Secretary of State</i>	22,164	30,715
<i>State Auditor</i>	4,207	2,552
<i>State Treasurer</i>	4,477	3,961
<i>Attorney General</i>	50,733	52,368
<i>Legislature</i>	21,303	47,848
<i>Judiciary</i>	214,077	175,100
<i>Public Defender</i>	120,316	9,742
<i>Office of Administration</i>	87,189	82,215
<i>Department of Agriculture</i>	98,504	49,325
<i>Department of Conservation</i>	239,077	74,891
<i>Department of Corrections</i>	708,850	752,034
<i>Department of Economic Development</i>	360,420	319,248
<i>Department of Elementary and Secondary Education</i>	1,199,354	1,392,205
<i>Department of Health</i>	277,811	242,525
<i>Department of Higher Education **</i>	33,058	11,321
<i>Department of Insurance</i>	4,108	1,025
<i>Department of Labor and Industrial Relations</i>	40,735	103,524
<i>Department of Mental Health</i>	238,881	364,994
<i>Department of Natural Resources</i>	84,907	116,001
<i>Department of Public Safety</i>	173,340	181,575
<i>Department of Revenue</i>	57,755	49,205
<i>Department of Social Services</i>	1,117,914	923,542
<i>Department of Transportation***</i>	<u>255,653</u>	<u>299,281</u>
Total	\$ 5,419,789	5,291,101

* The amounts presented for the Office of the Governor exclude food expenditures at the mansion during fiscal years 2000 and 1999. The mansion food expenditures totaled \$56,083 in fiscal year 2000 and \$33,428 in fiscal year 1999.

** The fiscal year 2000 expenditure amount for the Department of Higher Education represents the amounts charged to object code 2481 "Food Services." The department charged agency-provided food expenditures to this object code during that year.

*** The fiscal year 1999 expenditure amount for the Department of Transportation came from a department audit report dated January 3, 2001 (Report No. 2001-02). This amount was obtained from department records.

As indicated in the footnotes to the table, where practical we presented amounts that were more reflective of the actual expenditures incurred for agency-provided food. The amounts presented above may be understated or overstated due to instances where agencies charged an expenditure to the wrong

object code. In addition, the conversion to the new state accounting system (SAM II) appears to have resulted in some large fluctuations from year to year, primarily due to the methods used by agencies to charge or record expenditures. Also, some of the amounts presented above include expenditures related to seminar/conference expenses paid by the state, but offset by registration fees charged to non-state attendees. This appeared to be particularly true for the Department of Elementary and Secondary Education. It was not practical to identify and adjust the amounts presented for these factors.

The state lacks a comprehensive food policy.

State officials have not established comprehensive food policies or regulations regarding agency-provided food. As a result, policies and practices among the various agencies are inconsistent and some expenditures appear to be in excess of amounts necessary to conduct state business. The Office of Administration (OA) is responsible for monitoring and approving state expenditures and, pursuant to Section 33.030(3), RSMo 2000, the OA has the duty to preapprove claims and accounts, and certify them to the State Treasurer for payment. OA officials indicated their compliance auditors refer to 1 CSR (Code of State Regulations) 10-3.010 (Preapproval of Claims and Accounts) and 1 CSR 10-11.010 (State of Missouri Travel Regulations) when approving claims. 1 CSR 10-3.010 provides that claims must have a business relationship and be properly documented. That regulation also identifies certain expenses that would generally not be allowable. 1 CSR 10-11.010 provides that state officials/employees are not allowed meals in their official domiciles. An exception is made when a meal is incurred as part of a meeting or conference.

Inconsistent policies led to excessive spending

We were informed the OA's compliance auditors' review of food expenditures includes looking for an agenda, a stated purpose, or a program, as well as a list or number of attendees. OA officials indicated that if an unusual expenditure is noted, the compliance auditors will follow-up on the situation. However, OA officials indicated the compliance auditors will normally just look for proper documentation and they rarely question whether an expenditure is prudent or necessary. OA officials further indicated that the compliance auditors cannot review every expenditure item because of the volume of transactions.

The regulations noted above provide only limited guidance regarding agency-provided food expenditures. As a result, agency officials are given much discretion in determining the nature and extent of agency-provided food expenditures at their respective agencies. Because the state lacks comprehensive food expenditure policies, there is a lack of consistency among agencies as to what they consider appropriate food expenditures, how much should be allowed, or how it should be documented.

Current regulations provide limited guidance

Several agencies have established internal policies that pertain to food-related expenditures, which provide guidance in this area in addition to the OA regulations. We noted five agencies (the Department of Elementary and Secondary Education, Department of Health, Department of Natural Resources, Department of Revenue, and the Department of Transportation) that have established a policy that relates to agency-provided food expenditures in some respect.

Some of the policies that have been established were very limited in scope and only relate to a certain type of food expenditures (i.e. food expenditures related to retirement receptions). The Department of Health established a food expenditure policy in February 2001. In addition, officials of the Department of Transportation, Department of Natural Resources, and Department of Social Services – Division of Family Services indicated they were currently reviewing any existing policies and reevaluating what food purchases would be allowed.

During our review of over 500 food expenditure purchases involving the various agencies, we noted several practices, which are discussed below. These practices appear to be the result, in part, of the state's lack of comprehensive food policies.

Meals are regularly provided during employee training sessions.

Most agency officials said the majority of their food expenditures involved food provided during training sessions. Our review of expenditure items found that many agencies routinely provide lunch to the employees if the training is for most or all of a day. Much of this food was provided without regard to whether the participating employees were trained in their official domicile or whether the training was held near eating establishments. The cost of food expenses at training sessions varied widely. Some examples of these follow:

Most food is provided during employee training sessions

- The Department of Transportation paid \$4,900 to a resort at the Lake of the Ozarks for a one and a half day conference of the Roadside Managers held in April 2000. The food costs of this conference totaled \$2,835. Twenty-three employees attended the meeting, although the department paid for thirty participants. This difference was apparently due to cancellations that came in after the department signed the contract. The attending managers are from all over Missouri and the meetings are usually held twice a year, once in Jefferson City and once in a district location. This was the first managers' conference held at the Lake of the Ozarks. Department officials indicated they chose the resort because they could not find reasonable lodging in Jefferson City due to the legislature being in session.
- The Department of Labor and Industrial Relations paid \$1,180 (over \$27 a person) to a Cape Girardeau restaurant for one dinner at a legal staff conference of the Worker's Compensation Division. Forty-three employees attended this four-day conference in April 1999. The first day of the conference included golf, hotel check-in, and an evening cookout. The staff that played golf paid for the golf fees and did not charge this time to the state. The training sessions started the following day. The dinner mentioned above took place on the conference's second day.

- The Department of Health paid \$1,669 for food during a three-day Evidence-Based Decision Making Public Health Seminar held in October 1999 in St. Louis. The average cost for breakfast, lunch, and snacks per person was approximately \$16 per day. This semi-annual training was for department employees and county health department employees.
- The Department of Public Safety – Division of Fire Safety paid \$1,192 to a Jefferson City hotel for food for a summer staff meeting held in July 1999. This expenditure included items such as coffee, soda, and 65 lunch buffets at approximately \$14 per person.
- The Department of Social Services paid \$629 for food during a Division of Family Services "Worker Basic Training" held in late-November/early-December 1999 in Kansas City. Although all of the 17 attendees were in their official domicile, lunch and refreshments were provided for all four days of the training. The attendees were all new hires in the regional office.
- The Mid-Missouri Mental Health Center in Columbia, an operating facility of the Department of Mental Health, held its staff retreat at a Rocheport winery in November 1998. This winery is approximately 20 minutes from their Columbia location. About 15 staff members attended this retreat, which lasted from 10 a.m. to 3 p.m. Because the staff drove 20 minutes from Columbia to Rocheport, the facility considered this out of domicile and provided lunch. The retreat cost a total of \$356, which included a \$75 fee to reserve the space. The department staff said the retreat was held at the winery to "promote group unity and team building. It was held away from the facility to avoid interruptions and to have a change of location that would also help promote the bonding and teamwork."

It is sometimes necessary to incur food expenditures related to employee training; however, such instances should be infrequent and costs should be kept to a minimum. If the employees being trained are all within their official domiciles, or when the drive to the site is minimal, it would appear that providing food would not generally be necessary. A policy limiting food expenditures provided at employee training sessions would likely result in significant savings to the state.

Limiting food during training could save money

Meals provided at meetings were not always necessary.

Our review found that many agencies frequently schedule meetings around the lunch hour. We noted instances in which officials at various agencies scheduled meetings from 10 a.m. to 1 p.m., 10:30 a.m. to 1:30 p.m., 11 a.m. to 1 p.m., 11:30 a.m. to 1:30 p.m. and even 12 p.m. to 1 p.m. calling these "working lunches." Yet in many cases, the applicable agency did not include a meeting agenda with the documentation filed with OA. In some cases, when we asked for an agenda, the agency could not provide one. Because many of these meetings lasted 3 hours or less, it is likely many of the meetings could have been scheduled in the morning or afternoon and adjourned before lunch

Meetings are frequently scheduled around the lunch hour

or at the end of the day. Some agencies indicated various reasons for why a meeting might be scheduled at these times, including staff availability and travel time needed for out-of-town employees.

Various agencies provided meals for employees after a meeting was over or before a meeting started. For example, we noted several instances in which an agency paid for a meal at noon even though the meeting did not start until 1 p.m. We also noted several instances of agencies paying for lunch at the end of a morning meeting or a dinner at the end of an afternoon meeting. These meals were provided to employees both within and outside their official domiciles.

Some agencies are providing meals for groups of employees who meet on a frequent basis. We noted several instances in which a standing committee or an agency's management level employees met regularly and lunch was provided. These meetings were held within the official domicile of at least some of the applicable committee members or management level employees. This practice resulted in meals being provided regularly to these individuals.

Some examples are listed below.

- The Department of Natural Resources provides lunch for all its program directors at monthly meetings usually scheduled from 11:30 a.m. to 1:30 p.m. at local Jefferson City restaurants. These meal costs totaled \$598, \$861, and \$753 for the March 1999, April 1999, and February 2000 meetings, respectively. It appears 80-100 employees generally attend these meetings from across the state. No agendas for these meetings were filed with OA. Department officials indicated attendees receive updates on management issues and exchange ideas. At some meetings, the directors recognize "Employees of the Month" and introduce new staff.
- The Office of Administration paid \$60 to a winery in Hermann, Missouri to rent a private wine cellar for a June 2000 luncheon meeting involving three OA employees. OA officials indicated they could not hold this meeting in the state office building because of the needed discussion of "sensitive" personnel issues that required a "high degree of concentration." Therefore, the three Jefferson City domiciled employees drove to Hermann to meet and have lunch from 10 a.m. to 3 p.m.

Current regulations allow for food to be provided while state business is being conducted; however, it appears that some agencies may be purposely scheduling their meetings around meal times, resulting in additional food expenses. A more detailed policy limiting food expenditures provided during employee meetings would likely result in significant savings to the state.

Food is generally provided at retirement receptions.

Many agencies appear to be routinely incurring food expenses related to receptions for retiring employees. While performing a search of the descriptions of individual expenditure transactions recorded in the state's accounting system, we noted 95 expenditure transactions, totaling \$7,166, related to "retirement" receptions in fiscal year 2000. However, these transactions represent only a fraction of the expenditures related to retirement functions and only reflect those expenditures where the agency entered "retirement" in the line description. Of the five retirement reception expenditures in fiscal year 2000 that we reviewed, only one of the transactions included "retirement" in the description. The food expenses related to those five retirement receptions totaled over \$2,500.

Total spent for retirement receptions is unknown

It is unclear under the Code of State Regulations (1 CSR 10-3.010) whether providing food for retirement receptions/functions is an appropriate expenditure. These regulations note that claims may not be allowed related to "... the purchase of goods or services which are not apparently or cannot be substantially justified as directly related to the transaction of state business. For example, employee parties, ...employee gifts..." These regulations make an exception for "the purchase of retirement ... gifts...and other recognition award gifts if reasonable in relation to the circumstances of the award and primarily represent a token of recognition and not a reward with a cash equivalent or substantial monetary value." These regulations also indicate "employee recognition events should be at a nominal price per person attending."

The various agencies handle the employee retirement receptions/functions differently. Some agencies have established internal policies regarding such functions. For example, the Department of Transportation's past policy regarding food at retirement receptions provided that such expenses can include "the purchase of cake, coffee, napkins, punch, etc." The Department of Elementary and Secondary Education's policy states that for "Department level recognition (i.e., Employee of the Month, Retirement, etc.), cake and punch will be allowed." We also noted instances where agencies hosted retirement receptions outside the workplace at restaurants and bars. In these cases, the agencies bought the food (appetizers or a meal) and the employees bought the beverages, including liquor. It appears that retirement receptions are generally held on state time.

Some examples of these types of expenditures included:

- The Office of the State Courts Administrator paid \$1,080 to a Jefferson City hotel for a retirement reception in June 2000. All agency employees were invited to the event. Approximately 50-75 employees attended, along with another 50-75 individuals who knew the two retirees. Some of the purchases included three fruit, cheese, and vegetable trays at \$185 per tray and four fiesta platters at \$25 per platter. The event started at 3:00 p.m. and ended at 5:00 p.m., and the employees in attendance were allowed to use administrative leave during this time.

- The Department of Elementary and Secondary Education paid \$532 to a restaurant for a retirement luncheon for the outgoing Department Director that was held in conjunction with a State Board of Education meeting in June 2000. This expenditure included 19 meals at \$28 each.
- The Department of Transportation reimbursed an employee \$381 for food items for a retirement reception that was held in January 2000. The purchase included several pounds of mints and peanuts and 20 cheesecakes at \$12 each.

While it appears most agencies incur expenses related to retirement receptions, it does not appear necessary to pay such costs from state funds. For certain agencies, if food is provided at a retirement reception, the employees donate it.

Food is often provided at various employee recognition events.

Various agencies provide food for employee recognition events and in some cases the expenditures may not be in compliance with state regulations. According to 1 CSR 10-3.010: “claims for the expenses of receptions for employee recognition events should be at a nominal price per person attending.” These regulations do not define what is considered “nominal” or an appropriate “employee recognition event.”

Regulations
are unclear on
allowable
recognition
expenditures

The recognition events we reviewed varied widely in the cost per person and the reasons for the events. Some examples of these types of expenditures are listed below.

- The Department of Corrections-Division of Probation and Parole holds annual recognition events for regional staff divisions to recognize employees’ years of service. A fiscal year 1999 event in one region for 315 employees cost \$6,909, or approximately \$22 per person. This agency also held a recognition dinner for an outgoing board member at a cost of \$237, or over \$21 per person at a Jefferson City restaurant.
- The Department of Revenue held a reception in June 1999 to honor an employee transferring to a different state agency. Food costs of this reception totaled \$400, with about 160 people attending at a cost of \$2.50 per person.
- Several employees from all 16 executive departments, the Public Defenders Office, and the State Auditor’s Office attended an annual Governor’s Torch of Excellence Awards Banquet in September 2000 that recognized diversity efforts among state agencies. This dinner was held at a Jefferson City hotel and cost \$45 per person. The actual food cost per person was approximately \$17. The total food cost for this event was \$5,445. The event involved 255 state employees and 19 other individuals not affiliated with the state. In the case of the State Auditor’s Office, the costs of any guests of the staff were not paid by the state.

- The Office of Administration paid \$850 in meal costs to a Jefferson City restaurant and lounge for an evening “SAM II Post Implementation Summit and Barbecue” in July 1999. Agency officials indicated this event was held to thank the employees who had worked on and implemented the new statewide accounting system. Approximately 100 employees attended this function.

Meal costs per person were sometimes excessive.

We noted various expenditures for food provided to state officials or employees in which the cost per person appeared excessive. Agencies paid up to \$19.25 per person for breakfast; \$25.34 per person for lunch; and \$32.00 per person for dinner.

OA regulations do not provide price limits/guidelines regarding per person meal costs. We did note an instance in which an OA compliance auditor questioned the high per meal cost of an expenditure item and asked for further explanation, but still approved the invoice for payment.

Regulations
do not provide
per person
limits

Some examples of where the cost per person appeared excessive were:

- The Office of the Public Defender paid \$80,810 to a resort at the Lake of the Ozarks for meals during the Winter Workshop-Statewide Training held in January 2000. Some of these expenditures included the following: \$4,189 for a Kansas City Strip dinner (at \$32 per person) and a \$6,526 afternoon break serving “Death by Chocolate” desserts (at \$13 per person). According to Public Defender’s Office officials, this is an annual event organized by the Public Defender’s office in which they decide the menu.
- The Office of the State Courts Administrator (OSCA) paid \$2,014 to a hotel for breakfast and lunch during a Leadership Development/Presiding Judges’ Meeting in September 1999. This expenditure included 45 continental breakfasts at \$19.25 each and 41 lunches at \$18.50 each. OSCA sponsored this conference and decided on the menu.
- The Secretary of State’s office paid \$2,596 to a Jefferson City hotel for food at an hour-long reception held in June 1999. The reception followed a presentation regarding diversity issues. The invitation-only event included the following groups: University students, members of the general public, state employees, and legislators. Most of this cost (\$2,244) paid for hors d’oeuvres for 150 people (at approximately \$15 per person).

Some agencies incur food expenses to help market Missouri.

Some agencies participate in events to promote Missouri and its products. Sometimes this participation involves incurring expenditures for food items. State regulations (1 CSR 10-3.010) require that claims for goods and services have a “clear business relationship to the agency work program.” Our review disclosed the Department of Economic Development and Department of

Agriculture incur food expenditures in conjunction with programs that promote tourism and Missouri products. Below are some examples of these expenditures:

- The Department of Agriculture's Grape and Wine program hosted wine-tastings to promote Missouri's grape industry. Costs totaling \$8,133 were incurred by the state at a May 2000 "Taste Missouri Wine Country" event held at a Kansas City art museum. Food provided at the event was described as "heavy appetizers" and included caviar, smoked salmon, duck, and imported cheeses. The appetizers cost a total of \$5,400 (\$18 per person) and represented the majority of the event cost. The event cost was offset by event ticket sales which collected \$1,270.

This program also hosted a September 2000 event at a St. Louis history museum. Costs for this event totaled \$18,782, and included a menu similar to the Kansas City event previously discussed. The hors d'oeuvres (at \$23 per person) was more than half of the event costs. Other expenses included \$3,100 for servers and \$1,200 for valet parking. The event costs were offset by the ticket sales, which collected \$5,795.

The two events mentioned above were open to the public, who paid up to \$35 to attend. Elected officials and some state employees were also invited at no cost. The Grape and Wine program is partially funded through the 36-cent tax Missouri wineries pay on each gallon of wine sold. One sixth of this tax funds the Grape and Wine program, with the remainder credited to the state's General Revenue Fund.

- The Department of Economic Development's Business Expansion and Attraction program helped fund a \$19,536 reception at a New York convention for the International Development Research Council, a professional association for corporate real estate managers. The department paid \$10,000 for the food and service (including bartenders) costs. Money from Missouri's communities and utilities paid the remaining costs, including the \$4,928 bar bill. This April 2000 reception served consultants from around the world that are active in site selection decisions.
- The Department of Economic Development, Division of Tourism paid \$50,000 to help fund a \$150,000 opening reception at a July 1999 National Association of Counties convention in St. Louis. The expenditure documentation indicated that \$50,000 went towards the \$119,000 food costs. In exchange for the sponsorships, the Division of Tourism received the association's registration list and the division mailed Missouri tourism information to the 5,000 convention attendees.
- For a number of years, the Department of Economic Development, Division of Tourism has sponsored the "Breakfast in Bed" event at the National Tour Association's (NTA) annual meeting. During this event, the division provides a breakfast to all the attendees of the NTA's national convention. The participating attendees have been greeted in the morning by a Missouri representative saying, "Wake Up to Missouri," and then served the breakfast they had requested the night before. The attendees also receive a Missouri sweatshirt.

The 1999 breakfast event in Nashville cost a total of \$102,691, and included the cost of breakfast served to the 2,291 attendees averaging \$26 a person, approximately \$12 per sweatshirt, and the travel and meal costs for the 16 tourism staff that worked the event. To decrease the event's cost in 2000, the staff served breakfast in bed only to the tour operators (about 490) and served a breakfast buffet to the remaining attendees (about 800). This event at the Salt Lake City convention cost \$50,516, with a \$19.82 per person in-bed breakfast and a \$12.60 per person buffet breakfast. The tourism staff plans to use the combination breakfast in bed and buffet at future conventions to reduce costs. The tourism staff said these are very successful events that help entice operators and group leaders to return to Missouri with tour groups.

We were unable to determine whether food expenditures, such as those noted above, are an effective means of marketing Missouri tourism and products. The Division of Tourism has studies conducted periodically to assess the impact of the state's advertising and marketing efforts; however, these studies do not show a direct correlation between specific marketing events and increased tourism in Missouri.

Impact of food provided at marketing events is unclear

Meals were provided to legislators and/or statewide elected officials.

We noted some agencies incurred food expenses involving events in which legislators and/or statewide elected officials were invited. Instances noted are discussed below.

- The Department of Agriculture paid a restaurant \$1,568 to cater a dinner in August 1999 during the Missouri State Fair for over 90 people in Sedalia. We were informed that the department hosts this invitation-only event annually. Those invited included the 24 members of the House Appropriations Committee for Natural and Economic Resources (which legislates State Fair funding), 23 members of the Governor's office and their guests, the Governor's cabinet members, statewide elected officials, state fair commissioners, and others. The House committee met at 10 a.m. on the day of the dinner and then toured the fairgrounds. Department officials said the purpose of the dinner was "to discuss the fair and long-range planning." According to department officials, the cost of a similar event held in August 2001 was paid by sponsors.
- The Department of Conservation paid \$1,143 for food during a legislative barbecue held in April 1999. According to department officials, the department held this evening event for all legislators during the legislative session. All legislators and top management officials were invited to this function. The event did not have a formal program or meeting agenda, but was rather an informal event to give department officials an opportunity to inform legislators of the agency's programs.

An additional item related to providing meals to various elected officials is Section 105.473, RSMo 2000, which identifies what expenditures should be reported to the Ethics Commission as lobbying expenses. According to this statute, the total of all expenditures are to be reported by a lobbyist:

“...for each occasion when any of the following are invited in writing:

- a) All members of the senate;
- b) All members of the house of representatives;
- c) All members of a joint committee of the general assembly or a standing committee of either the house of representatives or the senate...”

It appears the expenditures noted above were required to be reported to the Ethics Commission as lobbying expenses. We determined the expenses incurred by the Department of Agriculture were not properly reported as lobbying expenses, while the expenses incurred by the Department of Conservation were properly reported to the Ethics Commission.

Agencies did not always provide adequate documentation of food expenditures.

During our review of the individual food expenditure transactions, we noted various problems regarding the documentation submitted to the Office of Administration as follows:

- Eleven percent did not adequately describe the business purpose of the expenditure on the supporting documentation.
- Thirty percent did not have adequate supporting documentation to justify the purchase. Many of the expenditures we reviewed did not have an agenda for the meeting or event at which an agency funded the food, and/or receipts, purchase/warrant request, etc.
- Seven percent did not reflect what was charged. We noted numerous instances in which the documentation did not give a description of the food purchased, a summary of food purchased, a cost of food items, and/or the charge per person served.
- Twelve percent did not adequately reflect who was served. We noted numerous instances in which an agency did not include a list of attendees and/or general information that stated who was served.

Some food expenditures were miscoded.

Various agencies incorrectly charged expenditures to the “agency/department provided food” object codes on the state’s accounting system. In total, approximately 6 percent of the expenditures tested did not appear to fit the object code definition. For example, the Office of the Governor purchased china costing \$12,075 and charged it to one of these object codes. In some cases, agencies did not properly split an expenditure between the food portion of the costs and some other type of expenditure. For example, the Department of Elementary and Secondary Education coded nearly \$50,000 in lodging, audiovisual equipment, and other conference expenses to one of these object codes.

OVERALL CONCLUSIONS AND RECOMMENDATION

STATE AGENCY-PROVIDED FOOD EXPENDITURES

OVERALL CONCLUSIONS

State agencies have spent over \$10.6 million during the last two years on food, with most of this provided to state officials and employees. The Office of Administration relies upon certain regulations in performing its oversight responsibilities regarding the review and approval of agency-provided food expenditures. These regulations are not comprehensive and do not adequately address what types of food expenditures are allowable and proper uses of state funds. They also leave many of the decisions regarding food purchases to the discretion of the various agencies. The various examples of food expenditures cited in this report are indicative of the liberal interpretation some agencies have taken of the regulations that do exist. Due in part to the lack of comprehensive food purchases policies, the following practices were noted :

- Meals are regularly provided during employee training sessions
- Meals provided at meetings were not always necessary
- Food is generally provided at retirement receptions
- Food is often provided at employee recognition events
- Meal costs per person were sometimes excessive
- Some agencies incur food expenditures to help market Missouri
- Meals were provided to legislators and/or statewide elected officials.

In addition,

- Agencies did not always provide adequate documentation of food expenditures
- Some food expenditures were miscoded.

Considering the extent of agency-provided food expenditures, it appears the state should develop comprehensive policies regarding food purchases in an effort to control and reduce expenditures in this area.

RECOMMENDATION

The Office of Administration (OA) should review the current policies and regulations addressing this issue and develop comprehensive policies regarding state agency-provided food purchases. These policies should establish more specific guidelines regarding proper and allowable expenditures in this area, along with documentation requirements for these expenditures and the practices to be followed when recording and reporting state agency-provided food purchases. In addition, the OA should be more vigilant in its review of such expenditures to ensure state funds are used properly and efficiently.

AGENCY RESPONSE

The Office of Administration will convene an interagency work group to review the current policies and recommend any changes to these policies regarding state agency-provided food purchases. Based on the recommendations of the work group, the Commissioner will issue appropriate policies regarding state agency-provided food purchases to executive agency officials.

This report is intended for the information of the management of the state of Missouri. However, this report is a matter of public record and its distribution is not limited.

APPENDIX

APPENDIX

RELEVANT STATE REGULATIONS

1 CSR 10-3.010 (Preapproval of Claims and Accounts) states in part:

“(1) The following are types of claims certifiable as regular claims:

(A) Claims for goods and services having a clear business relationship to the agency work program and submitted for payment after delivery. The claim must be documented with an invoice billed to the state department on the vendor’s original descriptive business invoice form.

(2) The following are types of claims which may not be certified as regular claims unless special circumstances substantially justify the granting of an exception to this rule:

(A) Claims for the purchase of goods or services, which are not apparently or cannot be substantially justified as directly related to the transaction of state business. For example, employee parties, agency team uniforms, employee gifts, holiday cards and decorations, personal club memberships, memorial flowers, political and charitable contributions and traffic tickets. An exception is made for the purchase of retirement, service and other recognition award gifts which may be certified as regular claims if reasonable in relation to the circumstances of the award and primarily represent a token of recognition and not a reward with a cash equivalent or substantial monetary value. Claims for the expense of receptions for employee recognition events should be at a nominal price per person attending.”

1 CSR 10-11.010 (State of Missouri Travel Regulations) states in part:

“(15) No official or employee shall be allowed ... meals in their city of official domicile, except ... Reimbursement or direct billing may be made for agency-provided meal expenses within the city of official domicile when it is incurred as part of a department or agency required meeting or a department sponsored conference. This represents meals served to officers and employees at conferences and meetings who are interacting and conducting state business during the meal period. Direct billing and reimbursement of meals served in conjunction with agency required meetings attended by in-domicile employees shall be documented with the names of those involved or the group name with the number attending and the specific state business reason for the meeting. The state business reason can be documented in the form of an agenda, program, or other specific description.”

* * * * *



**MARION COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-83
September 10, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Marion, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Marion County was a financial and compliance audit of various county operating funds. The following concerns were noted:

- A state law, Section 50.333.12, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact their terms were increased from two years to four. Based on this law, in 1999 Marion County's Associate County Commissioners salaries were each increased approximately \$7,400 according to information from the county clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,800, for the two years ended December 31, 2000, should be repaid.

- Budgets were not prepared for some special revenue funds. In addition, the county did not appear to have a reasonable basis for the budgeted amounts for several funds. Budgeted projections clearly exceeded prior historical information and, as a result, the budgets lacked reasonableness and could not be used as a monitoring tool.
- The county's schedule of expenditures of federal awards contained various errors and omissions for the years ended December 31, 2000 and 1999. The schedule should be accurately prepared to ensure all federal awards are properly reported.

(over)

YELLOW SHEET

- Bank balances are not reconciled to inmate account balances by the Sheriff's office. In addition, the numerical sequence of receipt slips are not accounted for, and the composition of receipt slips are not reconciled to the composition of deposits for the inmate account.

The audit also includes some matters related to the County Treasurer's and the Health Center's records and controls, upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

MARION COUNTY, MISSOURI

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MARION COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Marion County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Marion County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 7, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 7, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Douglas E. Brewer
Audit Staff:	Carl E. Zilch, Jr.
	A. Dailey
	Kate Petschonek



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Marion County, Missouri

We have audited the special-purpose financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Marion County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Marion County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 7, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

MARION COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 611,459	3,338,550	3,281,363	668,646
Special Road and Bridge	124,861	1,294,514	1,312,803	106,572
Assessment	32,292	238,324	263,475	7,141
Law Enforcement Training	8,411	9,345	3,249	14,507
Prosecuting Attorney Training	710	1,651	1,268	1,093
Health Center	236,809	1,398,324	1,220,154	414,979
Capital Improvements Sales Tax	1,518	2,415,489	2,013,473	403,534
Prosecuting Attorney Delinquent Tax	21,392	9,683	15,309	15,766
Emergency Telephone Service (E-911)	267,394	409,308	399,338	277,364
Recorder's Preservation	30,363	11,970	0	42,333
Drug Enforcement	7,901	161	7,834	228
Veterans Road	1,522,385	760,237	1,218,881	1,063,741
L.E.P.C.	20,975	8,042	11,175	17,842
Election Services	217	5,242	3,222	2,237
Domestic Violence	7	2,478	2,484	1
Family Access	51	0	51	0
Associate Circuit Division, District 1, Interest	2,923	689	0	3,612
Associate Circuit Division, District 2, Interest	3,046	898	142	3,802
Probate Division, District 2, Interest	1,448	104	0	1,552
Juvenile Justice Center	4,834	129,216	129,063	4,987
Law Library	874	7,899	8,295	478
Circuit, District 1, Interest	18,684	1,239	567	19,356
Circuit, District 2, Interest	25,054	15,645	4,611	36,088
Total	\$ 2,943,608	10,059,008	9,896,757	3,105,859

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MARION COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 296,798	3,310,574	2,995,913	611,459
Special Road and Bridge	31,245	1,240,326	1,146,710	124,861
Assessment	(53,932)	336,858	250,634	32,292
Law Enforcement Training	24,901	10,663	27,153	8,411
Prosecuting Attorney Training	998	1,688	1,976	710
Health Center	179,119	1,208,587	1,150,897	236,809
Capital Improvements Sales Tax	426,848	1,516,632	1,941,962	1,518
Prosecuting Attorney Delinquent Tax	22,020	10,710	11,338	21,392
Emergency Telephone Service (E-911)	208,366	449,186	390,158	267,394
Recorder's Preservation	41,895	14,116	25,648	30,363
Drug Enforcement	14,649	2,086	8,834	7,901
Veterans Road	938,913	740,320	156,848	1,522,385
Local Use Tax	307,335	0	307,335	0
L.E.P.C.	22,768	4,392	6,185	20,975
Election Services	0	217	0	217
Domestic Violence	1	2,396	2,390	7
Family Access	25	26	0	51
Associate Circuit Division, District 1, Interest	2,087	836	0	2,923
Associate Circuit Division, District 2, Interest	2,094	1,161	209	3,046
Probate Division, District 2, Interest	1,386	62	0	1,448
Juvenile Justice Center	4,878	111,288	111,332	4,834
Law Library	(1)	8,114	7,239	874
Circuit, District 1, Interest	18,938	1,365	1,619	18,684
Circuit, District 2, Interest	18,249	11,186	4,381	25,054
Total	\$ 2,509,580	8,982,789	8,548,761	2,943,608

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MARION COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 9,101,458	9,900,840	799,382	8,874,059	8,846,381	(27,678)
DISBURSEMENTS	11,013,228	9,751,544	1,261,684	11,573,990	8,421,591	3,152,399
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,911,770)	149,296	2,061,066	(2,699,931)	424,790	3,124,721
CASH, JANUARY 1	2,960,533	2,886,687	(73,846)	2,534,329	2,461,948	(72,381)
CASH, DECEMBER 31	1,048,763	3,035,983	1,987,220	(165,602)	2,886,738	3,052,340
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	49,000	64,938	15,938	45,400	60,954	15,554
Sales taxes	1,450,000	1,443,606	(6,394)	1,430,000	1,427,306	(2,694)
Intergovernmental	828,000	955,793	127,793	763,000	847,989	84,989
Charges for services	645,099	649,019	3,920	609,500	615,030	5,530
Interest	23,000	34,394	11,394	14,000	22,854	8,854
Other	159,901	190,800	30,899	152,485	136,441	(16,044)
Transfers in	0	0	0	200,000	200,000	0
Total Receipts	3,155,000	3,338,550	183,550	3,214,385	3,310,574	96,189
DISBURSEMENTS						
County Commission	112,000	110,422	1,578	105,000	101,971	3,029
County Clerk	159,000	151,197	7,803	149,900	144,040	5,860
Elections	133,500	136,765	(3,265)	98,500	58,866	39,634
Buildings and grounds	191,000	143,931	47,069	185,000	125,541	59,459
Employee fringe benefits	8,500	7,336	1,164	7,500	8,229	(729)
County Treasurer	39,200	37,921	1,279	36,200	35,420	780
County Collector	174,300	169,128	5,172	182,700	174,571	8,129
Circuit Clerk I & Ex Officio Recorder of Deeds	97,000	78,296	18,704	94,700	79,116	15,584
Circuit Clerk II	25,500	22,989	2,511	23,900	15,602	8,298
Tenth Circuit Court	11,850	5,288	6,562	11,850	4,959	6,891
Associate Circuit and Probate Court	58,000	47,513	10,487	56,000	45,427	10,573
Court administration	28,450	16,890	11,560	28,450	14,631	13,819
Public Administrator	93,500	89,854	3,646	74,500	83,554	(9,054)
Sheriff	362,060	336,005	26,055	346,160	329,584	16,576
Jail	1,126,640	1,090,774	35,866	1,058,840	1,063,264	(4,424)
Prosecuting Attorney	259,500	247,375	12,125	244,000	236,752	7,248
Juvenile Officer	146,900	75,461	71,439	183,582	116,696	66,886
County Coroner	34,500	27,463	7,037	33,850	26,320	7,530
Planning and Zoning	12,900	10,391	2,509	15,400	13,643	1,757
Child Support Enforcement	60,200	60,247	(47)	55,800	56,052	(252)
Temporary Assessment Help	16,000	0	16,000	1,700	15,103	(13,403)
Postage	46,000	26,825	19,175	46,000	42,676	3,324
University Extension	46,600	46,600	0	45,000	45,000	0
Public health and welfare services	4,150	3,589	561	4,150	3,890	260
Other	178,500	114,103	64,397	364,000	155,006	208,994
Transfers out	225,000	225,000	0	0	0	0
Emergency Fund	100,000	0	100,000	100,000	0	100,000
Total Disbursements	3,750,750	3,281,363	469,387	3,552,682	2,995,913	556,769
RECEIPTS OVER (UNDER) DISBURSEMENTS	(595,750)	57,187	652,937	(338,297)	314,661	652,958
CASH, JANUARY 1	611,459	611,459	0	296,798	296,798	0
CASH, DECEMBER 31	15,709	668,646	652,937	(41,499)	611,459	652,958

Exhibit B

MARION COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	735,000	728,432	(6,568)	575,960	703,099	127,139
Intergovernmental	456,000	525,548	69,548	479,040	505,395	26,355
Interest	12,000	18,749	6,749	7,000	11,806	4,806
Other	15,950	21,785	5,835	18,000	20,026	2,026
Total Receipts	1,218,950	1,294,514	75,564	1,080,000	1,240,326	160,326
DISBURSEMENTS						
Salaries	519,405	518,768	637	503,410	504,101	(691)
Employee fringe benefits	174,066	156,329	17,737	137,081	130,701	6,380
Supplies	93,500	78,295	15,205	97,000	60,640	36,360
Insurance	27,000	22,948	4,052	20,500	21,809	(1,309)
Road and bridge materials	221,500	101,040	120,460	211,500	21,405	190,095
Equipment repairs	195,000	40,177	154,823	175,000	61,843	113,157
Rentals	4,500	0	4,500	5,000	138	4,862
Equipment purchases	565,000	353,509	211,491	475,000	300,518	174,482
Road and bridge construction	1,500	0	1,500	1,500	309	1,191
Office expenditures	12,050	8,006	4,044	12,600	7,725	4,875
Other	57,479	33,731	23,748	47,909	37,521	10,388
Total Disbursements	1,871,000	1,312,803	558,197	1,686,500	1,146,710	539,790
RECEIPTS OVER (UNDER) DISBURSEMENTS	(652,050)	(18,289)	633,761	(606,500)	93,616	700,116
CASH, JANUARY 1	124,861	124,861	0	31,245	31,245	0
CASH, DECEMBER 31	(527,189)	106,572	633,761	(575,255)	124,861	700,116
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	229,000	231,681	2,681	206,000	223,371	17,371
Interest	5,000	5,578	578	2,000	5,095	3,095
Other	1,000	1,065	65	1,000	1,058	58
Transfers in	0	0	0	107,334	107,334	0
Total Receipts	235,000	238,324	3,324	316,334	336,858	20,524
DISBURSEMENTS						
Assessor	250,000	263,475	(13,475)	259,800	250,634	9,166
Total Disbursements	250,000	263,475	(13,475)	259,800	250,634	9,166
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,000)	(25,151)	(10,151)	56,534	86,224	29,690
CASH, JANUARY 1	106,674	32,292	(74,382)	20,540	(53,932)	(74,472)
CASH, DECEMBER 31	91,674	7,141	(84,533)	77,074	32,292	(44,782)

Exhibit B

MARION COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	10,000	9,345	(655)	10,101	10,663	562
Total Receipts	10,000	9,345	(655)	10,101	10,663	562
DISBURSEMENTS						
Sheriff	8,625	3,249	5,376	25,000	27,153	(2,153)
Total Disbursements	8,625	3,249	5,376	25,000	27,153	(2,153)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,375	6,096	4,721	(14,899)	(16,490)	(1,591)
CASH, JANUARY 1	8,411	8,411	0	24,901	24,901	0
CASH, DECEMBER 31	9,786	14,507	4,721	10,002	8,411	(1,591)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	2,000	1,651	(349)	2,000	1,688	(312)
Total Receipts	2,000	1,651	(349)	2,000	1,688	(312)
DISBURSEMENTS						
Prosecuting Attorney	2,000	1,268	732	2,998	1,976	1,022
Total Disbursements	2,000	1,268	732	2,998	1,976	1,022
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	383	383	(998)	(288)	710
CASH, JANUARY 1	710	710	0	998	998	0
CASH, DECEMBER 31	710	1,093	383	0	710	710
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	336,000	358,899	22,899	320,000	347,374	27,374
Intergovernmental	326,535	304,403	(22,132)	263,498	229,953	(33,545)
Charges for services	545,845	680,781	134,936	632,964	611,038	(21,926)
Interest	8,000	11,681	3,681	8,000	8,617	617
Other	5,000	42,560	37,560	5,000	11,605	6,605
Total Receipts	1,221,380	1,398,324	176,944	1,229,462	1,208,587	(20,875)
DISBURSEMENTS						
Salaries	677,172	647,580	29,592	713,520	691,364	22,156
Fringe benefits	160,688	135,250	25,438	147,687	120,481	27,206
Office expenditures	62,600	64,756	(2,156)	74,000	61,048	12,952
Equipment purchases and repair	25,000	44,831	(19,831)	40,000	36,888	3,112
Mileage	41,000	38,510	2,490	44,300	39,995	4,305
Contracted services	36,620	53,248	(16,628)	32,720	35,018	(2,298)
Building payments	87,315	85,546	1,769	89,835	87,314	2,521
Medical supplies	40,000	41,935	(1,935)	50,000	40,138	9,862
Insurance	16,100	24,726	(8,626)	17,000	16,941	59
Other	74,885	83,772	(8,887)	16,900	21,710	(4,810)
Total Disbursements	1,221,380	1,220,154	1,226	1,225,962	1,150,897	75,065
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	178,170	178,170	3,500	57,690	54,190
CASH, JANUARY 1	236,809	236,809	0	179,119	179,119	0
CASH, DECEMBER 31	236,809	414,979	178,170	182,619	236,809	54,190

Exhibit B

MARION COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CAPITAL IMPROVEMENTS SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	1,450,000	1,445,884	(4,116)	1,430,000	1,428,064	(1,936)
Intergovernmental	400,000	732,387	332,387	420,150	42,162	(377,988)
Interest	12,500	11,886	(614)	15,000	12,466	(2,534)
Other	0	332	332	0	33,940	33,940
Transfers in	225,000	225,000	0	0	0	0
Total Receipts	2,087,500	2,415,489	327,989	1,865,150	1,516,632	(348,518)
DISBURSEMENTS						
Salaries	55,798	43,889	11,909	86,557	80,383	6,174
Office Expenditures	34,389	20,642	13,747	32,498	20,116	12,382
Equipment	2,000	2,114	(114)	2,000	1,836	164
Mileage and training	2,500	3,523	(1,023)	0	0	0
Buildings	448,813	450,268	(1,455)	752,543	994,977	(242,434)
Roads and bridges	999,000	964,513	34,487	840,150	346,954	493,196
Debit service	540,000	524,968	15,032	541,000	481,383	59,617
Other	2,500	3,556	(1,056)	7,250	16,313	(9,063)
Transfers out	0	0	0	30,000	0	30,000
Total Disbursements	2,085,000	2,013,473	71,527	2,291,998	1,941,962	350,036
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,500	402,016	399,516	(426,848)	(425,330)	1,518
CASH, JANUARY 1	1,518	1,518	0	426,848	426,848	0
CASH, DECEMBER 31	4,018	403,534	399,516	0	1,518	1,518
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	2,000	214	(1,786)	1,480	1,186	(294)
Charges for services	10,000	9,469	(531)	9,500	9,524	24
Total Receipts	12,000	9,683	(2,317)	10,980	10,710	(270)
DISBURSEMENTS						
Prosecuting Attorney	33,000	15,309	17,691	33,000	11,338	21,662
Total Disbursements	33,000	15,309	17,691	33,000	11,338	21,662
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,000)	(5,626)	15,374	(22,020)	(628)	21,392
CASH, JANUARY 1	21,392	21,392	0	22,020	22,020	0
CASH, DECEMBER 31	392	15,766	15,374	0	21,392	21,392
<u>EMERGENCY TELEPHONE SERVICE (E-911) FUND</u>						
RECEIPTS						
Intergovernmental	97,948	79,871	(18,077)	106,430	143,641	37,211
Charges for services	295,700	319,283	23,583	283,820	295,979	12,159
Interest	8,080	9,798	1,718	8,080	8,122	42
Other	0	356	356	0	1,444	1,444
Total Receipts	401,728	409,308	7,580	398,330	449,186	50,856
DISBURSEMENTS						
Salaries and employee benefits	310,723	283,905	26,818	327,575	297,448	30,127
Insurance	3,000	2,112	888	2,460	2,903	(443)
Equipment and maintenance agreements	46,200	43,614	2,586	17,350	16,770	580
Professional services	2,400	2,000	400	2,400	2,400	0
Office expenditures	3,200	3,366	(166)	2,900	3,193	(293)
Advertising	500	472	28	1,080	497	583
Telephone expenses	61,000	60,112	888	64,800	60,945	3,855
Other	4,000	3,757	243	4,800	6,002	(1,202)
Total Disbursements	431,023	399,338	31,685	423,365	390,158	33,207
RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,295)	9,970	39,265	(25,035)	59,028	84,063
CASH, JANUARY 1	266,858	267,394	536	206,275	208,366	2,091
CASH, DECEMBER 31	237,563	277,364	39,801	181,240	267,394	86,154

Exhibit B

MARION COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S PRESERVATION FUND</u>						
RECEIPTS						
Charges for services	10,000	10,038	38	9,000	12,560	3,560
Interest	2,000	1,932	(68)	1,000	1,556	556
Total Receipts	12,000	11,970	(30)	10,000	14,116	4,116
DISBURSEMENTS						
Ex Officio Recorder of Deeds	40,000	0	40,000	51,895	25,648	26,247
Total Disbursements	40,000	0	40,000	51,895	25,648	26,247
RECEIPTS OVER (UNDER) DISBURSEMENTS	(28,000)	11,970	39,970	(41,895)	(11,532)	30,363
CASH, JANUARY 1	30,363	30,363	0	41,895	41,895	0
CASH, DECEMBER 31	2,363	42,333	39,970	0	30,363	30,363
<u>DRUG ENFORCEMENT FUND</u>						
RECEIPTS						
Charges for services	2,000	161	(1,839)	0	2,086	2,086
Total Receipts	2,000	161	(1,839)	0	2,086	2,086
DISBURSEMENTS						
Public Safety	7,900	7,834	66	14,649	8,834	5,815
Total Disbursements	7,900	7,834	66	14,649	8,834	5,815
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,900)	(7,673)	(1,773)	(14,649)	(6,748)	7,901
CASH, JANUARY 1	7,901	7,901	0	14,649	14,649	0
CASH, DECEMBER 31	2,001	228	(1,773)	0	7,901	7,901
<u>VETERANS ROAD FUND</u>						
RECEIPTS						
Sales taxes	725,000	722,900	(2,100)	715,000	713,803	(1,197)
Interest	10,000	37,337	27,337	15,000	26,417	11,417
Other	0	0	0	0	100	100
Total Receipts	735,000	760,237	25,237	730,000	740,320	10,320
DISBURSEMENTS						
Highways and roads	1,283,000	1,218,881	64,119	1,668,913	156,848	1,512,065
Total Disbursements	1,283,000	1,218,881	64,119	1,668,913	156,848	1,512,065
RECEIPTS OVER (UNDER) DISBURSEMENTS	(548,000)	(458,644)	89,356	(938,913)	583,472	1,522,385
CASH, JANUARY 1	1,522,385	1,522,385	0	938,913	938,913	0
CASH, DECEMBER 31	974,385	1,063,741	89,356	0	1,522,385	1,522,385

Exhibit B

MARION COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL USE TAX FUND</u>						
RECEIPTS						
Interest				0	0	0
Total Receipts				0	0	0
DISBURSEMENTS						
Transfers out				307,335	307,335	0
Total Disbursements				307,335	307,335	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(307,335)	(307,335)	0
CASH, JANUARY 1				307,335	307,335	0
CASH, DECEMBER 31				0	0	0
<u>L.E.P.C. FUND</u>						
RECEIPTS						
Intergovernmental	3,500	7,733	4,233	7,000	4,387	(2,613)
Other	1,000	309	(691)	0	5	5
Total Receipts	4,500	8,042	3,542	7,000	4,392	(2,608)
DISBURSEMENTS						
Office Supplies	5,000	3,462	1,538	7,768	1,063	6,705
Equipment purchase	6,500	2,682	3,818	8,500	860	7,640
Training	8,500	3,938	4,562	8,500	3,176	5,324
Mileage and registration	5,000	1,093	3,907	5,000	1,086	3,914
Total Disbursements	25,000	11,175	13,825	29,768	6,185	23,583
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,500)	(3,133)	17,367	(22,768)	(1,793)	20,975
CASH, JANUARY 1	20,975	20,975	0	22,768	22,768	0
CASH, DECEMBER 31	475	17,842	17,367	0	20,975	20,975
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	4,400	5,242	842	217	217	0
Total Receipts	4,400	5,242	842	217	217	0
DISBURSEMENTS						
Election Services	4,550	3,222	1,328	0	0	0
Total Disbursements	4,550	3,222	1,328	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(150)	2,020	2,170	217	217	0
CASH, JANUARY 1	217	217	0	0	0	0
CASH, DECEMBER 31	67	2,237	2,170	217	217	0

Exhibit B

MARION COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FAMILY ACCESS FUND</u>						
RECEIPTS						
Other				100	26	(74)
Total Receipts				100	26	(74)
DISBURSEMENTS						
Other				125	0	125
Total Disbursements				125	0	125
RECEIPTS OVER (UNDER) DISBURSEMENTS				(25)	26	51
CASH, JANUARY 1				25	25	0
CASH, DECEMBER 31				0	51	51

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MARION COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Emergency Telephone Service (E-911) Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Domestic Violence Fund	2000 and 1999
Family Access Fund	2000
Associate Circuit Division, District 1, Interest Fund	2000 and 1999
Associate Circuit Division, District 2, Interest Fund	2000 and 1999
Probate Division, District 2, Interest Fund	2000 and 1999
Juvenile Justice Center Fund	2000 and 1999
Law Library Fund	2000 and 1999
Circuit, District 1, Interest Fund	2000 and 1999
Circuit, District 2, Interest Fund	2000 and 1999

Warrants issued were in excess of budgeted amounts for the Assessment Fund for the year ended December 31, 2000, and the Law Enforcement Training Fund for the year ended December 31, 1999. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the General Revenue Fund for the year ended December 31, 1999, and for the Special Road and Bridge Fund for the years ended December 31, 2000 and 1999. However, the budgets of those funds also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Associate Circuit Division, District 1, Interest Fund	2000 and 1999
Associate Circuit Division, District 2, Interest Fund	2000 and 1999
Probate Division, District 2, Interest Fund	2000 and 1999
Juvenile Justice Center Fund	2000 and 1999
Law Library Fund	2000 and 1999
Circuit, District 1, Interest Fund	2000 and 1999
Circuit, District 2, Interest Fund	2000 and 1999

Additionally, for the Health Center Fund and Emergency Telephone Service (E-911) Fund, the county's published financial statements for the years ended December 31, 2000 and 1999, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, the Health Center Board's, and the Emergency Telephone Service Board's (E-911) deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's, Health Center Board's, and Emergency Telephone Service Board's custodial banks in the county's, Health Center Board's, and Emergency Telephone Service's names.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances for the Health Center Board existed at those times although not at year-end.

Furthermore, \$100,000 of the Health Center Board's balances at December 31, 2000 and 1999, represents a refundable loan deposit which is held by the Health Center Board's bank in the bank's name. This deposit is to be returned to the board upon the final payment of the loan.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
	U. S. OFFICE OF NATIONAL DRUG CONTROL POLICY			
	Passed through state Department of Public Safety -			
07.unknown	High Intensity Drug Trafficking Area - SAUSA	97-HIDTA-552-03	\$ 39,880	38,809
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services -			
10.550	Food Distribution	N/A	0	61
	Department of Health -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS0451164W	70,500	68,859
10.559	Summer Food Service Program for Children	ERS146-0164I	1,722	1,576
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state Department of Social Services -			
14.231	Emergency Shelter Grants Program	ERO1640211	7,000	5,000
	U.S. DEPARTMENT OF JUSTICE			
	Direct program -			
16.unknown	Equitable Sharing of Seized and Forfeited Property	97-DEA-338250	0	20,528
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission -			
20.205	Highway Planning and Construction	BRO-064(10)	359,752	8,045
		BRO-064(17)	368,845	37,063
	Program Total		728,597	45,108
	Passed through state Department of Public Safety -			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	1,443	0
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	816	506

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-1164L	30,337	4,900
93.268	Immunization Grants	ERO146-8164	0	6,389
		N/A	52,745	43,998
	Program Total		52,745	50,387
Department of Social Services -				
93.563	Child Support Enforcement	N/A	5,072	3,015
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-1164C	490	1,658
		PGA067-1164S	2,910	4,395
	Program Total		3,400	6,053
Department of Social Services -				
93.667	Social Services Block Grant	ERO172029	725	4,610
		ERO172099	7,873	24,622
		ERO172100	9,919	37,698
		AOC00380236	15,207	0
		SS01273	322	1,167
	Program Total		34,046	68,097
Department of Health -				
93.917	HIV Care Formula Grants	C900116001	9,518	4,097
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-90039	20,053	12,821
93.945	Assistance Program for Chronic Disease Prevention and Control	C100057001	1,000	989
93.991	Preventive Health and Health Services Block Grant	N/A	624	486
93.994	Maternal and Child Health Services	ERS146-1164M	26,281	26,281
	Block Grant to the States	N/A	3,122	2,429
		AOC00380294	60,330	0
	Program Total		89,733	28,710
Total Expenditures of Federal Awards			\$ 1,096,486	360,002

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

MARION COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Marion County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Food Distribution (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for Donation of Federal Surplus Personal Property (CFDA 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$52,745 and \$43,998 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$624 and \$486 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$3,122 and \$2,429 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

<u>Federal CFDA Number</u>	<u>Program Title</u>	<u>Amount Provided</u>	
		<u>Year Ended December 31, 2000</u>	<u>1999</u>
14.231	Emergency Shelter Grants Program	7,000	5,000
16.unknown	Equitable Sharing of Seized and Forfeited Property	0	20,528

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Marion County, Missouri

Compliance

We have audited the compliance of Marion County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.


In our opinion, Marion County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Marion County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 7, 2001 (fieldwork completion date)

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to the financial statements
noted? _____ yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? _____ yes x no

Identification of major program:

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MARION COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MARION COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

98-1. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Commerce
Pass-Through Grantor:	Not Applicable
Federal CFDA Number:	11.300
Program Title:	Economic Development- Grant for Public Works and Infrastructure Development
Pass-Through Entity	
Identifying Number:	05-19-61046
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity	
Identifying Number:	BRO-064(10) & BRO-064(16)
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

The county did not have procedures in place to adequately track federal assistance for preparation of the schedule of expenditures of federal awards (SEFA). The county did not prepare and submit a SEFA to the State Auditor's Office for the year ended December 31, 1997.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's Office as part of the annual budget.

Status:

Partially implemented. The county has made some improvement in preparation of this schedule; however, it still contained errors and omissions. Although this finding is not repeated in the current Schedule of Findings and Questioned Costs, the county should continue to work to prepare a complete and accurate Schedule of Expenditures of Federal Awards to submit to the State Auditor's Office as part of the annual budget.

SECTION ON OTHER MATTERS

MARION COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 7, 2001. We also have audited the compliance of Marion County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 7, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Marion County and of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Associate Commissioner Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Marion County's Associate County Commissioners' salaries were each increased approximately \$7,400 yearly.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,800 for the two years December 31, 2000, should be repaid.

2. Budgetary Reporting and Procedures

Budgets were not prepared for some special revenue funds. In addition, the county did not appear to have a reasonable basis for the budgeted amounts for several funds. Budgeted projections clearly exceeded prior historical information and, as a result, the budgets lacked reasonableness and could not be used as a monitoring tool.

3. Schedule of Expenditures of Federal Awards

The county's schedule of expenditures of federal awards (SEFA) contained various errors and omissions for the years ended December 31, 2000 and 1999. The SEFA should be accurately prepared to ensure all federal awards are properly reported.

4. County Treasurer's Procedures

The Treasurer's receipt slips are not prenumbered. In addition, the Treasurer's computer system is not protected with a password, and backups of computer information are not performed.

5. Health Center's Procedures

Receipt slips are not issued for all monies received, the numerical sequence of receipt slips is not accounted for, and the composition of receipt slips is not reconciled to the composition of deposits. In addition, checks are not restrictively endorsed immediately upon receipt.

6. Sheriff's Procedures

Bank balances are not reconciled to inmate account balances (open items). In addition, the numerical sequence of receipt slips is not accounted for, and the composition of receipt slips is not reconciled to the composition of deposits.

This Letter on Other Matters is intended for the information of the management of Marion County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**MISSOURI DEPARTMENT OF TRANSPORTATION
CONDITION OF MISSOURI'S HIGHWAY INFRASTRUCTURE AND
RELATED EXPENDITURES**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-82
September 6, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

www.auditor.state.mo.us

The following conditions were reported related to an audit conducted by our office of the Missouri Department of Transportation, Condition of Missouri's Highway Infrastructure and Related Expenditures.

Missouri's roads and bridges are deteriorating and generally are in worse condition than those in neighboring states, partly because Missouri is responsible for a larger highway system than neighboring states with the sixth largest in the nation. This, coupled with the relatively low motor fuel tax rates, has resulted in Missouri receiving less revenues for highway purposes and expending less money (on a per mile basis) than its neighbors.

The Missouri Department of Transportation (MoDOT) is responsible for approximately 26 percent of all roads in the state; however, about 70 percent of vehicle travel in the state is on these roads. In 1999, according to federal highway statistics, capital outlay and maintenance accounted for about 62 and 21 percent, respectively, of total department expenditures.

On a nationwide basis, Missouri ranks near the bottom in revenue per mile. In 1999, all neighboring states except Arkansas received more funds for highway purposes than Missouri, and Missouri was well below the national average of \$110,255 per mile. Some neighboring states had sources of highway revenue not being received by Missouri, including toll fees and bond proceeds.

Motor fuel tax receipts represented approximately 40 percent of Missouri's total highway revenue. Missouri's motor fuel tax of 17 cents per gallon for both gasoline and diesel is lower than most neighboring states. Considering the relatively low level of revenue available to the MoDOT to allocate to the highway system, Missouri's resources to maintain and improve the state's road system are limited. To address this situation, it was recommended that MoDOT work with the legislature to explore the possibilities of increasing the revenues available for highway purposes.

In addition, we concluded that MoDOT may not be applying a sufficient percentage of its revenues in preserving and maintaining the state's existing infrastructure system. The MoDOT has allocated a smaller percentage of funds to preservation activities than several of its neighboring states, even considering an increase in these activities in 1999. In addition, the department's accounting system does not adequately identify detailed cost information regarding its preservation and maintenance activities and the department has not established a system of performance goals and measures related to these activities.

(over)

YELLOW SHEET

Related Information

- In December 1999, 83 percent of Missouri roads on the National Highway System were ranked as fair, poor or very poor, including interstate roads of which 43 percent were rated as poor or very poor.
- During the period from 1996 to 1999, the percentage of Missouri roads rated as good or better was decreasing, while the percentage of roads rated good or better for the neighboring states and the nation was increasing. By 1999, Missouri roads rated as poor or very poor were higher than the neighboring states and the nation.
- From 1995 to 1999, the percentage of roads rated as very good was declining at a rapid rate, while the roads rated as poor and/or very poor were increasing at a slower rate. As a result, the department has a backlog of pavement in fair or worse condition which is in need of repair.
- As of December 1999, 19 percent of the state-owned bridges were classified as structurally deficient and 14 percent were classified as functionally obsolete. In addition, Missouri had off-system bridges in which 36 percent were structurally deficient and 10 percent were functionally obsolete. MoDOT receives federal monies that are passed on to the cities, counties and townships for the purpose of maintaining the off-system bridges.
- Missouri ranks seventh in the nation in the percentage of substandard bridges. Missouri has consistently had more substandard bridges than the average for the neighboring states and the nation, for the years 1996 through 1999. In 1999, Missouri ranked first compared to its neighboring states for highest percentage of total substandard bridges. Only Oklahoma has a higher percentage of structurally deficient bridges.

MISSOURI DEPARTMENT OF TRANSPORTATION
CONDITION OF MISSOURI'S HIGHWAY INFRASTRUCTURE AND
RELATED EXPENDITURES

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Missouri Highway and Transportation Commission
and
Henry Hungerbeeler, Director
Missouri Department of Transportation
Jefferson City, MO 65102

We have audited certain aspects of the Condition of Missouri's Highway Infrastructure and Related Expenditures as administered by the Missouri Department of Transportation (MoDOT). The objectives of this audit were to:

1. Review various aspects of Missouri's highway system and funding, and compare Missouri's highway data to other states with respect to:
 - Size and characteristics of the highway system.
 - The condition of roads and bridges and to determine whether the condition of Missouri's roads and bridges is declining.
 - Capital outlay and maintenance costs.
 - Highway revenues.
 - The level of preservation/preventive maintenance expenditures.
2. Determine if MoDOT's accounting system adequately accumulates and reports preservation and maintenance costs.
3. Determine if a system of performance goals and measures has been established for these activities.

Our audit was made in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed

department personnel, reviewed various internal and public documents and records, analyzed and compared data obtained from department personnel and from the computerized transportation management systems, and reviewed various federal highway publications.

As part of our audit, we assessed the department's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on these controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Department of Transportation, Condition of Missouri's Highway Infrastructure and Related Expenditures.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 6, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Toni Crabtree, CPA
Audit Staff:	Tara Shah, CPA

EXECUTIVE SUMMARY

MISSOURI DEPARTMENT OF TRANSPORTATION
CONDITION OF MISSOURI'S HIGHWAY INFRASTRUCTURE AND
RELATED EXPENDITURES
EXECUTIVE SUMMARY

The Missouri Department of Transportation (MoDOT) is responsible for planning, designing, maintaining, and operating a safe and efficient highway and bridge transportation system. According to the Federal Highway Administration's (FHWA) 1999 Highway Statistics, the MoDOT was responsible for over 32,000 miles of roads and 9,900 bridges, and was sixth in the nation in state-administered lane miles. The MoDOT is responsible for approximately 26 percent of all roads in the state; however, about 70 percent of vehicle travel in the state is on these roads. In addition, travel on Missouri's roads has increased 16 percent from 1994 to 1999, while population has only increased about 4 percent during this period. On a nationwide basis, Missouri ranks near the bottom in revenue per mile. In 1999, according to federal highway statistics, capital outlay and maintenance accounted for about 62 and 21 percent, respectively, of total department expenditures.

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) created the National Highway System (NHS) designation and other federal-aid highway categories. The NHS includes the Interstate System routes, a large percentage of urban and rural principal arterials, the Strategic Highway Network, and major connectors. Missouri has approximately 4,300 miles of road in the NHS. Currently, the Transportation Equity Act for the 21st Century (TEA-21) authorizes the federal highway programs for 1998-2003. The federal government, through the FHWA, assists states in paying the costs of road and bridge projects. The FHWA reimburses states for eligible road and bridge projects, and although the federal reimbursement rates vary depending on the type of projects, states generally are reimbursed for 80 percent of eligible costs. To obtain federal funds, states must follow certain FHWA requirements.

By most accounts, the highway infrastructure in Missouri is in rough shape. Missouri's roads and bridges are deteriorating and generally are in worse condition than those in neighboring states. To a great extent, this appears attributable to the fact that Missouri is responsible for a larger highway system than the neighboring states and one of the largest in the nation. This, coupled with the relatively low motor fuel tax rates, has resulted in Missouri receiving less revenues for highway purposes and expending less money (on a per mile basis) than its neighboring states.

MoDOT may not be applying a sufficient percentage of its revenues in preserving and maintaining the state's existing infrastructure system. In addition, MoDOT's accounting system does not provide complete and accurate information regarding its preservation and maintenance activities, nor has the department established a system of performance goals and measures related to these activities.

To improve the condition of Missouri's roads and bridges, MoDOT needs to work with the legislature to explore the possibilities of increasing the revenues available for highway purposes. In addition, MoDOT should increase the level of funding allocated for preservation and preventive maintenance activities. Also, the department needs to implement a system of activity

based accounting to accurately accumulate and report preservation and maintenance activities and establish a system of performance goals and measures related to these activities.

MANAGEMENT ADVISORY REPORT

MISSOURI DEPARTMENT OF TRANSPORTATION
CONDITION OF MISSOURI'S HIGHWAY INFRASTRUCTURE AND
RELATED EXPENDITURES

The state of Missouri has the sixth largest highway system in the United States (based on lane-miles). In addition, MoDOT is responsible for more total miles of road, as well as total lane miles, than any of its neighboring states (based on 1999 information) as presented below:

	Total Miles of Roads	National Ranking	Total Lane – Miles	National Ranking
Missouri	32,407	7	69,794	6
Arkansas	16,366	12	35,841	16
Illinois	16,353	13	41,863	12
Iowa	9,715	28	23,712	27
Kansas	10,386	25	23,799	26
Kentucky	27,477	8	60,488	8
Nebraska	9,971	26	22,105	29
Oklahoma	12,276	17	29,105	18
Tennessee	13,811	16	35,001	17

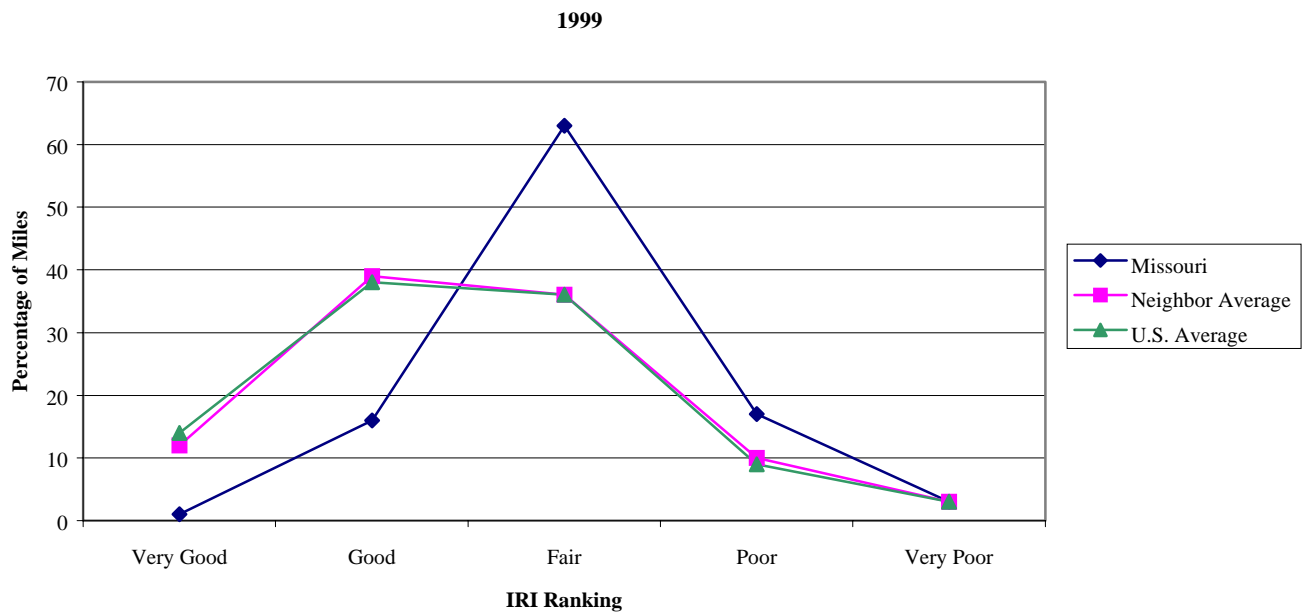
Information regarding the number of state-owned bridges in neighboring states was not readily available; therefore, comparative data regarding bridges is not presented.

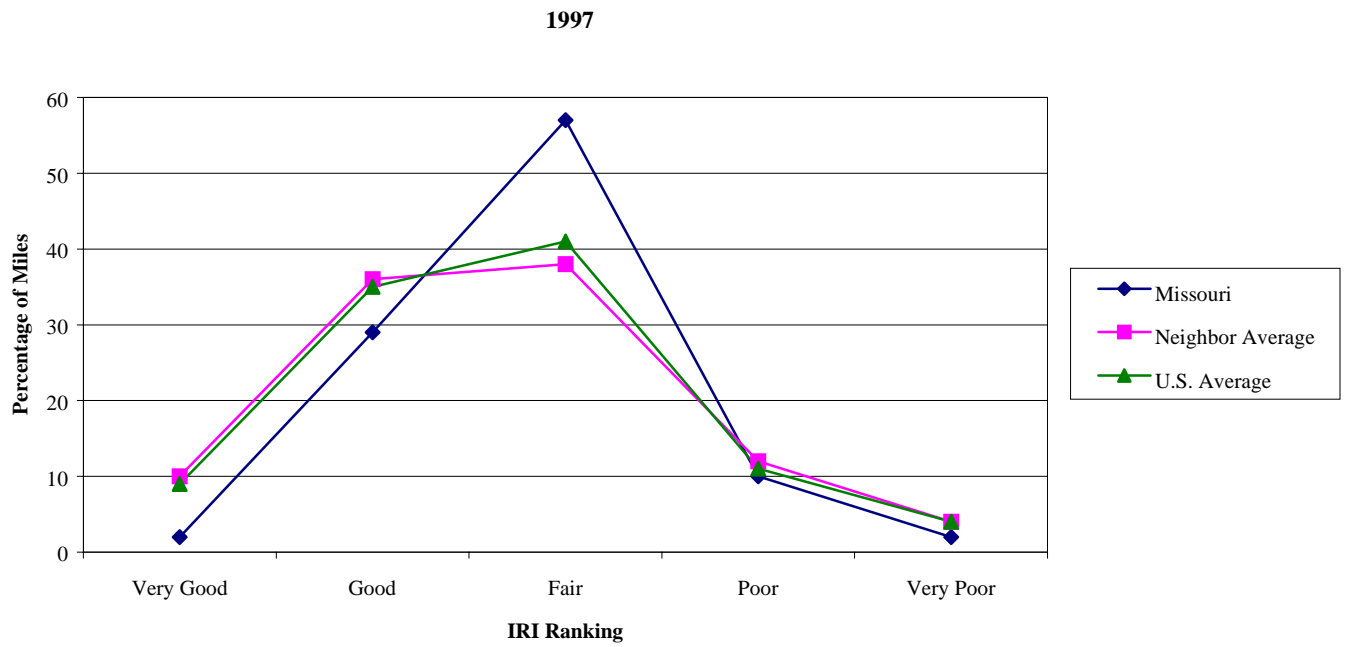
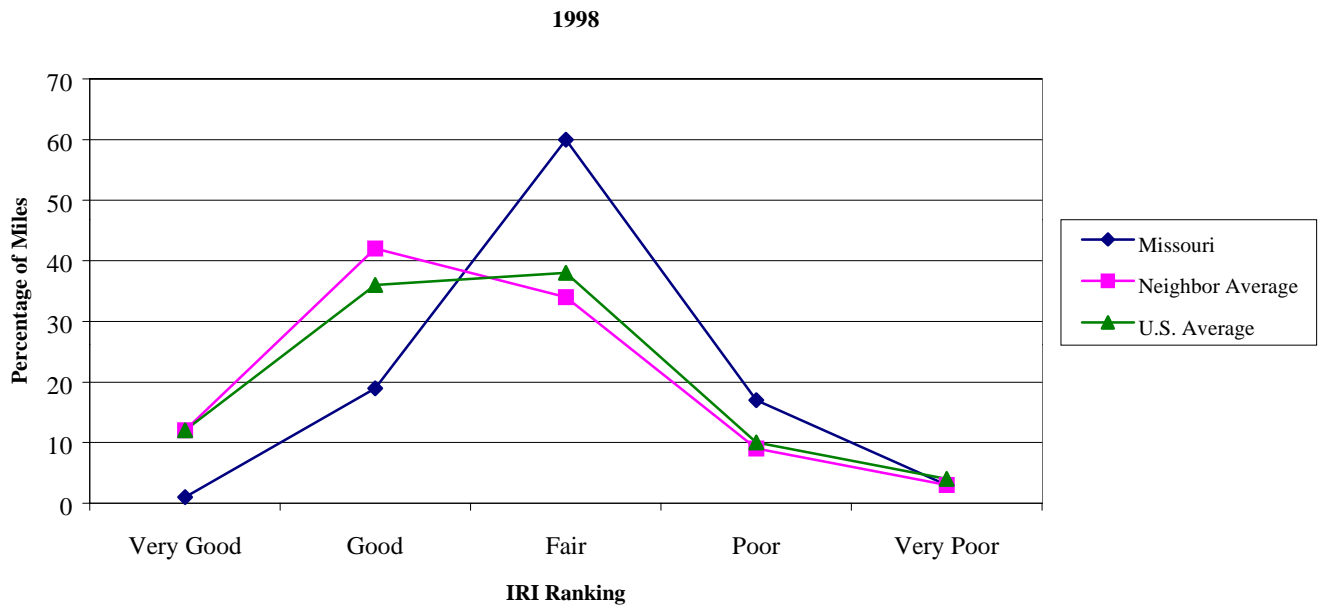
Using various reports and information obtained from the department's data systems (particularly the computerized transportation management systems for pavement and bridge) and department personnel; information from the FHWA's Highway Statistics for 1999, 1998, 1997, and 1996 (2000 information has not been issued); and other relevant transportation literature, we analyzed the condition of Missouri roads and bridges and the amount of funds spent on preservation and maintenance activities as compared to neighboring states. We also evaluated the condition of Missouri's roads and bridges and the funding of preservation and maintenance activities over the last several years. Additionally, we compared Missouri highway revenues to those of neighboring states. On a limited basis, we performed test work to determine the reliability of the department's data that we used in this report. Our audit disclosed the following:

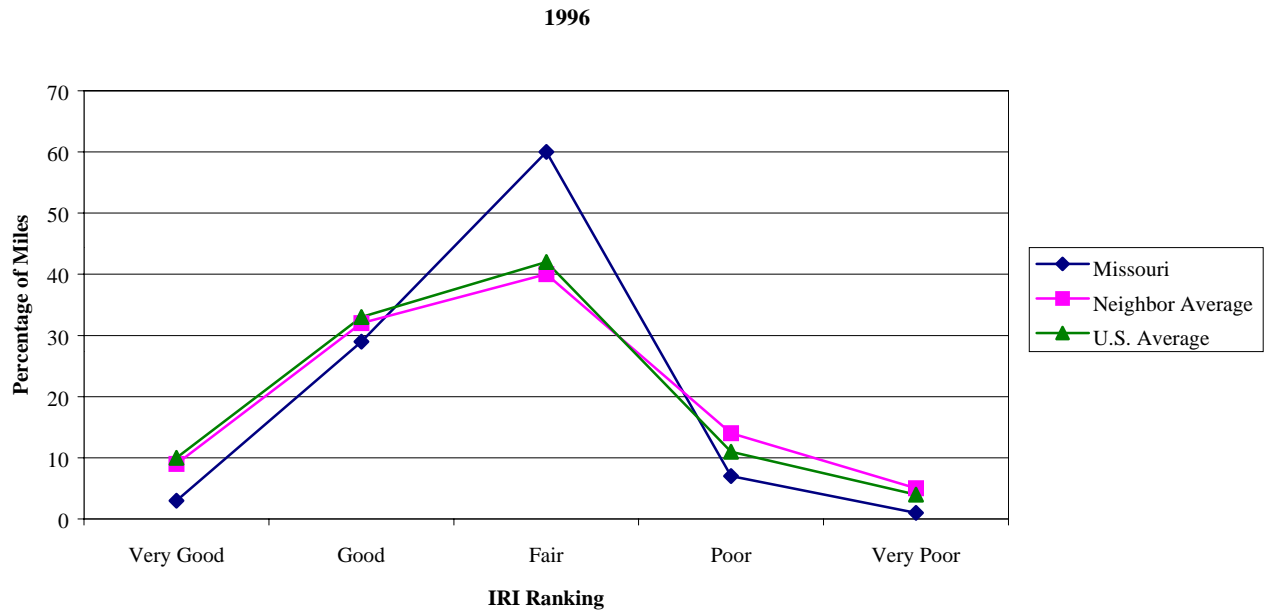
A. Condition of Missouri's Road and Bridge Infrastructure

1. To compare the condition of Missouri roads with its eight neighboring states (Arkansas, Illinois, Iowa, Kansas, Kentucky, Nebraska, Oklahoma, and Tennessee), International Roughness Index (IRI) data was obtained for each state and the U.S. average, for the NHS. The IRI is a measure of pavement roughness (ride quality) which is reported for all states in the FHWA's annual Highway Statistics reports. According to the FHWA, IRI is an objective measure of pavement roughness and is accepted as a standard in the pavement evaluation community.

As presented below, the percentage of Missouri roads included in the NHS rated as good or better is lower than those in the neighboring states and the nation, while the percentage of roads rated fair is higher. In Missouri, approximately 4,300 miles of road are included in the NHS. During the period from 1996 to 1999, the percentage of Missouri roads rated as good or better was decreasing, while the percentage of roads rated good or better for the neighboring states and the nation was increasing. Thus, during this time, the condition of Missouri roads was declining, and by 1999, Missouri roads rated as poor or very poor were higher than the neighboring states and the nation. In December 1999, 83 percent of Missouri roads on the NHS were ranked as fair, poor or very poor. Included in these roads are interstate roads of which 43 percent were rated as poor or very poor.

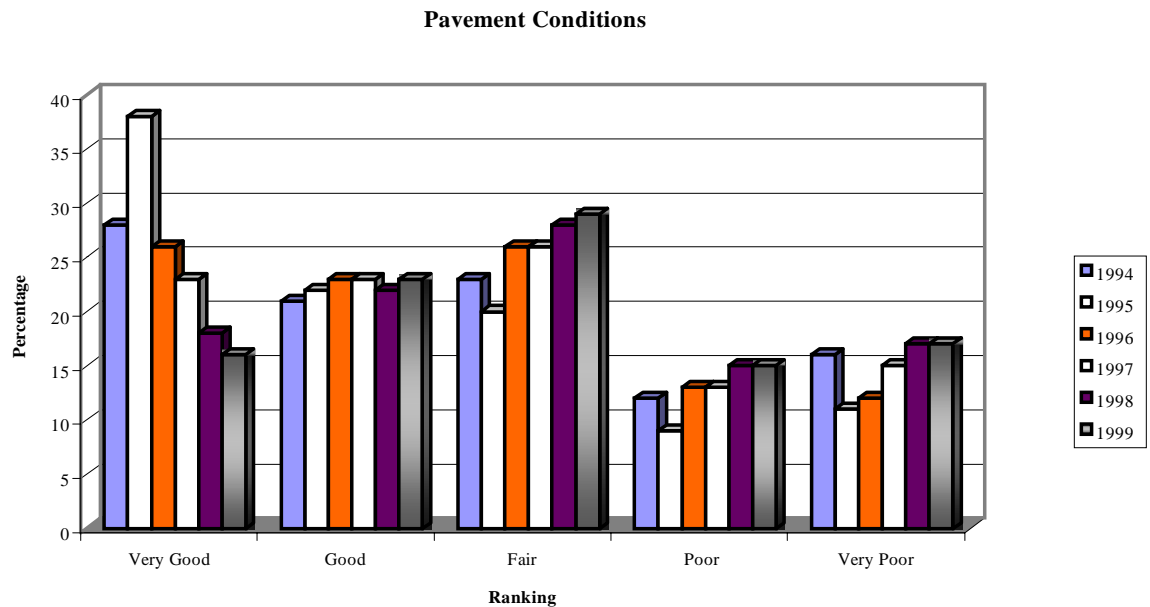






2. We also analyzed the condition of all Missouri roads (over 32,000 miles of road) for which the MoDOT is responsible using the department's pavement system. For internal reporting and ranking, the MoDOT uses a Present Serviceability Rating (PSR), which does not incorporate the IRI. The PSR measures the quality of pavement based upon an assessment of ride and road conditions, and includes distress factors such as rutting, patching, raveling, spalling, and joint conditions. The MoDOT classifies its roads as very good, good, fair, poor, and very poor based upon the numerical calculation of the PSR (pavement) index.

The condition of Missouri roads from 1994 to 1999, as measured by the department's pavement index, is presented below:



From 1995 to 1999, the percentage of roads rated as very good was declining at a rapid rate, while the roads rated as poor and/or very poor were increasing at a slower rate. As a result, the MoDOT has a backlog of pavement in fair or worse condition which is in need of repair.

3. The FHWA identifies two type of substandard bridges: 1) structurally deficient and 2) functionally obsolete. These classifications do not necessarily mean that a bridge is unsafe; however, they do provide a measure of the physical condition and limitation of the state's bridges.

These classifications are described as follows:

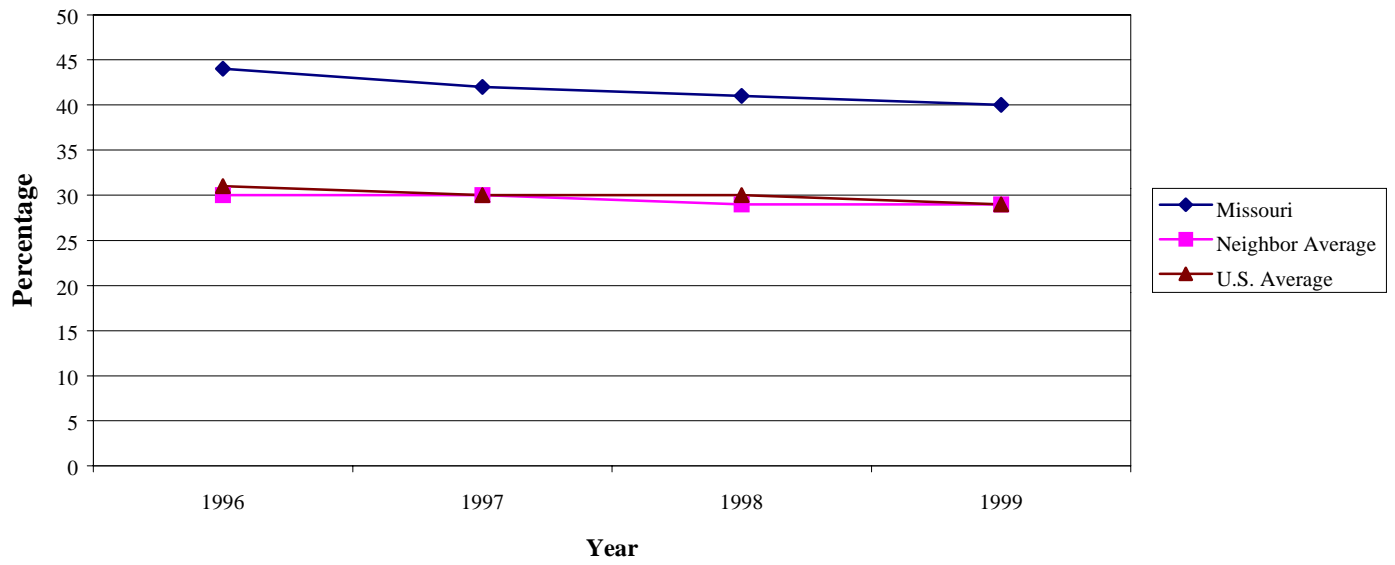
- A **structurally deficient bridge** is one that (1) has been restricted to light vehicles only, (2) is closed, or (3) requires immediate rehabilitation to remain open.
- A **functionally obsolete bridge** is one on which the deck geometry, load-carrying capacity, vertical and horizontal clearance, and/or approach roadway alignment no longer meets the usual criteria for the system of which it is a part. Although bridges classified as being functionally obsolete typically have too few or too narrow lanes, poorly aligned approaches, or restrictive overhead clearances, they are not necessarily structurally unsound. However, a functionally obsolete bridge can cause delays or traffic congestion, as well as pose a hazard to the traveling public.

As of December 1999, 1,837 (19 percent) of the 9,900 state-owned bridges were classified as structurally deficient and 1,411 (14 percent) were classified as functionally obsolete. Included in the 9,900 state-owned bridges is approximately 350 pedestrian and railroad bridges. States also have off-system bridges which are bridges owned by cities, counties, and/or townships. The MoDOT receives federal monies that are passed on to the cities, counties and townships for the purpose of maintaining these bridges. As of December 1999, Missouri had 13,293 off-system bridges in which 4,789 (36 percent) were structurally deficient and 1,354 (10 percent) were functionally obsolete.

From FHWA bridge inventory (state-owned and off-system) data, we compared the condition of Missouri's bridges to the condition of bridges in the eight neighboring states and the nation, as presented below:

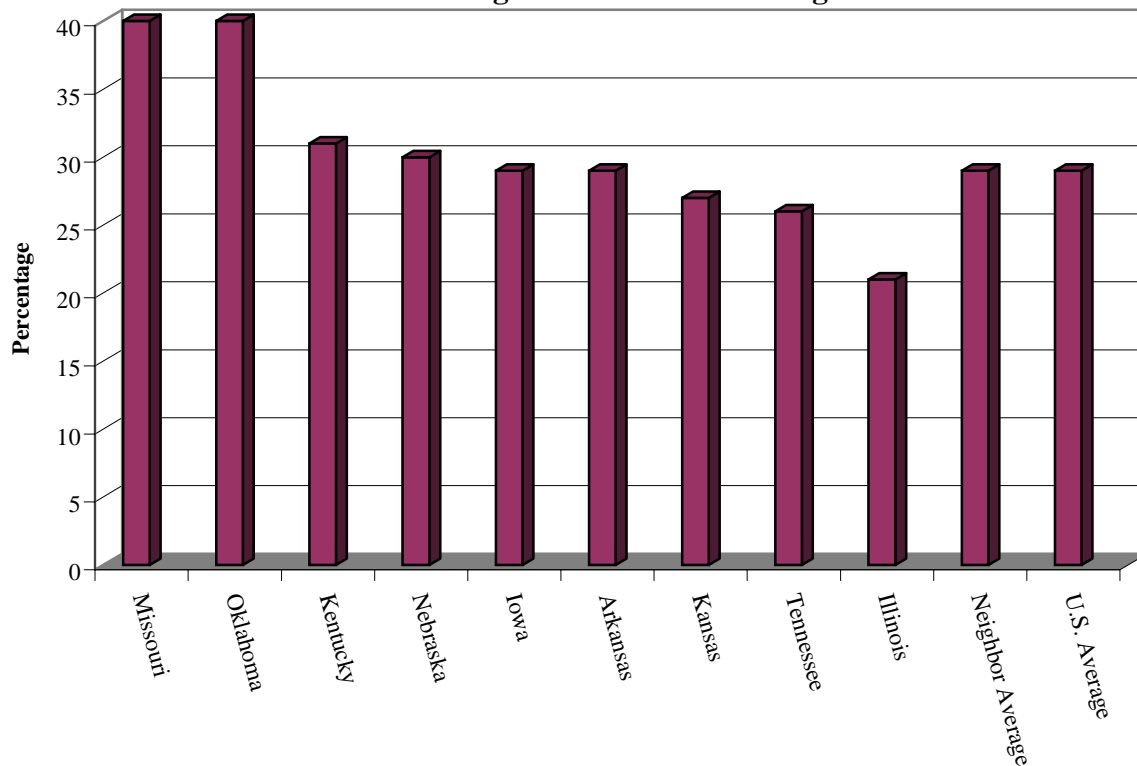
1996 to 1999

Substandard Bridges

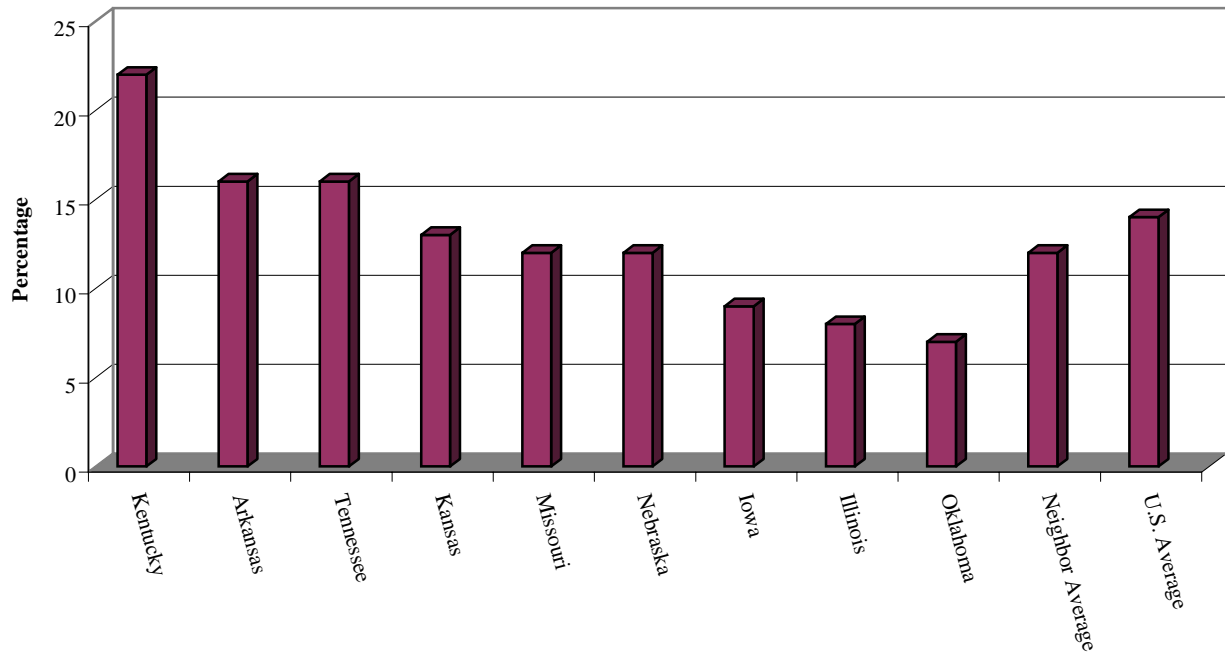


1999

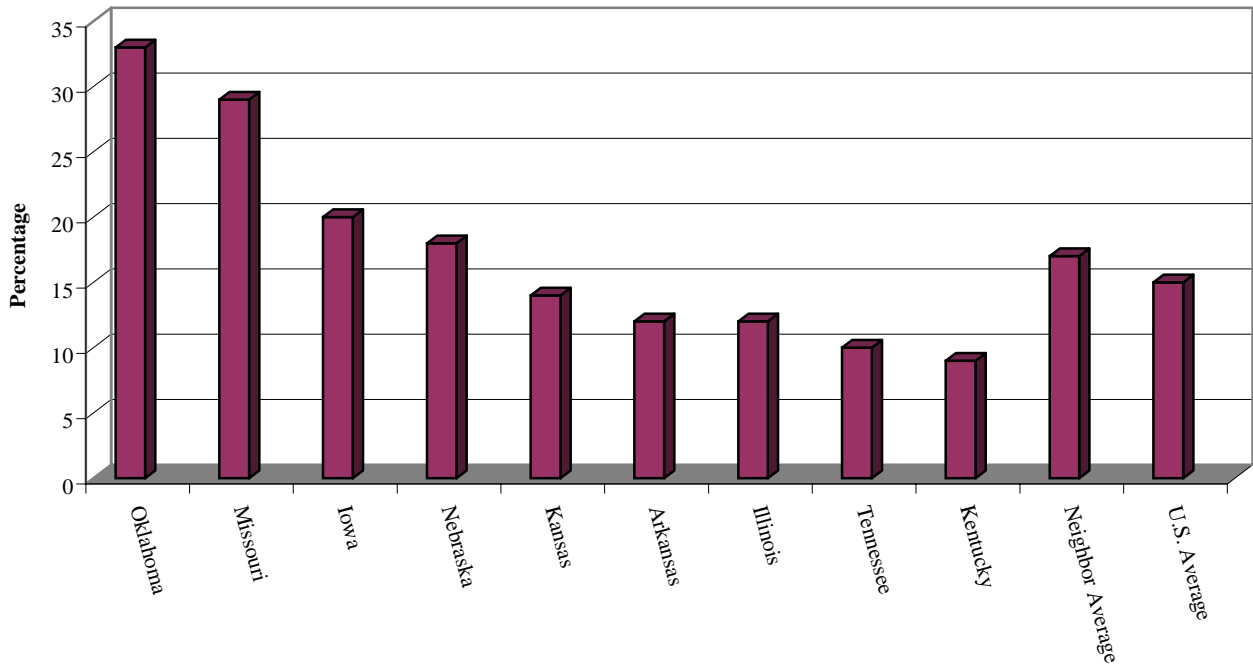
Percentage of Substandard Bridges



1999
Percentage of Functionally Obsolete Bridges

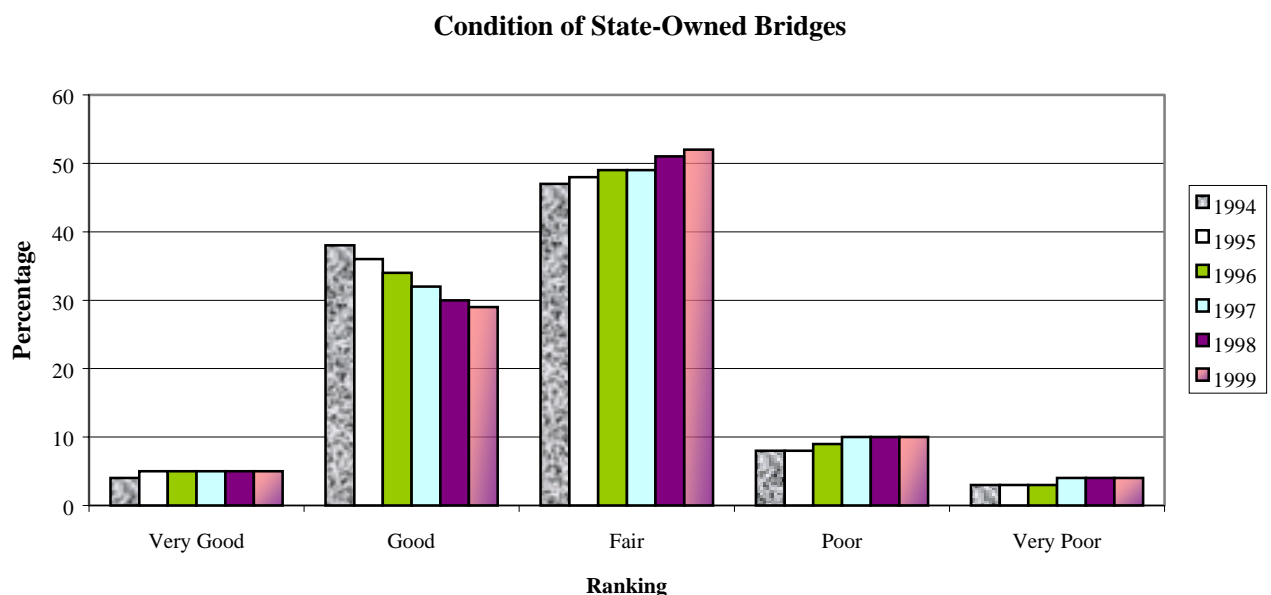


1999
Percentage of Structurally Deficient Bridges



Although the percentage of substandard (structurally deficient and functionally obsolete) bridges for the nation, as a whole, has decreased slightly from 1996 to 1999, Missouri has consistently had more substandard bridges than the average for the neighboring states and the nation, for these years. In 1999, Missouri ranked first compared to its neighboring states for highest percentage of total substandard bridges. Over 70 percent of these substandard bridges are structurally deficient. Only one other state in the U.S. (Oklahoma) has a higher percentage of structurally deficient bridges. Overall, Missouri ranks seventh in the nation in the percentage of substandard bridges.

4. The MoDOT tracks the condition of state-owned bridges through its bridge management system (bridge index). State-owned bridges, for which the MoDOT is responsible, represent about 43 percent of all bridges in Missouri. Using the bridge index, we analyzed the condition of state-owned bridges from 1994 to 1999, as presented below:



From 1994 to 1999, the percentage of bridges classified as very good or good was decreasing. As a result, in 1999 only about 35 percent of MoDOT's bridges were in very good or good condition.

The department also prepares a "condition 3" list of span-type bridges. This list identifies the highest priority bridge structures which are classified as very poor and in most need of repair, rehabilitation, and/or replacement, and represents the backlog of priority bridges. In 1999, there were 411 bridges (6 percent) of the 6,983 state-owned span-type bridges on the condition 3 list. From 1994 to 1999, the number of bridges on this list has increased by 120, or 41 percent.

We also reviewed the age of the approximately 9,900 state-owned bridges, including span-type, culverts, pedestrian, and railroad. Over 2,300 bridges (approximately 24 percent) were built more than 60 years ago. Approximately 77 percent of these 2,300 bridges have not received any type of major repair and/or reconstruction since they were built.

Based on the information presented above, it is apparent the condition of Missouri's road and bridge infrastructure has deteriorated in recent years. Fewer roads and bridges are classified as very good or good each year, and the condition of the state's roads and bridges are not in as good condition as the neighboring states and the nation-wide average.

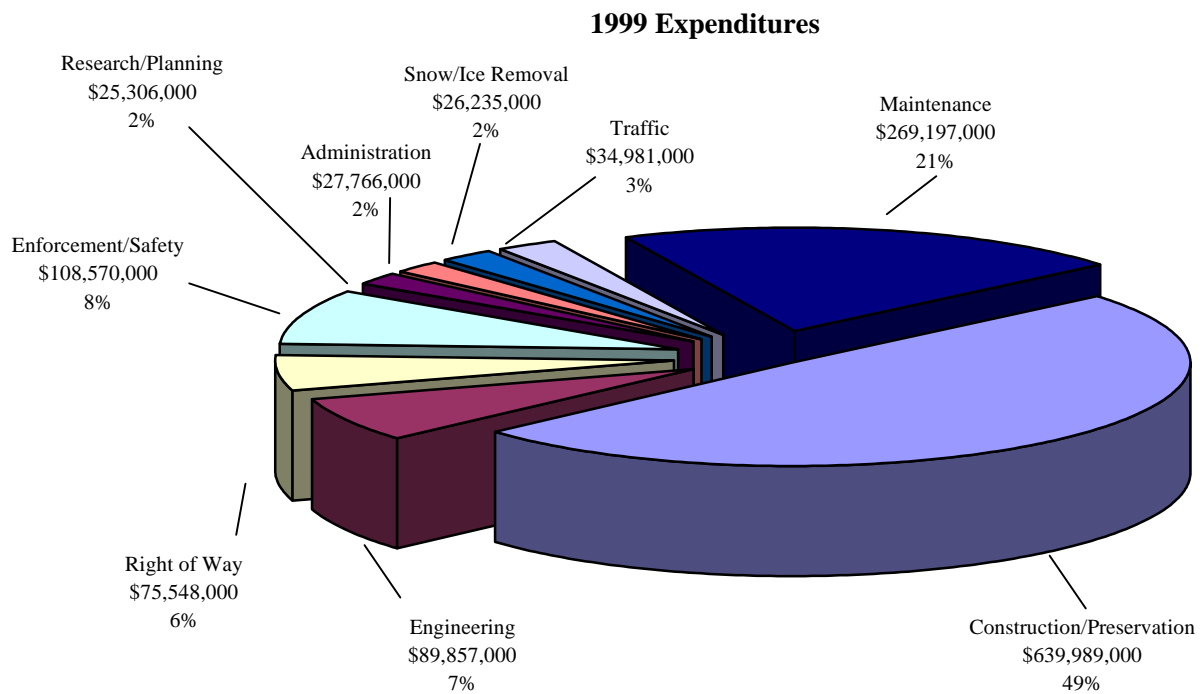
B. Highway Expenditures

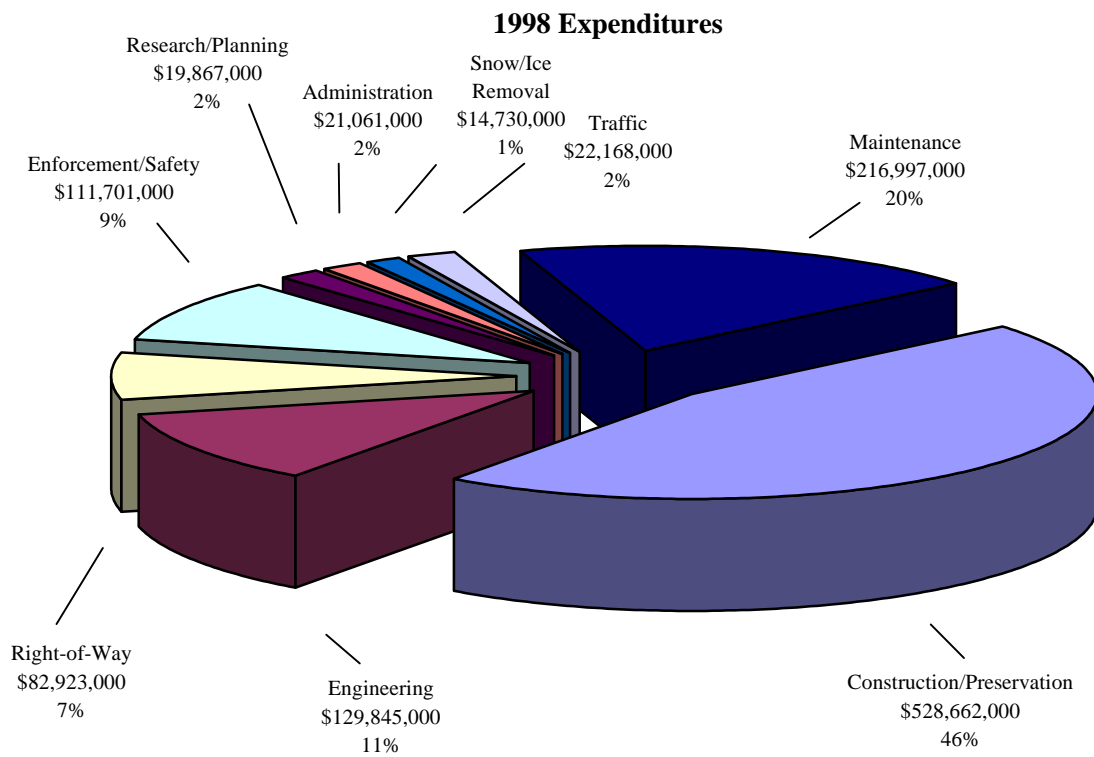
1. The FHWA's Highway Statistics reports classify and define the various types of highway expenditures as follows:

- **Capital outlays (construction/preservation)** are those costs associated with highway improvements such as land acquisition and other right-of-way costs; preliminary and construction engineering; construction and reconstruction; resurfacing, rehabilitation, and restoration; system preservation activities; and installation of traffic service facilities such as guard rails, fencing, signs, and signals.
- **Maintenance costs** are those required to preserve and keep the entire highways, including surface, shoulders, roadside structures, and traffic control devices in usable condition and as close as possible to its original condition as designed and constructed. These costs include preventive maintenance activities which extend pavement and bridge service life to at least achieve the design life of the facility.
- **Highway and traffic services costs** are those associated with the operation and management of highways. These costs are classified as 1) expenditures for operating traffic control and surveillance systems for monitoring and controlling traffic flow; 2) expenditures for snow and ice removal; 3) expenditures for highway beautification, litter control, vegetation management, erosion control, and air quality programs.
- **Administration costs** are the general expenses of administering the highway program, including general overhead; engineering; and research costs that are not assigned to specific road projects. These costs also include expenses for highway planning and research, highway litigation, and highway publications.
- **Highway law enforcement and safety** are those costs related to the traffic supervision of the state highway patrol; programs for driver

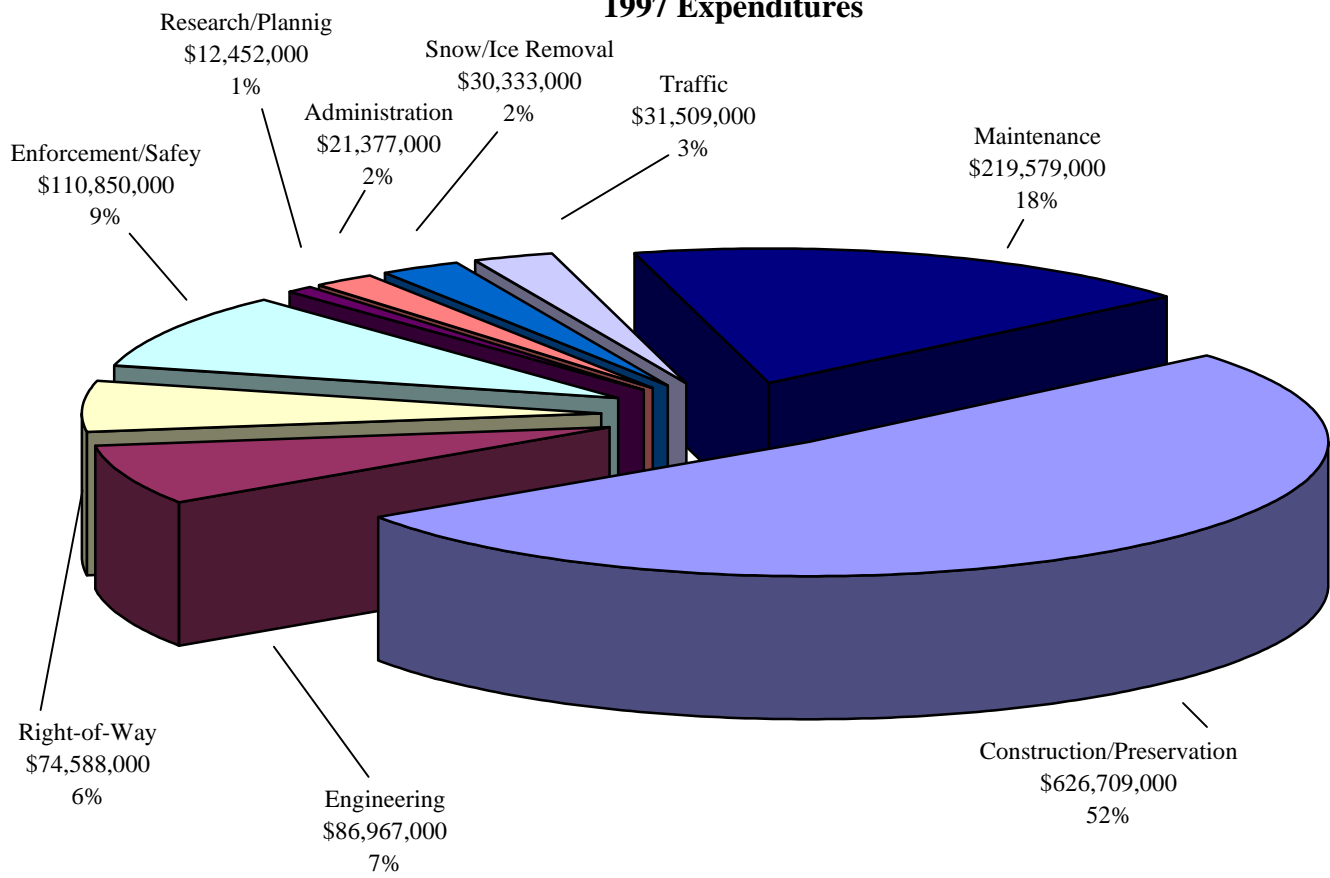
education and training and motorcycle safety; vehicle inspection programs; and enforcement of vehicle size and weight limitations.

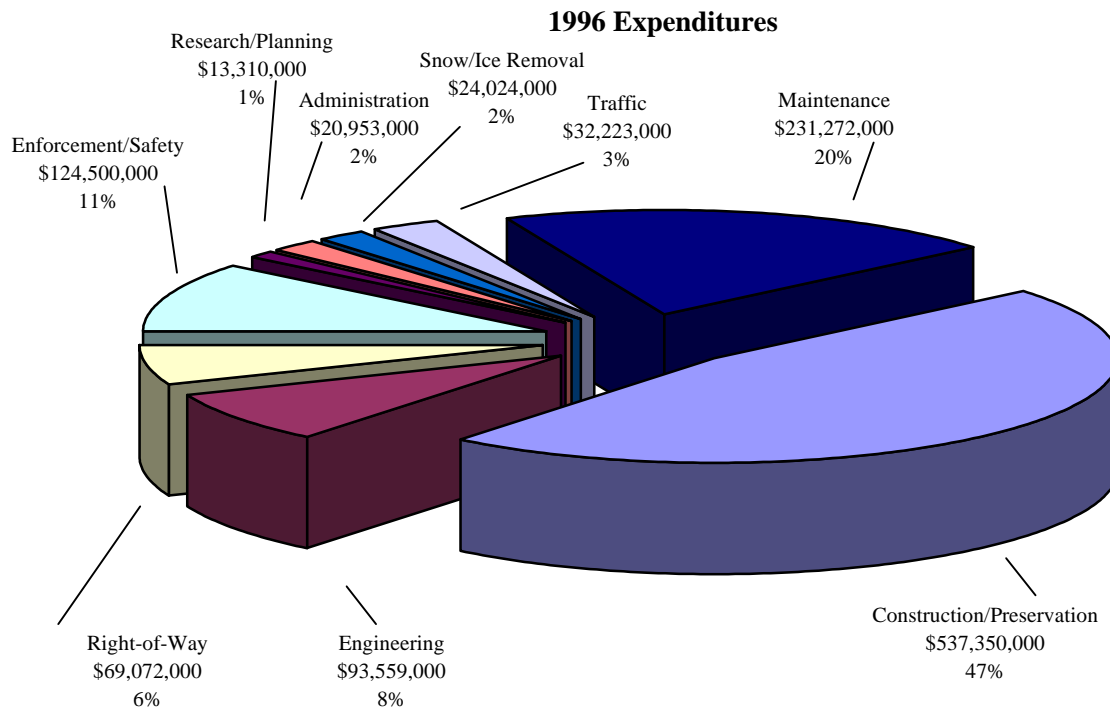
The MoDOT's highway expenditures for 1999, 1998, 1997, and 1996 are presented below:





1997 Expenditures

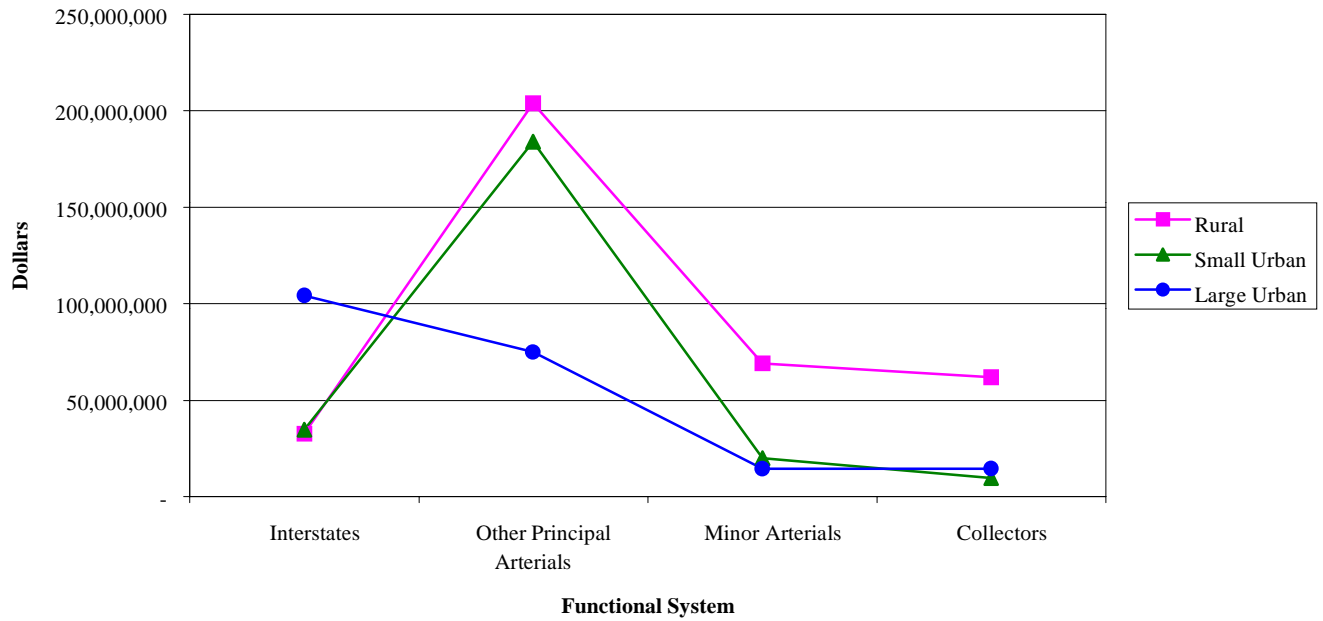




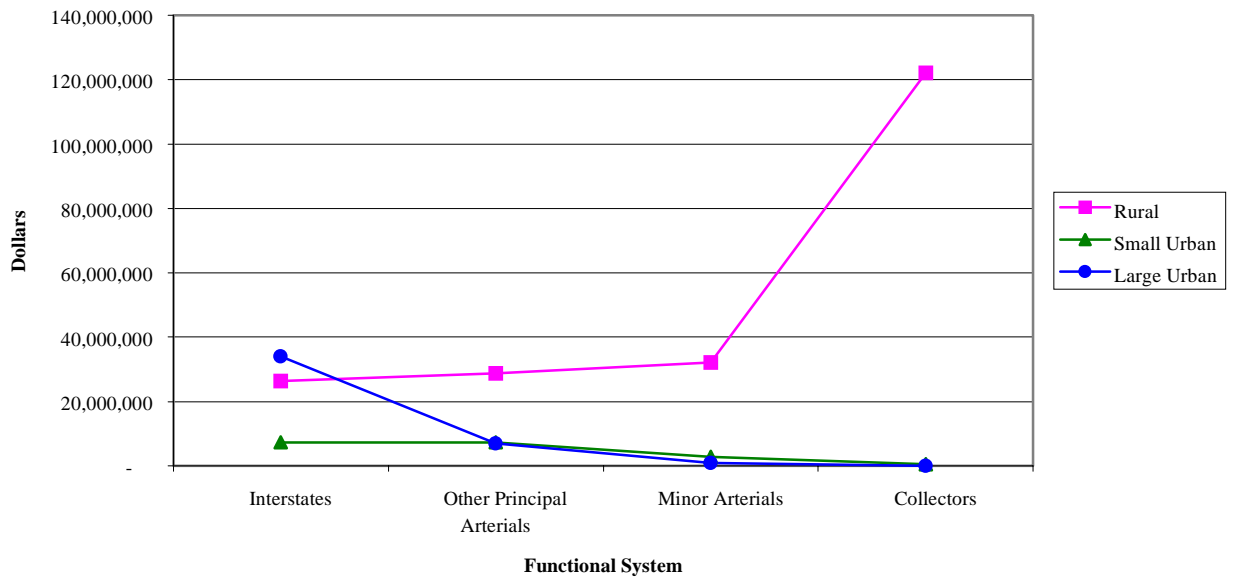
There was not much fluctuation in the percentage of funding allocated to each expenditure classification from 1996 to 1999. The FHWA considers construction/preservation, engineering, and right-of-way to be capital outlay. In 1999, capital outlay and maintenance costs represented approximately 62 and 21 percent of MoDOT's total expenditures, respectively.

The chart below, presents where the capital outlay and maintenance expenditures were incurred in 1999, by functional system and by rural and urban areas. Functional classification defines the role that a particular public road plays in serving the flow of trips through a highway system. For example, interstates are divided expressways for through traffic; other principal arterials (excluding interstates) represent other major roadways serving high-speed, long distance travel; minor arterials emphasize mobility and provide more property access than principal arterials; collector facilities collect and dispense traffic for trips within neighborhoods and between small cities. Small urban areas are defined as areas with a population of 5,000 to 49,000, and large urban areas have a population greater than 50,000.

1999 Capital Outlay Expenditures by Functional System



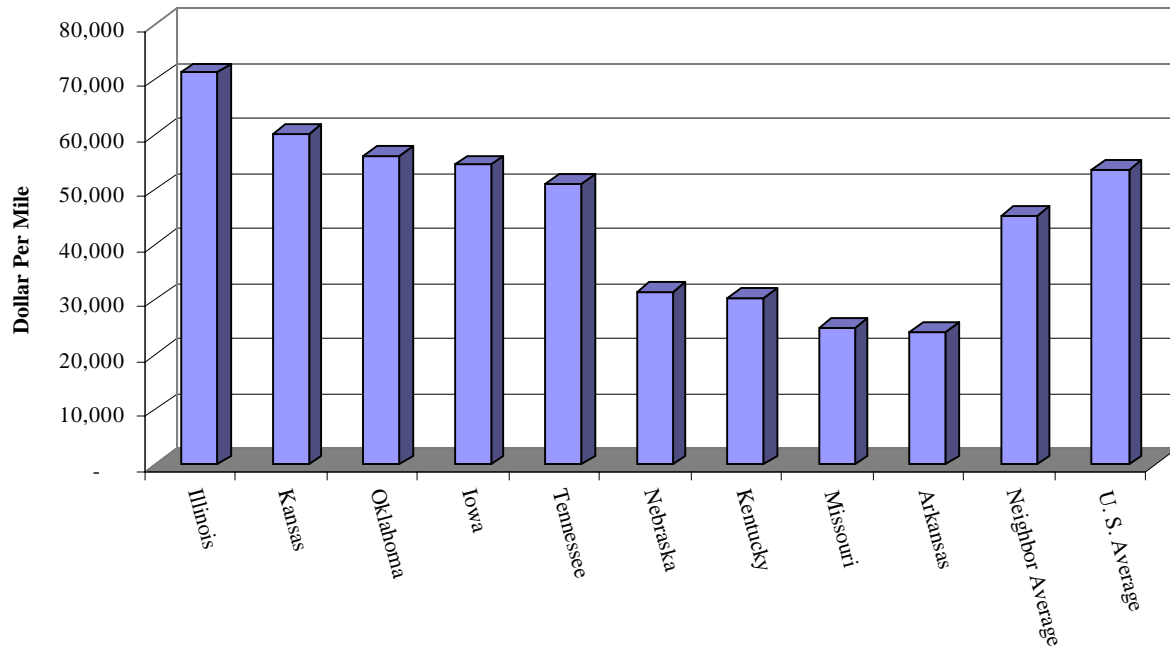
1999 Maintenance Expenditures by Functional System



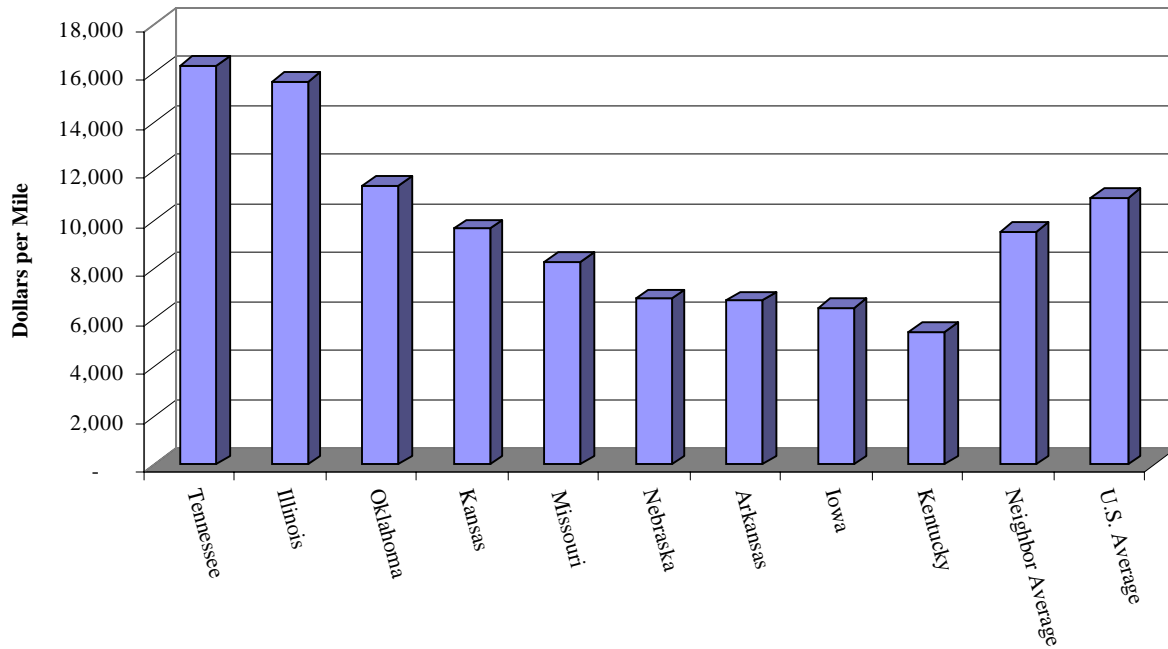
It appears that capital outlay expenditures for the interstate system are approximately the same for rural and small urban areas, with over double that amount spent in large urban areas. However, over 50 percent of total capital outlay was for other principal arterials, with the majority of these expenditures in rural and small urban areas. About 25 and 46 percent of the maintenance expenditures was for the interstates and collectors, respectively. The majority of the interstates' maintenance costs were spent in the rural and large urban areas, while the collector maintenance costs were spent in the rural areas.

2. According to the FHWA, the “purpose of maintenance is to offset the effects of deterioration from age, weather, use, damage, failure, and design and construction faults.” Maintenance expenditures include not only preventive maintenance but also general maintenance activities. State maintenance expenditures per mile can vary between states depending upon a number of factors including differences such as climate and geography, how each state defines maintenance versus capital outlay expenditures, traffic intensity and percent of trucks using the system, degree of urbanization, types of pavements being maintained, and the level of system responsibility retained by the state versus that given to other levels of government. A comparison of Missouri’s capital outlay and maintenance expense per mile to the neighboring states and the nation for 1999 from the FHWA’s Highway Statistics report is presented below:

**1999
Capital Outlay Costs Per Mile**



**1999
Maintenance Costs Per Mile**

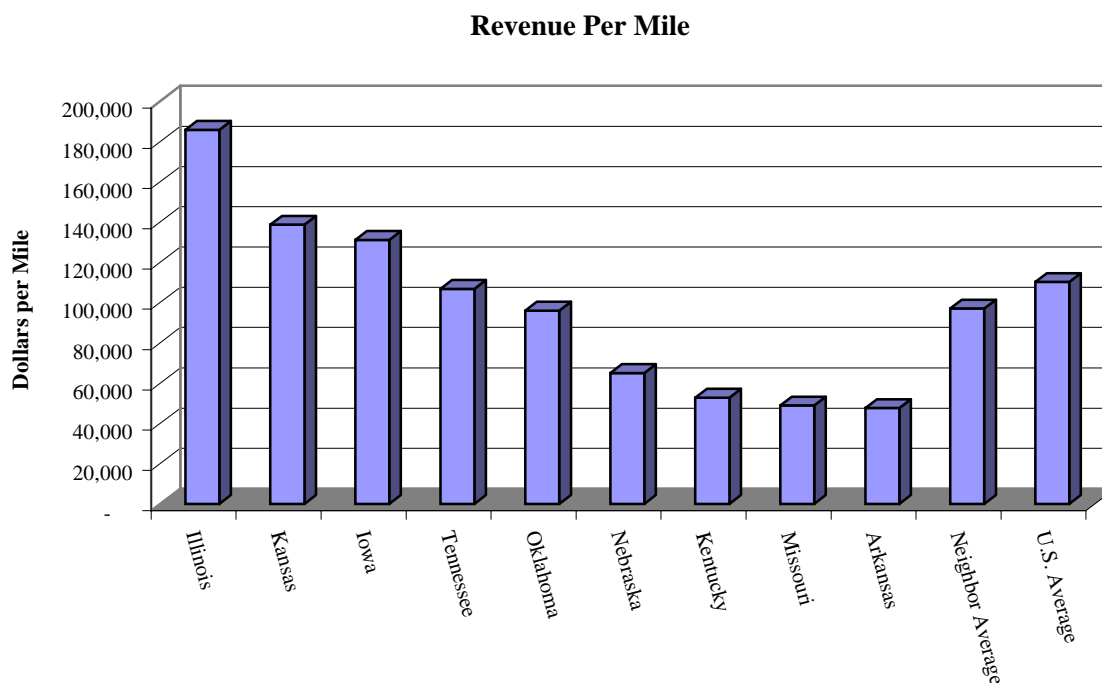


Compared to the neighboring states, Missouri had the second smallest capital outlay expenditures per mile and only four neighboring states spent less money on maintenance costs per mile than Missouri.

From 1996 to 1999, Missouri generally spent less money, on a per mile basis, on its roads and bridges than the neighboring states and the nation-wide average. This is at least partly due to Missouri being responsible for a larger highway system than the neighboring states and for one of the largest in the nation.

C. Funding

1. According to the FHWA's Highway Statistics reports, highway revenues of the various states include highway-user revenues, bond proceeds, federal funds, etc. that are expended for highway purposes. Taxes and fees imposed on the owners and operators of motor vehicles for their use of public highways are highway-user revenues, and include toll fees, motor fuel taxes, motor vehicle registration fees, driver license fees, etc. In 1999, Missouri received over \$1.5 billion in highway revenues, or approximately \$49,000 per mile. We compared Missouri's revenue per mile to the neighboring states and the nation for 1999 as presented below:

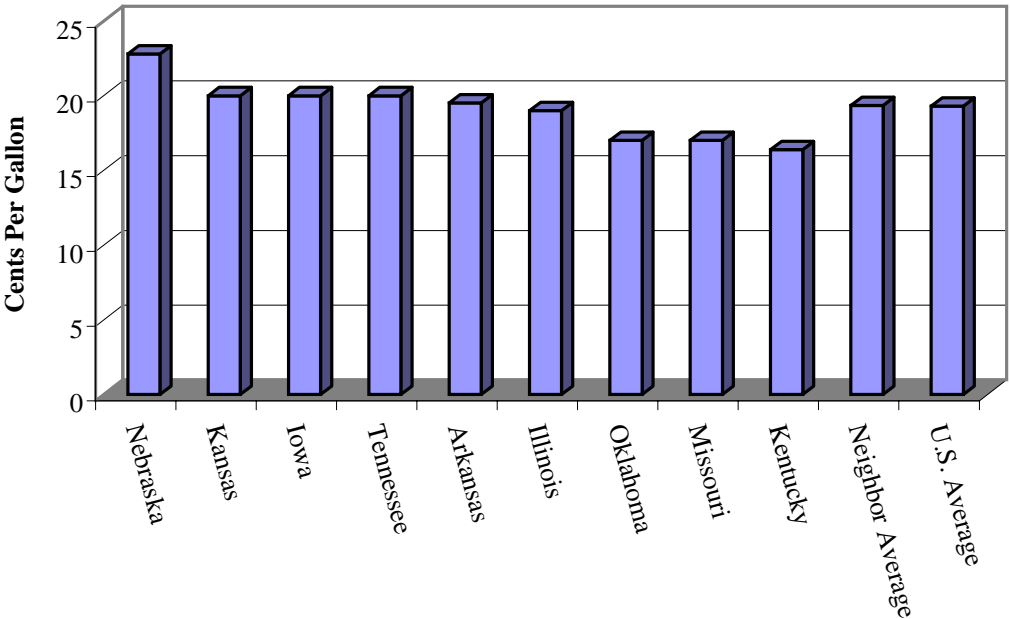


All neighboring states except Arkansas received more funds for highway purposes than Missouri, and Missouri was well below the national average of \$110,255 per mile. It should be noted that some neighboring states had a source(s) of highway revenue not being received by Missouri. For example, toll fees were collected in

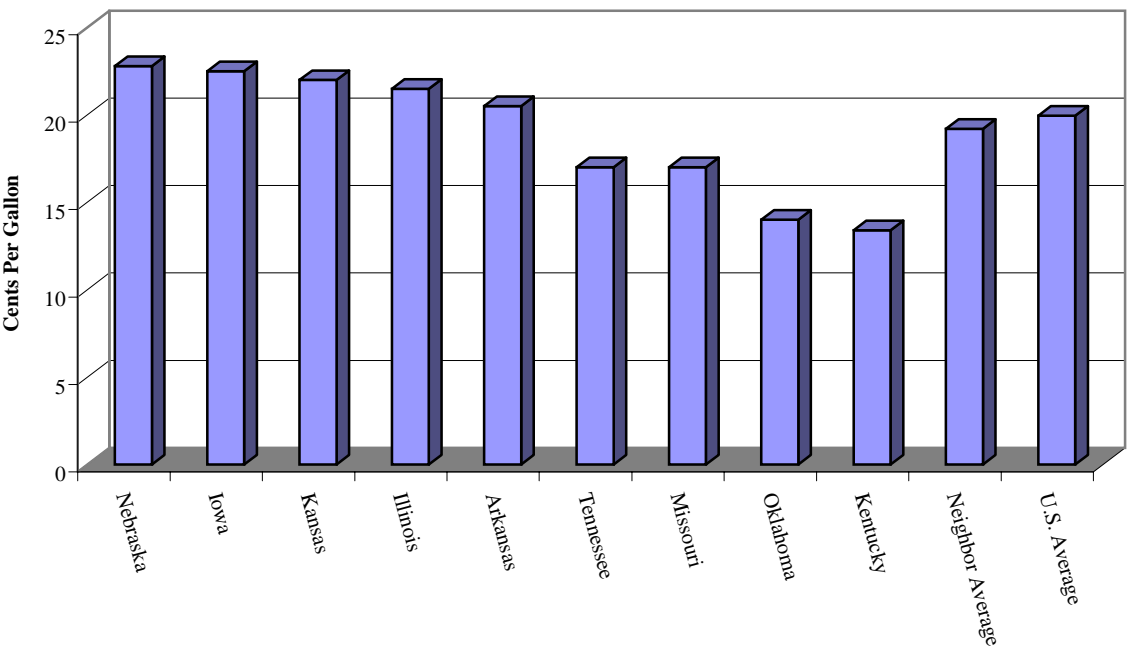
Illinois, Kansas, Kentucky, Oklahoma, and Tennessee. In addition, Illinois, Kansas, and Oklahoma received funds from bond proceeds.

2. We also compared the motor fuel tax rates for Missouri to the neighboring states and the nation for 1999 as presented below.

Gasoline Tax



Diesel Tax



In 1999, motor fuel tax receipts represented approximately 40 percent of Missouri's total highway revenue. Missouri's motor fuel tax of 17 cents per gallon for both gasoline and diesel is lower than most neighboring states. Only Kentucky's rate, at 16.4 cents per gallon on gasoline, is lower than Missouri's rate. Also, two states, Kentucky at 13.4 cents a gallon and Oklahoma at 14 cents per gallon, have a lower diesel tax than Missouri. Nebraska has the highest motor fuel tax of 22.8 cents per gallon for gasoline and diesel.

Considering the relatively low level of revenue available to MoDOT to allocate to the highway system, Missouri's resources to maintain and improve the state's road system are limited.

D. Preservation/Preventive Maintenance Costs

When reviewing activities to deter deterioration and to maintain the road and bridge infrastructure, we considered MoDOT's preservation projects, as programmed in the department's 5-Year Plans, and preventive maintenance activities. According to relevant transportation literature and MoDOT personnel, when adequate preservation and/or preventive maintenance is not performed, pavement and bridge conditions drop and the costs associated with improvements increase.

The words preservation and/or preventive maintenance, when used in relation to roads and bridges, refer to a wide assortment of activities that range from pavement and bridge deck seals; joint and crack sealing; fairly substantial overlays; and pavement replacement. It is sometimes difficult to determine when activities should be classified as preservation or preventive maintenance. Currently, the department defines preservation as "planned proactive, location specific activities, intended to extend the useful life of existing transportation facilities and are programmed" (on the 5-Year Plan). This definition includes work performed to bring roadways up to current standards, such as the addition of shoulders or pavement widening, but does not include adding lanes. Preventive maintenance is defined by the department as the "planned, proactive and often cyclical, location specific activities that are performed on the good or better components of the system to keep them in that condition as long as possible." Preventative maintenance activities may be performed by the department's maintenance crews or by contractors.

Much transportation literature reports that preservation/preventive maintenance is effective in extending pavement life or improving pavement quality over what it would have been in the absence of preservation/preventive maintenance. The causes of deterioration vary, but include heavy truck traffic, normal aging, freeze/thaw, lack of investment, and insufficient pavement design. Preservation/preventive maintenance of roads and bridges include activities that are performed while a structure is still in good condition. Preservation/preventive maintenance is intended to arrest light deterioration, retard progressive failures, and reduce the need for routine maintenance and service activities, and is generally cyclic in nature (could be different cycle for interstate, primary, urban, secondary roads). It does not significantly improve the load-carrying

capacity of pavements, shoulders, or structures but extends the useful life and improves the level of service. In addition, preservation/preventive maintenance is generally performed on the pavements and bridges to keep moisture out of the pavement subbase or to maintain the ability of the pavement to move due to temperature changes. Some of the benefits of preservation/preventive maintenance on pavements include less cracking, fewer potholes and pavement blowups. Bridge preservation/preventive maintenance can reduce the exposure of bridge components to corrosive de-icing chemicals and maintain the ability of bridge components to expand and contract in response to temperature changes.

The various states' preservation expenditures are included in the capital outlay classification in the FHWA's Highway Statistics reports. Therefore, we were not able to adequately compare Missouri's preservation costs per mile to its neighboring states or the nation. However, in August 1999, the MoDOT conducted a survey of seven of Missouri's eight neighboring states to determine the percentage of funding these states allocated to preservation from their available highway funding. Based on department records, in 1999 and 1998, the MoDOT allocated approximately 32 percent and 21 percent, respectively, of its capital outlay expenditures to preservation. According to the survey responses, the percentage of funding allocated to preservation for the seven neighboring states surveyed were as follows:

- Arkansas – does not break down jobs into preservation categories.
- Illinois – 98 percent of its current program is spent on preservation.
- Iowa – varies, 16 percent of its program was spent on preservation in 1998.
- Kansas – 32 percent of its current program is spent on preservation.
- Kentucky – varies, 19 percent of its program was spent on preservation in 1999.
- Oklahoma – 60 percent of its current program is spent on preservation.
- Tennessee – 30 percent of its current program is spent on preservation.

It should be noted that the MoDOT personnel conducting the survey did not define preservation. Therefore, the states may have different activities identified as preservation than Missouri and these percentages of funding allocated to preservation may be misleading. However, based on this survey, it appears the MoDOT has allocated a smaller percentage of funds to preservation activities than several of its neighboring states, even considering the increase in 1999.

From department records, we calculated that preventive maintenance expenditures (done by MoDOT maintenance crews and contractors) totaled approximately \$109 million, \$89 million, \$80 million, and \$105 million in 1999, 1998, 1997, and 1996, respectively, and that preservation expenditures (from projects on the department's 5-Year Plans) totaled approximately \$260 million, \$152 million, \$155 million, and \$105 million in 1999, 1998, 1997, and 1996 respectively. The MoDOT's average preservation/preventive maintenance expenditures for these years is approximately 26 percent of the department's total capital outlay and maintenance costs.

Overall, it appears the MoDOT spent less money than some of its neighboring states on preservation and preventive maintenance activities. Even though the increase in 1999 was a positive change, it is probably still not doing enough preservation and preventive maintenance work to adequately maintain Missouri's roads and bridges. It appears this has contributed to the relatively poor condition of Missouri's roads and bridges compared to neighboring states.

E. Cost Accounting and Performance Management System

1. MoDOT's system of accounting does not adequately identify detailed cost information related to its preservation and maintenance activities, such as pavement resurfacing, pavement patching/sealing, guardrail repair, striping, etc.

There is currently some inconsistency in accounting for the same activity. For example, some resurfacing is programmed to be contracted out through the department's 5-Year Plans, while other resurfacing is handled through the department's maintenance division. In addition, maintenance activities can be performed by either department maintenance crews or contractors. Even though these activities are comparable, the related costs are accounted for and classified differently in the department's accounting system. Therefore, the MoDOT is unable to accumulate accurate and complete costs for specific activities from year to year.

During our review, we attempted to obtain expenditure data related to preservation and preventive maintenance costs from the department; however, this information was not readily available. To accumulate this information, it was necessary for us to request several different reports from different data bases.

The MoDOT needs to consider activity based cost accounting to accumulate preservation and maintenance costs. Activity based costing provides useful information on the costs of performing activities and would help the department to determine how effectively resources are being used and how all activities contribute to the condition of roads and bridges. In addition, this type of accounting could be used to develop internal budgets as well as measuring performance. Without a system of adequately accounting for the various preservation and maintenance activities, the MoDOT has no clear picture of where funds are spent; where modification of spending needs to be implemented; and lessens the opportunity for the MoDOT to control the cost-efficiency of its resources.

2. The MoDOT has not established a system of performance goals and measures for its preservation and maintenance activities, nor has the department developed a means of correlating funding to the needs in the various districts. Performance measures are a component of the information needed to assess accountability and make decisions. The tasks of allocating resources and assuring effective services at reasonable costs are made easier by meaningful and accurate performance

information. Performance measures should be reported for the activities the MoDOT is responsible for providing, whether the department performs the activity itself or contracts for it.

Performance measuring systems provide accomplishment measures that report the resources used (inputs) and what was achieved with those resources. There are two types of accomplishment measures: outputs that measure the quantity of services provided and outcomes that measure the results of providing those outputs. For example, a measure of resources used (inputs) might include the amount spent per lane-mile of road on road maintenance or the number of maintenance workers per lane-mile. An output measure could include the number of lane-miles of road repaired or the percentage of lane-miles of road repaired to a certain minimum satisfactory condition. An outcome measure could include the percentage of lane-miles of road in excellent, good, or fair condition. Performance information should also include comparative information, such as comparison of data with earlier year(s); comparisons to established targets; externally established standards/norms; or other comparable entities. In addition, performance information should be reported consistently from period to period to allow a basis for comparing performance over time and to gain an understanding of the measures being used and to evaluate any trends noted. Performance information must be derived from a system that produces controlled and verifiable data.

Currently, districts spend their preservation and maintenance funding with no goals regarding a level of performance to be achieved. Historically, the internal budgets for the districts are increased each year by a set percentage. Our review of the condition of roads and bridges by district in conjunction with the preventive maintenance expenditures by district disclosed that this method of funding did not always ensure that districts with the most needs (higher percentage of roads and bridges rated as fair or worse) received more funding and/or spent more on preventive maintenance activities than a district with lower needs. For example, in 1999, one district had a larger percentage of roads and bridges rated as fair and worse than most of the other districts; however, five other districts spent more on preventive maintenance activities. In addition, one district spent more funds on preventive maintenance activities than the other districts; however, about half of the other districts had greater needs.

A performance management system would enhance the MoDOT's ability to evaluate whether the resources dedicated to preservation/maintenance are producing desired results, and could help establish desired outcomes for the district's internal budgets.

We were informed the department is preparing a Needs Study and Long Range Transportation Plan (draft of report released September 2000) and an Investment Strategy Plan, which will address road and bridge needs and will establish performance measures for the department's 5-Year Plan. The MoDOT needs to

link the 5-Year Plan performance measures with a performance management system for preservation and maintenance activities.

Missouri's roads and bridges are deteriorating and generally are in worse condition than those in neighboring states. To a large extent, this appears attributable to the fact that Missouri is responsible for one of the largest highway systems in the nation and receives less revenues for highway purposes and expends less money (on a per mile basis) than its neighboring states. However, MoDOT may not be applying a sufficient percentage of its revenues in preserving and maintaining the state's existing infrastructure system. In addition, MoDOT's accounting system does not provide complete and accurate information regarding its preservation and maintenance activities, nor has the department established a system of performance goals and measures related to these activities.

WE RECOMMEND the MoDOT work with the legislature to explore the possibilities of increasing the revenues available for highway purposes. In addition, MoDOT should increase the level of funding allocated for preservation and preventative maintenance activities to improve and maintain the condition of Missouri's existing roads and bridges. Also, the department needs to implement a system of activity based accounting to accurately accumulate and report preservation and maintenance costs and establish a system of performance goals and measures related to these activities.

AUDITEE'S RESPONSE

Transportation funding was the department's number one legislative priority during the 2001 legislative session and will be again for the upcoming 2002 session. Additionally, the 2002-2006 Statewide Transportation Improvement Plan, formally approved by the MHTC in July, reflects MoDOT's change in philosophy to dedicate more funds to rehabilitation and reconstruction of the existing state highway system.

Maintenance costs are accurately reflected in MoDOT records. However, MoDOT continues to improve its accounting and reporting capabilities and additional detailed breakdowns of maintenance costs will be evaluated for future system enhancements. Our first priority in this area is to assure we maximize the designed accounting and reporting benefits in the state's SAM II accounting system. Once that is achieved, additional systems such as Activity Based Costing and Activity Based Management can be objectively evaluated, the appropriate cost/benefit analysis performed and sound purchasing decisions made.

MoDOT has completed development of performance indicators for maintenance of the state highway system, including a process to collect and compile the necessary data. Data collection took place in June and July 2001 and is currently being complied. The first report of the performance indicators will be available in fall 2001.

This report is intended for the information of the department's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *



**REVIEW OF THE TEXTBOOK VENDOR CONTRACT
AND RELATED PROCEDURES
KANSAS CITY 33 SCHOOL DISTRICT
JACKSON COUNTY, MISSOURI**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-81
September 6, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2001

www.auditor.state.mo.us

During the 2000-2001 school year, the Kansas City 33 School District (district) reported a significant number of textbooks and related supplemental materials that were not delivered to the district's schools in a timely manner. To address this issue and other issues surrounding textbook procurement and management, the district's superintendent requested the State Auditor to conduct an audit of the textbook procurement system. On February 6, 2001, the district's Board of Directors approved the State Auditor's proposal to perform this audit.

In November 1997, the district began working on budget cutbacks in anticipation of the end of state desegregation payments. These cutbacks were included in the budget for the year ended June 30, 1999, which was approved in June 1998 by the school Board of Directors and the district's Desegregation Monitoring Committee. One of these cutbacks was to close the district's textbook depository warehouse in December 1998 and lay off the seven employees who ran the depository and oversaw the distribution of textbooks to district schools. The district had \$1.5 million in textbooks in the warehouse and needed to make a decision on what to do with this inventory and how to distribute books to the schools. In July 1998, the district's Textbook Coordinator resigned and the responsibility of overseeing textbook procurement and distribution was given to the district's Library Services Coordinator in addition to her other duties. This individual indicated that she had no experience or training in textbook procurement and management, and was provided little, if any, formal guidance or job expectations regarding her new duties.

In May 1999, the district contracted with Follett Educational Services (FES), a used textbook vendor, to provide textbook procurement, warehousing, and inventory management. The district has paid this vendor a total of \$1.1 million for textbook purchases and related fees through March 2001. The provisions of the contract included transfer of the district's entire textbook inventory to FES's warehouse in Chicago, Illinois.

Prior to contracting with FES, the district did not solicit proposals from other vendors, and the district did not fully evaluate the costs and benefits of other alternatives for textbook warehousing and management. In addition, the district did not adequately monitor the terms of the contract with FES, and FES overcharged the district approximately \$32,000 in fulfillment fees and \$141,000 in freight costs.

Budgeting and accounting concerns appear to have been the principal cause for the delay in ordering and receiving certain textbooks for the 2000-2001 school year. The majority of the district's textbooks were initially ordered on a timely basis; however, system errors and inadequacies caused a perceived shortage of budgeted funds which caused the cancellation of certain textbook orders. For example, the accounting system showed a textbook budget deficit of approximately \$990,000 at September 26, 2000, while the

(over)

YELLOW SHEET

system should have showed a budget balance of approximately \$1.2 million. Although system errors were a major problem, it appears the lack of budget monitoring and oversight allowed the budget system errors to go undetected.

The perceived budget shortfall appears to have caused the postponement of textbook orders from FES totaling \$643,000. These orders were initially placed prior to July 1, 2000, but were postponed until October 2000, which appears to have contributed to the shortage of textbooks at some schools. Of the \$643,000 in postponed orders, approximately two-thirds of this amount (\$439,000) was for adopted textbooks, and approximately one-third (\$204,000) was for non-adopted textbooks and supplemental materials.

The lack of a district-wide inventory system apparently contributed to the untimely shipment of textbooks to some schools. In one instance, an elementary school was closed in May 2000, and its students were transferred to another school at the start of the next school year. The textbooks at the closed school were to be transferred to the other school; however, these books were picked up by FES and put in the district's inventory in Chicago, and these books were not shipped back to the school until December 2000. It appears an adequate district-wide textbook inventory system could have helped prevent this from happening.

As of November 2000, the duties of overseeing textbook procurement and management were reassigned and the district established a committee to develop new policies and procedures for textbook procurement and management. The district's textbook committee is considering implementing an individual school site-based textbook procurement and inventory system (as opposed to a central warehouse and inventory system). If implemented, this will place a significant amount of responsibility on the school textbook coordinators. Therefore, it is imperative that the district develop written policies and procedures, written job descriptions and duties, and provide adequate training for the school textbook coordinators.

REVIEW OF THE TEXTBOOK VENDOR CONTRACT AND RELATED PROCEDURES
KANSAS CITY 33 SCHOOL DISTRICT
JACKSON COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
and
Superintendent
Kansas City 33 School District
Kansas City, Missouri 64106

The State Auditor was engaged to perform an audit of the Textbook Vendor Contract and Related Procedures of the Kansas City 33 School District, Jackson County, Missouri. The objectives of this audit were to:

1. Review the selection process and contract for the textbook vendor.
2. Review the district's controls and procedures for textbook ordering, purchasing, and receiving.
3. Review the district's controls and procedures for textbook inventories and review the transfer of the district's textbook inventory to the textbook vendor.
4. Review the district's controls and procedures for textbook payments.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed applicable school district personnel. We also reviewed board minutes, school district policies, and various school district financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the school district and was not subjected to the auditing procedures applied in the audit of the school district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Textbook Vendor Contract and Related Procedures of the Kansas City 33 School District, Jackson County, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 29, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Mark Ruether, CPA
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	Sonia Williams

EXECUTIVE SUMMARY

REVIEW OF THE TEXTBOOK VENDOR CONTRACT AND RELATED PROCEDURES
KANSAS CITY 33 SCHOOL DISTRICT
JACKSON COUNTY, MISSOURI
EXECUTIVE SUMMARY

During the 2000 - 2001 school year, the Kansas City 33 School District (district) reported a significant number of textbooks and related supplemental materials that were not delivered to the district's schools in a timely manner. To address this issue and other issues surrounding textbook procurement and management, the district's superintendent requested the State Auditor to conduct an audit of the textbook procurement system. On February 6, 2001, the district's Board of Directors approved the State Auditor's proposal to perform this audit.

Our audit noted a number of weaknesses in the district's textbook procurement system. The textbook procurement system was not adequately developed nor sufficiently managed, and textbook budget problems resulted in the late delivery of a significant number of textbooks and supplemental materials to district schools during the 2000 - 2001 school year.

Prior to December 1998, textbooks were procured and managed through a district-owned textbook depository. In response to budget cuts, the textbook depository was closed and staff experienced in textbook procurement and management were terminated. The district had not developed a viable replacement plan for textbook procurement and management prior to closing the textbook depository, including provisions for warehousing or distributing an estimated \$1.5 million of books in the textbook depository.

In May 1999, the district contracted with Follett Educational Services (FES), a used textbook vendor, to provide textbook procurement, warehousing, and inventory management. The district has paid this vendor a total of \$1.1 million for textbook purchases and related fees through March 2001. The provisions of the contract included transfer of the district's entire textbook inventory to FES's warehouse in Chicago, Illinois. Prior to contracting with FES, the district did not solicit proposals from other vendors, and the district did not fully evaluate the costs and benefits of other alternatives for textbook warehousing and management. In addition, the district did not adequately monitor the terms of the contract with FES, and it appears FES overcharged the district approximately \$32,000 in fulfillment fees and \$141,000 in freight costs.

The district did not have adequate textbook inventory controls and procedures. The district did not conduct an inventory of its textbooks transferred to the vendor's warehouse in Chicago. In addition, the district does not have adequate procedures to track textbooks assigned to each school facility. In May 2000, the district purchased a textbook inventory management system from the textbook vendor at a cost of \$413,467; however this system is not yet fully functional.

As of November 2000, the duties of overseeing textbook procurement and management were reassigned and the district established a committee to develop new policies and procedures for textbook procurement and management. The district is currently looking at developing a system which focuses on procurement and inventory accountability at each school site, and assigns specific duties to textbook coordinators at each school.

This audit makes numerous recommendations for improvements in the district's policies, procedures, and controls over textbook procurement and management. The positive results from implementing these recommendations will include more efficient budgeting and monitoring of textbook expenditures and better safeguarding of textbook assets.

MANAGEMENT ADVISORY REPORT

REVIEW OF THE TEXTBOOK VENDOR CONTRACT AND RELATED PROCEDURES
KANSAS CITY 33 SCHOOL DISTRICT
JACKSON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Selection of Textbook Vendor
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Prior to December 1998, the district operated a textbook depository warehouse, which was the district-wide operation for textbook procurement and management. Effective May 1999, the district entered into a contract with a used textbook vendor, Follett Educational Services (FES), to provide textbook warehousing, as well as procurement and management services. The district did not solicit bids or proposals prior to presenting the contract proposal to the school board, which is required by district policy, or involve a contracting officer or someone experienced in contract negotiations. In addition, the projected cost savings from this contract were not fully evaluated.

In November 1997, the district began working on budget cutbacks in anticipation of the end of state desegregation payments. These cutbacks were included in the budget for the year ended June 30, 1999, which was approved in June 1998 by the school Board of Directors and the district's Desegregation Monitoring Committee. One of these cutbacks was to close the district's textbook depository warehouse in December 1998 and lay off the seven employees who ran the depository and oversaw the distribution of textbooks to district schools. The district had \$1.5 million in textbooks in the warehouse and needed to make a decision on what to do with this inventory and how to distribute books to the schools. In July 1998, the district's Textbook Coordinator resigned and the responsibility of overseeing textbook procurement and distribution was given to the district's Library Services Coordinator in addition to her other duties. This individual indicated that she had no experience or training in textbook procurement and management, and was provided little, if any, formal guidance or job expectations regarding her new duties.

FES, a used textbook vendor with whom the district had done business, presented a proposal to district administrators for the management of the district's textbook inventory, which would result in the district's textbook inventory being shipped to FES's warehouse in Chicago, Illinois. FES would fill the district's textbook orders from the district's inventory, if possible, and charge the district a fee, which was a percentage of the value of the textbooks shipped to the district. FES would also supply used textbooks from its inventory if available, or assist the district in purchasing textbooks directly from publishers, when necessary. It appears that FES provided similar services to only one other school district in the country.

The district estimated that it would save \$452,000 annually on salary and related costs and \$300,000 annually on warehouse rental expense, and estimated it would spend \$216,000 annually in fees, by contracting with FES. This resulted in a projected net annual savings of \$536,000. However, the district has not calculated the actual additional

costs related to the FES contract. It appears the district may have saved as much as \$450,000 during the first year of the contract, in part because FES was able to fill the majority of the district's textbook orders (76 percent) from district inventory stock. Significantly higher contract fees resulted in savings of only approximately \$250,000 during the current year of the contract. In addition, district officials indicated that there are currently empty buildings which could be used for a textbook warehouse, so it appears the \$300,000 in annual warehouse rental is no longer a factor in computing the amount saved by the district. It does not appear that any savings which may have been recognized in the first year or two of the contract, will continue.

The district initially only negotiated a one-year contract, even though it should have been apparent that the district would not use all of its inventory stored in Chicago in one year. Upon the expiration of the initial contract, the contract was renewed for a two-year period and included a significant increase in the fees to be paid to FES. The district only paid FES approximately \$99,000 in fees and no freight costs during the initial year; but has already paid FES approximately \$432,000 in fees and freight costs in the second year (July 2000 to February 2001).

A new Textbook Coordinator was appointed in November 2000, and a committee has been formed to help develop new policies and procedures for textbook procurement and management. The district should fully evaluate the current costs and benefits of the FES contract and determine whether the contract should be continued or cancelled. The contract allows for cancellation by either party with a 90-day notice.

WE RECOMMEND the school Board of Directors ensure the district fully evaluates the costs and benefits associated with the FES contract and determine whether the contract should be cancelled. In addition, the district should ensure a plan is in place and the costs and benefits are fully analyzed prior to making a significant change in a major district function, such as textbook procurement and management. All contracts should be negotiated competitively as required by district policy, and should be handled by a contracting officer and reviewed by legal counsel.

AUDITEE'S RESPONSE

The District agrees with the recommendation. The District is in the process of collecting documentation to fully analyze the existing contract that expires in May 2002. The Board will be provided a report once the analysis is completed. The District will ensure all contracts are negotiated competitively in compliance with District policy and will obtain the proper review by legal counsel before executing.

2. Contract Compliance and Monitoring
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The district did not adequately monitor the terms of the contract with FES, and it appears FES has overcharged the district at least \$32,000 in fulfillment fees and as much as \$141,000 in freight costs. FES invoices did not distinguish the fees and freight costs

from the book price until, subsequent to the renewal of the contract in May 2000, the district requested this information be shown on the invoices. However, no one at the district reviewed the information to ensure the fees and freight costs were properly charged in accordance with the contract.

The contract requires FES to fill the district's textbook orders from district inventory stock if available, from FES stock if not available from district stock, and finally from orders made directly from publishers if not available from district or FES stock. The first year of the contract included a 6 percent fulfillment fee on all orders filled from the district's inventory and orders made directly from publishers. No fulfillment fee was to be charged on orders filled from FES's inventory stock and no freight costs were charged on any orders.

The current contract provides for the same fulfillment fee of 6 percent for orders filled from district stock, but increased the fulfillment fee to 7.9 percent on publisher provided orders. In addition, the current contract states the district will pay **actual** freight costs for all books shipped to the district. However, no fulfillment fees or freight costs were to be charged on orders filled from FES's stock.

A breakdown of book costs, fees, and freight costs obtained from the vendor was reviewed and the following concerns noted:

- A. It appears FES has overcharged the district approximately \$141,000 in freight costs. Rather than the actual freight costs, as provided by contract, FES has charged the district 9.5 percent of the textbook price as shipping charges. It appears that FES's actual freight costs are much less than the 9.5 percent of the textbook price. We have requested FES to provide information on its actual freight costs for orders shipped to the district but FES officials indicated this information is not readily available and could not be provided.

An analysis of freight costs based on textbook shipments to the district from other vendors, and information obtained from FES, shipping companies, and other textbook vendors indicated that actual freight costs should not have exceeded 4 percent of the cost of the textbooks. The district has paid FES \$244,196 in shipping costs representing 9.5 percent of the cost of textbooks shipped. Four percent of the cost of textbooks shipped is only \$102,819, or approximately \$141,000 less than shipping costs paid to FES.

The largest single overbilling noted was for an order for textbooks shipped from New York. The freight charges from New York to Chicago were only \$2,200 for materials costing \$403,778, or 0.5 percent of the textbook cost. For shipping \$370,629 of these materials from Chicago to Kansas City, FES charged the district \$35,210 or 9.5 percent of the cost of the materials. Based on the initial shipment of the textbooks, it appears that FES's actual freight charges to the district should have been less than \$2,200.

- B. FES has charged the district approximately \$32,000 in fulfillment fees on support and supplemental materials, such as materials provided free of charge by publishers. The contract indicates that no fulfillment fees shall be charged on support and supplemental materials.

Subsequent to our review, FES officials indicated agreement with our computations of the freight cost and fulfillment fee overcharges.

WE RECOMMEND the school Board of Directors ensure the terms of the textbook contract are closely monitored. District officials should work with FES to obtain refunds for the \$141,000 in freight costs and \$32,000 in fulfillment fees erroneously charged to the district.

AUDITEE'S RESPONSE

The District agrees with the recommendation, and will closely monitor the contract. The District has contacted FES regarding the over billing on the fulfillment fees and freight costs and is seeking a refund of any over billed fees and freight.

The District plans to have procedures for monitoring the FES contract terms for compliance and to also have the cost/benefit analysis concerning the contract terms completed prior to the contract renewal date.

3. Budget and Accounting Concerns
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Budgeting and accounting concerns appear to have been the principal cause for the delay in ordering and receiving certain textbooks for the 2000 - 2001 school year. It appears the majority of the district's textbooks were initially ordered on a timely basis; however, system errors and inadequacies caused a perceived shortage of budgeted funds which caused the cancellation of certain textbook orders. For example, the accounting system showed a textbook budget deficit of approximately \$990,000 at September 26, 2000, while the system should have showed a budget balance of approximately \$1.2 million. Although system errors were a major problem, it appears the lack of budget monitoring and oversight allowed the budget system errors to go undetected on a timely basis.

The district's annual budgets include what is called a global textbook budget, which is a centralized budget for the purchase of textbooks for all schools in the district. The global textbook budget for the year ended June 30, 2001, totaled \$2,796,193 and is broken down into an amount for replenishment of adopted materials (\$1,349,912) and an amount for newly adopted materials (\$1,446,281). The district's budget also includes amounts for each school to order non-adopted textbooks and materials, which are textbooks that have not been adopted on a district-wide basis but certain teachers have chosen to use in place of or in addition to the adopted textbooks.

Our review noted the following concerns:

- A. The district's accounting system provides for funds to be encumbered for pending purchase orders. Funds encumbered from prior years' budgets carry forward to the subsequent years' budget balances. District personnel indicated that the accounting system that was established in May 1999, does not automatically carry forward encumbered funds and manual adjustments are made. It appears manual adjustments of approximately \$2.2 million in textbook funds encumbered and re-appropriated from the prior year were not being recognized on the accounting system, creating the erroneously perceived budget shortfall as described above.

The perceived budget shortfall appears to have caused the postponement of textbook orders from FES totaling \$643,000. These orders were initially placed prior to July 1, 2000, but were postponed until October 2000, which appears to have contributed to the shortage of textbooks at some schools. Of the \$643,000 in postponed orders, approximately two-thirds of this amount (\$439,000) was for adopted textbooks, and approximately one-third (\$204,000) was for non-adopted textbooks and supplemental materials.

- B. From December 1999 to February 2001, approximately \$300,000 in non-adopted textbook purchases was charged to the global textbook budget. It appears these purchases should have been charged to the individual schools' non-adopted textbook budgets. Charging the purchases to the global textbook budget reduced the amount which appeared to be available for adopted replenishment books.

In addition, district policies on the use of non-adopted textbooks should be reviewed. There appears to be no requirement for teachers to obtain approval to use non-adopted textbooks nor to notify the district Textbook Coordinator of the planned use of non-adopted textbooks. As a result, the district may be purchasing more adopted textbooks than needed.

- C. It appears the district's accounts payable section has the ability to make payments on invoices in excess of the approved purchase order amount. The district prepares blanket purchase orders for recurring payments to various vendors, and these blanket purchase orders place an encumbrance on budgeted funds for the purchase order amount. Our review of a \$150,000 blanket purchase order to FES noted that \$194,349 of invoices were paid against this purchase order. Personnel from the accounts payable section indicated that payments above the purchase order amount can be made by overriding the system without obtaining authorization. Not only does this make it more difficult for the Textbook Coordinator to monitor the textbook budget, this procedure increases the possibility of unauthorized or fraudulent payments.
- D. The district does not have adequate procedures to ensure textbook shipments are received and invoices are paid on a timely basis. Schools receiving textbook shipments were not processing textbook shipping documents on a timely basis.

The shipping documents are matched to the textbook invoices and sent to the accounts payable section for payment. Because shipping documents were not being processed on a timely basis, the accounts payable section had not paid invoices of approximately \$551,000 to FES at January 31, 2001, with many of the invoices over 120 days old. These invoices have subsequently been processed and paid based on duplicate invoices requested from and provided by FES. However, the district has not reconciled these duplicate invoices to the shipping documents to ensure all textbooks paid for were actually received by the district.

Late payments were also noted for textbooks ordered directly from another vendor which resulted in the delay of shipping some books to schools. For example, 200 science textbooks ordered in May 2000 were not shipped by the publisher until September 2000 because the district had not paid for previous orders from this publisher.

The district needs to ensure policies and procedures are in place to track textbook orders from their inception (textbook requisitions) to receipt of books and payment of invoices. This is necessary to ensure all orders are placed, all textbooks are received, and payments are made on a timely basis.

WE RECOMMEND the school Board of Directors ensure there are adequate procedures in place to monitor the district's textbook budgets and to allow for the timely ordering of textbooks and the timely payment of related invoices. In addition, the district should discontinue allowing the accounts payable section to make payments above the approved purchase order amounts without obtaining prior authorization.

AUDITEE'S RESPONSE

The District agrees with the recommendation. The District will ensure adequate procedures are in place and followed concerning the monitoring of the District's textbook budgets and the timeliness of payments. Currently, the Accounts Payable section seeks prior authorization to make payments on invoices above the approved purchase amount. The procedure states if an invoice supported by a purchase order does not have available funds when processed for payment, Accounts Payable notifies the budget holder. If the budget holder chooses not to change the purchase order amount, they can give signature authorization to Accounts Payable to pay the invoice.

4.

Inventory Controls

- A. Neither the district nor FES prepared an inventory of textbooks prior to the transfer to FES's warehouse in Chicago. FES prepared an inventory after all books were shipped to the warehouse. As a result, there is less assurance that all of the district's textbooks were inventoried. In addition, the district has not reconciled FES's current textbook inventory records to the initial inventory less items shipped from its inventory. This could not be done because FES's invoices

do not readily identify books shipped from the district's inventory. Although FES has provided records of the initial inventory, items shipped from the inventory, and current inventory, the district has not reconciled or reviewed these records to provide proper oversight and monitoring of its textbook inventory maintained by FES.

- B. The current district Textbook Coordinator indicated that many of the district's books and materials currently stored at FES's warehouse are old, outdated, and of little or no value to the district. A review of the inventory to determine which books and materials will no longer be used and should be disposed of has been started. FES is a used textbook vendor and has purchased many used textbooks from the district over the past few years. The district should determine which books should be disposed of, and consider selling these books to FES or otherwise disposing of these books. This could significantly reduce the amount of district books and materials warehoused in Chicago.
- C. The district has purchased an inventory system from FES called "Textlink" for a price of \$413,467, which uses barcodes to keep track of the textbooks assigned to students. This system is intended to reduce lost books and make the students accountable for the return of textbooks or face a fine for failure to return textbooks. This system, when fully functional, is expected to provide a district-wide inventory of all books and will allow the district to identify surplus textbooks at schools which could be transferred to schools which need these books. This would allow the district to more efficiently order textbook replenishments and reduce the possibility of purchasing excessive amounts of textbooks.

The contract provides for FES to barcode all district textbooks, to provide the necessary computer hardware and software, and to provide training for applicable district employees. FES agreed to provide barcodes for 67 district schools. FES has completed the barcodes for 47 schools and has partially completed 2 additional schools.

Of the purchase price of \$413,467, the district has only paid \$209,188 as of April 30, 2001. District officials indicated that an agreement was reached with FES on May 3, 2001, in which the district will pay the remainder of the purchase price and FES will complete the barcodes at all the district schools and assist the district in getting the Textlink system fully functional.

The lack of a district-wide inventory system apparently contributed to the untimely shipment of textbooks to some schools. In one instance, an elementary school was closed in May 2000, and its students were transferred to another school at the start of the next school year. The textbooks at the closed school were to be transferred to the other school; however, these books were picked up by FES and put in the district's inventory in Chicago, and these books were not

shipped back to the school until December 2000. It appears an adequate district-wide textbook inventory system could have helped prevent this from happening.

WE RECOMMEND the school Board of Directors:

- A. Ensure the district adopts procedures to reconcile FES's inventory records to shipments from the inventory to ensure the accuracy of the inventory records and to detect errors on a timely basis.
- B. Ensure a complete review of books and materials currently held at FES's warehouse is performed and items which will no longer be used by the district are disposed of.
- C. Ensure the district continues to work with FES to ensure the Textlink inventory system is completed in accordance with the contract and is fully functional.

AUDITEE'S RESPONSE

The District concurs with the recommendations and will implement the State Auditor's recommendations by the end of the current fiscal year.

5. Controls and Procedures at the Individual School Level
--

Textbook orders are initiated at each school and the district has designated a textbook coordinator at each school. The district has not adopted or provided any formal textbook procurement policies and procedures to school principals and textbook coordinators.

Based on discussions with various school textbook coordinators and the inconsistent handling of textbook requisitions and receiving reports, it appears that some school textbook coordinators may not be fully aware of their job responsibilities and may not be performing some of their assigned duties. When an employee at each school was designated to serve as textbook coordinator, a written job description was not prepared and distributed. Some school textbook coordinators indicated that the job duties were limited to assigning books to students and operating the district's new textbook inventory management system (Textlink). However, the duties were intended to include verifying the accuracy of textbook requisitions and sending the requisitions to the district Textbook Coordinator, and verifying the accuracy of textbook shipping documents and providing those documents to the district Textbook Coordinator.

The schools are not processing textbook shipping documents and it appears most of these documents have not been provided to the district's accounts payable section. As noted in Management Advisory Report No. 3, the district was not paying its textbook vendors on a timely basis. The district's accounting and financial management system has the capability to record receipt of goods online which could help improve the timeliness of invoice payments. However, this portion of the accounting system is currently not

functional and therefore the shipping documents must be submitted to accounts payable, along with the invoices, for payment. To ensure timely payment of textbook invoices, it is imperative that the schools process the shipping documents so they can be sent to accounts payable on a timely basis.

The district's textbook committee is considering implementing an individual school site-based textbook procurement and inventory system (as opposed to a central warehouse and inventory system). If implemented, this will place a significant amount of responsibility on the school textbook coordinators. Therefore, it is imperative that the district develop written policies and procedures, written job descriptions and duties, and provide adequate training for the school textbook coordinators.

WE RECOMMEND the school Board of Directors establish uniform written policies and procedures at the school level for textbook procurement which clearly document the duties and responsibilities of the school textbook coordinators and other school individuals responsible for textbook procurement and inventory. These policies should include controls to ensure timely processing of textbook shipping documents.

AUDITEE'S RESPONSE

The District concurs with the recommendations and will implement the State Auditor's recommendations by the end of the current fiscal year.

This report is intended for the information of the school board and the district's management. However, this report is a matter of public record and its distribution is not limited.

HISTORY AND ORGANIZATION

REVIEW OF THE TEXTBOOK VENDOR CONTRACT AND RELATED PROCEDURES
KANSAS CITY 33 SCHOOL DISTRICT
JACKSON COUNTY, MISSOURI
HISTORY AND ORGANIZATION

The Kansas City 33 School District is located in Jackson County and includes most of the city of Kansas City south of the Missouri River.

The district operates 6 senior high schools, 8 middle schools, 48 elementary schools, one vocational school, 6 alternative schools, and 4 early childhood schools. Enrollment was 29,742 for the 2000-2001 school year. The district employed 5,701 full- and part-time employees, including 169 administrative staff, 2,743 teachers and instructional support staff, and 2,789 support staff.

The Kansas City 33 School District is classified under the Missouri School Improvement Program as "Unaccredited" by the Missouri Department of Elementary and Secondary Education.

A nine-member board elected for four-year terms serves without compensation as the policy-making body for the district's operations. Members of the board at April 30, 2001, and their current terms of office are:

<u>Name and Position</u>	<u>Current Term Expires</u>
Helen J. Ragsdale, President	April 2002
Patricia Kurtz, Vice President	April 2002
Lee Barnes Jr., Treasurer	April 2002
Michael M. Byrd (1)	April 2002
Michelle S. Hensley (2)	April 2004
Duane B. Kelly (2)	April 2002
Albert P. Mauro Sr. (2)	April 2004
Harriett Ann Plowman (2)	April 2004
Elma Warrick (3)	April 2004

<u>Other Principal Officials</u>
Bernard Taylor, Superintendent (4)
Vacant, Chief of Staff (5)
Nancy Brake, Administrative Analyst (Textbook Coordinator) (6)

- (1) Appointed in September 2000 to replace Felicity Bliss Wiedeman.
- (2) Elected in April 2000, replacing Lance Loewenstein, Gina Gowin, John A. Rios, and Sandy Aguirre Mayer. Gina Gowin was appointed in January 2000 to replace Connie Clark.

- (3) Appointed in August 1999 to replace Terry M. Riley and elected to a full term in April 2000.
- (4) Appointed Superintendent to replace Benjamin Demps Jr., who resigned April 23, 2001. Mr. Demps served as Superintendent from July 1999 to April 2001. Phyllis A. Chase and Bonnie McKelvey both served as Acting Chief Administrators from October 1998 to July 1999.
- (5) Jack Goddard served as Chief of Staff from July 1999 until April 2001.
- (6) Grace Bridgeford served as Textbook Coordinator from April 1998 until November 2000. Nancy Brake resigned effective June 30, 2001, and a permanent Textbook Coordinator has not yet been appointed.

The Desegregation Monitoring Committee (DMC) was established by the U. S. District Court for the Western District of Missouri, Western Division (the District Court). The District Court appointed a three-member panel whose purpose was to monitor and report to the District Court whether the school district is eliminating the vestiges of past discrimination to the extent practical and complying in good faith with the desegregation decree. The three members of the DMC were as follows:

Dr. John Murphy, Academic Achievement Monitor
Dr. Charles McClain, Budget Monitor
Dr. Eugene Eubanks, Desegregation Monitor

Effective July 27, 2000, the District Court issued a new order which eliminated the three positions described above and appointed Dr. Charles McClain as Implementation Monitor.

* * * * *



**TEXAS COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-80
September 4, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Texas, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Texas County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- As of December 31, 2000, the Domestic Violence Fund balance was \$16,662; however, the county disbursed only \$5,790 to domestic violence shelters during the two years ended December 31, 2000. In addition, the county deposited as much as \$9,000 in marriage license domestic violence fees into the county's General Revenue Fund since 1991. While the county began depositing these fees into the Domestic Violence Fund in April 2000, the county has not transferred any money from the General Revenue Fund to the Domestic Violence Fund. The county should determine the amount of domestic violence fees deposited into the General Revenue Fund since 1991 and transfer that amount to the Domestic Violence Fund.

In December 1999, the county authorized the turnover of approximately \$5,400 of unidentified and unclaimed monies to the General Revenue Fund. However, it appears unclaimed monies should be remitted to the state Unclaimed Property Section.

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Texas county's former Associate County Commissioners salaries were each increased approximately \$7,580 yearly.

(over)

SHEET
MOTLEY
YELLOW

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the former Associate County Commissioners, totaling approximately \$15,160, for the two years ended December 31, 2000, should be repaid. In light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- The approved budget documents for several county funds did not adequately reflect the anticipated financial condition for the two years ended December 31, 2000. Expenditures were budgeted to use substantially all available resources even though it appears the county planned to maintain balances in these funds. County officials responded that this method of budgeting used for approximately 20 years has provided a stable budget process.

Formal budgets were not prepared or obtained for various county funds for the years ended December 31, 2000 and 1999, and the annual published financial statements of the county did not include the financial activity of some county funds as required.

Also included in the audit are recommendations to improve general fixed assets and matters related to the Ex Officio County Collector, Prosecuting Attorney, Sheriff, Circuit Clerk and Assessor. Several of these issues had been noted in prior audits.

Copies of the audit are available upon request.

TEXAS COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Texas County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Texas County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Texas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Texas County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Texas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 6, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Texas County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

June 6, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Sharon Eagleburger
Audit Staff:	Rachel Simons
	Troy Royer
	Curt Gannon



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Texas County, Missouri

We have audited the special-purpose financial statements of various funds of Texas County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 6, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Texas County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Texas County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Texas County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 6, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

TEXAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 519,112	1,180,630	1,281,650	418,092
Special Road and Bridge	135,856	956,186	963,025	129,017
Assessment	0	182,205	182,205	0
Law Enforcement Training	7,102	7,375	8,271	6,206
Prosecuting Attorney Training	1,089	1,290	521	1,858
WRI-TEX 911	444,787	370,702	325,511	489,978
Recorders User Fees	9,820	10,882	11,279	9,423
Law Enforcement Operations	10,538	62,610	20,444	52,704
Rescue Unit	16,708	1,911	0	18,619
Domestic Violence	17,535	2,807	3,680	16,662
Prosecuting Attorney Bad Check	3,654	9,851	11,526	1,979
Election Services	47	3,713	0	3,760
Local Emergency Preparedness Committee	9,293	4,595	1,262	12,626
Garner Covert Memorial Trust	15,988	765	690	16,063
Texas County Historical Military Museum	6,354	5,925	6,500	5,779
Health Center	123,000	442,319	430,466	134,853
Habilitation Services	87,868	130,046	131,798	86,116
Community Development Block Grant	0	115,507	97,508	17,999
Circuit Clerk Interest	49,654	2,412	2,304	49,762
Law Library	6,493	4,425	3,167	7,751
Associate and Probate Division Interest	5,793	1,031	726	6,098
Total	\$ 1,470,691	3,497,187	3,482,533	1,485,345

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

TEXAS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 526,854	1,211,562	1,219,304	519,112
Special Road and Bridge	151,861	942,033	958,038	135,856
Assessment	0	218,717	218,717	0
Law Enforcement Training	6,875	9,564	9,337	7,102
Prosecuting Attorney Training	128	1,910	949	1,089
WRI-TEX 911	396,094	355,722	307,029	444,787
Recorders User Fees	8,826	11,566	10,572	9,820
Law Enforcement Operations	16,736	13,141	19,339	10,538
Rescue Unit	12,954	3,754	0	16,708
Domestic Violence	16,689	2,956	2,110	17,535
Prosecuting Attorney Bad Check	8,965	9,409	14,720	3,654
Election Services	0	47	0	47
Local Emergency Preparedness Committee	11,124	3,427	5,258	9,293
Garner Covert Memorial Trust	15,373	890	275	15,988
Block Grant	39	0	39	0
Texas County Historical Military Museum	0	6,354	0	6,354
Health Center	117,984	403,852	398,836	123,000
Habilitation Services	69,060	123,412	104,604	87,868
Circuit Clerk Interest	52,922	1,440	4,708	49,654
Law Library	5,542	4,804	3,853	6,493
Associate and Probate Division Interest	5,452	1,206	865	5,793
Total	\$ 1,423,478	3,325,766	3,278,553	1,470,691

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

TEXAS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 3,752,988	3,373,812	(379,176)	3,624,932	3,318,316	(306,616)
DISBURSEMENTS	4,469,526	3,378,828	1,090,698	4,349,558	3,269,127	1,080,431
RECEIPTS OVER (UNDER) DISBURSEMENTS	(716,538)	(5,016)	711,522	(724,626)	49,189	773,815
CASH, JANUARY 1	1,408,751	1,408,751	0	1,359,562	1,359,562	0
CASH, DECEMBER 31	692,213	1,403,735	711,522	634,936	1,408,751	773,815
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Sales taxes	692,000	682,455	(9,545)	623,000	688,897	65,897
Intergovernmental	95,200	194,255	99,055	107,000	183,958	76,958
Charges for services	210,500	186,470	(24,030)	202,000	217,899	15,899
Interest	13,500	26,327	12,827	14,000	31,804	17,804
Other	28,000	43,211	15,211	36,750	43,312	6,562
Transfers in	49,601	47,912	(1,689)	47,045	45,692	(1,353)
Total Receipts	1,088,801	1,180,630	91,829	1,029,795	1,211,562	181,767
DISBURSEMENTS						
County Commission	84,000	82,834	1,166	84,000	82,662	1,338
County Clerk	101,936	98,302	3,634	99,600	92,514	7,086
Elections	60,000	50,009	9,991	50,000	7,956	42,044
Buildings and grounds	112,992	88,769	24,223	113,432	50,555	62,877
Employee fringe benefits	196,000	173,300	22,700	156,000	144,563	11,437
County Treasurer	54,310	51,969	2,341	54,556	53,197	1,359
Ex Officio County Collector	18,000	9,405	8,595	15,000	14,168	832
County Surveyor	6,000	3,971	2,029	5,500	5,088	412
Ex Officio Recorder of Deeds	31,200	31,048	152	39,720	38,769	951
Circuit Clerk	11,600	10,126	1,474	0	0	0
Associate Circuit Court	11,800	10,349	1,451	10,600	9,633	967
Court administration	57,929	63,201	(5,272)	54,950	34,038	20,912
Public Administrator	11,900	11,068	832	11,900	11,813	87
Sheriff	193,588	195,683	(2,095)	195,237	171,706	23,531
Jail	154,994	148,210	6,784	144,123	159,208	(15,085)
Prosecuting Attorney	94,140	82,818	11,322	81,133	80,357	776
Juvenile Officer	60,710	43,283	17,427	81,512	67,358	14,154
County Coroner	9,914	8,872	1,042	10,000	8,794	1,206
Insurance and bonds	28,000	20,161	7,839	28,000	17,870	10,130
Debt service	12,500	10,590	1,910	12,000	12,515	(515)
Other	148,552	49,340	99,212	191,585	89,525	102,060
Transfers out	44,755	38,342	6,413	72,000	67,015	4,985
Emergency Fund	34,000	0	34,000	31,000	0	31,000
Total Disbursements	1,538,820	1,281,650	257,170	1,541,848	1,219,304	322,544
RECEIPTS OVER (UNDER) DISBURSEMENTS	(450,019)	(101,020)	348,999	(512,053)	(7,742)	504,311
CASH, JANUARY 1	519,112	519,112	0	526,854	526,854	0
CASH, DECEMBER 31	69,093	418,092	348,999	14,801	519,112	504,311

Exhibit B

TEXAS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Intergovernmental	1,481,208	948,215	(532,993)	1,400,910	933,435	(467,475)
Charges for services	100	0	(100)	0	15	15
Interest	2,000	7,971	5,971	2,000	8,583	6,583
Other	100	0	(100)	53,090	0	(53,090)
Total Receipts	1,483,408	956,186	(527,222)	1,456,000	942,033	(513,967)
DISBURSEMENTS						
Distribution to townships	880,299	891,856	(11,557)	836,600	878,597	(41,997)
Road sign project	20,850	12,655	8,195	20,850	9,863	10,987
Insurance	1,000	557	443	1,000	516	484
Construction, repair, and maintenance	603,318	30,000	573,318	644,887	41,567	603,320
Transfers out	27,901	27,957	(56)	26,550	27,495	(945)
Total Disbursements	1,533,368	963,025	570,343	1,529,887	958,038	571,849
RECEIPTS OVER (UNDER) DISBURSEMENTS	(49,960)	(6,839)	43,121	(73,887)	(16,005)	57,882
CASH, JANUARY 1	135,856	135,856	0	151,861	151,861	0
CASH, DECEMBER 31	85,896	129,017	43,121	77,974	135,856	57,882
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	148,360	140,911	(7,449)	150,000	152,626	2,626
Interest	100	836	736	500	886	386
Other	500	5,116	4,616	1,500	1,190	(310)
Transfers in	41,755	35,342	(6,413)	68,000	64,015	(3,985)
Total Receipts	190,715	182,205	(8,510)	220,000	218,717	(1,283)
DISBURSEMENTS						
Assessor	190,715	182,205	8,510	220,000	218,717	1,283
Total Disbursements	190,715	182,205	8,510	220,000	218,717	1,283
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	3,100	2,486	(614)	3,100	3,011	(89)
Charges for services	6,500	4,593	(1,907)	6,700	6,166	(534)
Interest	400	296	(104)	300	387	87
Total Receipts	10,000	7,375	(2,625)	10,100	9,564	(536)
DISBURSEMENTS						
Sheriff	17,102	8,271	8,831	15,375	9,337	6,038
Total Disbursements	17,102	8,271	8,831	15,375	9,337	6,038
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,102)	(896)	6,206	(5,275)	227	5,502
CASH, JANUARY 1	7,102	7,102	0	6,875	6,875	0
CASH, DECEMBER 31	0	6,206	6,206	1,600	7,102	5,502

Exhibit B

TEXAS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	2,000	1,208	(792)	1,400	1,886	486
Interest	20	82	62	100	24	(76)
Other	80	0	(80)	0	0	0
Total Receipts	2,100	1,290	(810)	1,500	1,910	410
DISBURSEMENTS						
Prosecuting Attorney	3,189	521	2,668	1,628	949	679
Total Disbursements	3,189	521	2,668	1,628	949	679
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,089)	769	1,858	(128)	961	1,089
CASH, JANUARY 1	1,089	1,089	0	128	128	0
CASH, DECEMBER 31	0	1,858	1,858	0	1,089	1,089
<u>WRI-TEX 911 FUND</u>						
RECEIPTS						
Charges for services	350,000	335,332	(14,668)	302,000	331,970	29,970
Interest	19,800	25,368	5,568	22,000	23,752	1,752
Other	0	10,002	10,002	0	0	0
Total Receipts	369,800	370,702	902	324,000	355,722	31,722
DISBURSEMENTS						
Salaries	219,400	216,954	2,446	218,200	193,882	24,318
Office expenditures	12,300	9,047	3,253	11,000	10,720	280
Equipment	101,074	7,514	93,560	76,763	21,007	55,756
Mileage and training	8,200	9,263	(1,063)	6,200	5,320	880
Administration expense	10,000	0	10,000	10,000	0	10,000
Mapping	1,000	2,088	(1,088)	1,000	294	706
Service charges	75,000	71,752	3,248	70,000	66,579	3,421
Other	5,000	161	4,839	5,400	416	4,984
Transfers out	11,200	8,732	2,468	10,200	8,811	1,389
Total Disbursements	443,174	325,511	117,663	408,763	307,029	101,734
RECEIPTS OVER (UNDER) DISBURSEMENTS	(73,374)	45,191	118,565	(84,763)	48,693	133,456
CASH, JANUARY 1	444,787	444,787	0	396,094	396,094	0
CASH, DECEMBER 31	371,413	489,978	118,565	311,331	444,787	133,456
<u>RECORDERS USER FEES FUND</u>						
RECEIPTS						
Charges for services	11,000	10,394	(606)	11,500	10,124	(1,376)
Interest	1,000	488	(512)	500	1,442	942
Total Receipts	12,000	10,882	(1,118)	12,000	11,566	(434)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	21,820	11,279	10,541	20,826	10,572	10,254
Total Disbursements	21,820	11,279	10,541	20,826	10,572	10,254
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,820)	(397)	9,423	(8,826)	994	9,820
CASH, JANUARY 1	9,820	9,820	0	8,826	8,826	0
CASH, DECEMBER 31	0	9,423	9,423	0	9,820	9,820

Exhibit B

TEXAS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT OPERATIONS FUND</u>						
RECEIPTS						
Intergovernmental	47,115	47,115	0	0	0	0
Charges for services	10,500	12,732	2,232	9,000	10,394	1,394
Interest	500	2,463	1,963	500	1,038	538
Other	300	300	0	500	1,709	1,209
Total Receipts	58,415	62,610	4,195	10,000	13,141	3,141
DISBURSEMENTS						
Sheriff	68,653	20,444	48,209	21,236	14,339	6,897
Transfers out	0	0	0	5,000	5,000	0
Total Disbursements	68,653	20,444	48,209	26,236	19,339	6,897
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,238)	42,166	52,404	(16,236)	(6,198)	10,038
CASH, JANUARY 1	10,538	10,538	0	16,736	16,736	0
CASH, DECEMBER 31	300	52,704	52,404	500	10,538	10,038
<u>RESCUE UNIT FUND</u>						
RECEIPTS						
Interest	700	911	211	700	754	54
Other	0	0	0	500	0	(500)
Transfers in	0	1,000	1,000	0	3,000	3,000
Total Receipts	700	1,911	1,211	1,200	3,754	2,554
DISBURSEMENTS						
Rescue Unit	17,408	0	17,408	14,154	0	14,154
Total Disbursements	17,408	0	17,408	14,154	0	14,154
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,708)	1,911	18,619	(12,954)	3,754	16,708
CASH, JANUARY 1	16,708	16,708	0	12,954	12,954	0
CASH, DECEMBER 31	0	18,619	18,619	0	16,708	16,708
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	2,000	1,840	(160)	2,700	1,967	(733)
Interest	900	967	67	900	989	89
Total Receipts	2,900	2,807	(93)	3,600	2,956	(644)
DISBURSEMENTS						
Domestic violence shelter	20,435	3,680	16,755	20,289	2,110	18,179
Total Disbursements	20,435	3,680	16,755	20,289	2,110	18,179
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,535)	(873)	16,662	(16,689)	846	17,535
CASH, JANUARY 1	17,535	17,535	0	16,689	16,689	0
CASH, DECEMBER 31	0	16,662	16,662	0	17,535	17,535
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	9,000	9,720	720	13,493	8,977	(4,516)
Interest	500	131	(369)	500	432	(68)
Total Receipts	9,500	9,851	351	13,993	9,409	(4,584)
DISBURSEMENTS						
Prosecuting Attorney	8,554	6,803	1,751	18,382	10,373	8,009
Transfers out	4,600	4,723	(123)	4,576	4,347	229
Total Disbursements	13,154	11,526	1,628	22,958	14,720	8,238
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,654)	(1,675)	1,979	(8,965)	(5,311)	3,654
CASH, JANUARY 1	3,654	3,654	0	8,965	8,965	0
CASH, DECEMBER 31	0	1,979	1,979	0	3,654	3,654

Exhibit B

TEXAS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	3,000	3,650	650	100	47	(53)
Interest	50	63	13	10	0	(10)
Total Receipts	3,050	3,713	663	110	47	(63)
DISBURSEMENTS						
Elections	3,097	0	3,097	110	0	110
Total Disbursements	3,097	0	3,097	110	0	110
RECEIPTS OVER (UNDER) DISBURSEMENTS	(47)	3,713	3,760	0	47	47
CASH, JANUARY 1	47	47	0	0	0	0
CASH, DECEMBER 31	0	3,760	3,760	0	47	47
<u>LOCAL EMERGENCY PREPAREDNESS COMMITTEE FUND</u>						
RECEIPTS						
Intergovernmental	3,000	3,867	867	4,000	2,893	(1,107)
Interest	500	678	178	600	534	(66)
Other	0	50	50	100	0	(100)
Total Receipts	3,500	4,595	1,095	4,700	3,427	(1,273)
DISBURSEMENTS						
Emergency preparedness	12,793	1,262	11,531	15,824	5,258	10,566
Total Disbursements	12,793	1,262	11,531	15,824	5,258	10,566
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,293)	3,333	12,626	(11,124)	(1,831)	9,293
CASH, JANUARY 1	9,293	9,293	0	11,124	11,124	0
CASH, DECEMBER 31	0	12,626	12,626	0	9,293	9,293
<u>GARNER COVERT MEMORIAL TRUST FUND</u>						
RECEIPTS						
Interest	900	765	(135)	850	890	40
Total Receipts	900	765	(135)	850	890	40
DISBURSEMENTS						
Indigent grants	1,000	0	1,000	1,000	0	1,000
Indigent loans	1,000	0	1,000	1,000	0	1,000
Miscellaneous	2,238	40	2,198	2,223	275	1,948
Transfers out	650	650	0	0	0	0
Total Disbursements	4,888	690	4,198	4,223	275	3,948
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,988)	75	4,063	(3,373)	615	3,988
CASH, JANUARY 1	15,988	15,988	0	15,373	15,373	0
CASH, DECEMBER 31	12,000	16,063	4,063	12,000	15,988	3,988
<u>BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental				0	0	0
Total Receipts				0	0	0
DISBURSEMENTS						
Transfers out				39	39	0
Total Disbursements				39	39	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(39)	(39)	0
CASH, JANUARY 1				39	39	0
CASH, DECEMBER 31				0	0	0

Exhibit B

TEXAS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TEXAS COUNTY HISTORICAL MILITARY</u>						
<u>MUSEUM FUND</u>						
RECEIPTS						
Intergovernmental	0	2,000	2,000	0	0	0
Interest	200	128	(72)	150	152	2
Other	1,850	1,147	(703)	1,850	6,202	4,352
Transfers in	650	2,650	2,000	0	0	0
Total Receipts	2,700	5,925	3,225	2,000	6,354	4,354
DISBURSEMENTS						
Museum	1,294	0	1,294	1,000	0	1,000
Transfers out	6,500	6,500	0	0	0	0
Total Disbursements	7,794	6,500	1,294	1,000	0	1,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,094)	(575)	4,519	1,000	6,354	5,354
CASH, JANUARY 1	6,354	6,354	0	0	0	0
CASH, DECEMBER 31	1,260	5,779	4,519	1,000	6,354	5,354
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	121,200	124,901	3,701	120,126	120,601	475
Intergovernmental	238,909	275,141	36,232	249,815	230,953	(18,862)
Charges for services	18,750	19,131	381	12,600	20,049	7,449
Interest	8,000	9,957	1,957	7,000	9,105	2,105
Other	15,540	13,189	(2,351)	13,043	23,144	10,101
Total Receipts	402,399	442,319	39,920	402,584	403,852	1,268
DISBURSEMENTS						
Salaries	363,186	346,543	16,643	322,615	322,595	20
Office expenditures	45,555	43,647	1,908	43,500	43,385	115
Equipment	8,000	10,880	(2,880)	10,360	10,358	2
Mileage and training	9,900	9,772	128	13,875	13,842	33
Other	9,300	19,624	(10,324)	8,715	8,656	59
Total Disbursements	435,941	430,466	5,475	399,065	398,836	229
RECEIPTS OVER (UNDER) DISBURSEMENTS	(33,542)	11,853	45,395	3,519	5,016	1,497
CASH, JANUARY 1	123,000	123,000	0	117,984	117,984	0
CASH, DECEMBER 31	89,458	134,853	45,395	121,503	123,000	1,497
<u>HABILITATION SERVICES FUND</u>						
RECEIPTS						
Property taxes	110,000	124,901	14,901	130,000	120,525	(9,475)
Intergovernmental	100	1,270	1,170	1,000	34	(966)
Interest	2,000	3,875	1,875	1,500	2,853	1,353
Total Receipts	112,100	130,046	17,946	132,500	123,412	(9,088)
DISBURSEMENTS						
Contract services	135,300	130,300	5,000	105,415	103,043	2,372
Other	1,875	1,498	377	1,918	1,561	357
Total Disbursements	137,175	131,798	5,377	107,333	104,604	2,729
RECEIPTS OVER (UNDER) DISBURSEMENTS	(25,075)	(1,752)	23,323	25,167	18,808	(6,359)
CASH, JANUARY 1	87,868	87,868	0	69,060	69,060	0
CASH, DECEMBER 31	62,793	86,116	23,323	94,227	87,868	(6,359)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

TEXAS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Texas County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Habilitation Services Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Community Development Block Grant Fund	2000
Circuit Clerk Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999
Associate and Probate Division Interest Fund	2000 and 1999

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Habilitation Services Fund	2000 and 1999
Community Development Block Grant Fund	2000
Circuit Clerk Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999
Associate and Probate Division Interest Fund	2000 and 1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 2000, \$200,000 was covered by federal depository insurance and \$1,279,532 was covered by collateral securities pledged by the depository bank and held by independent banks but not in the county's name.

Of the county's bank balance at December 31, 1999, \$200,000 was covered by federal depository insurance and \$1,684,644 was covered by collateral securities pledged by the depository bank and held by independent banks but not in the county's name.

Of the Health Center Board's bank balance at December 31, 2000, \$100,000 was covered by federal depository insurance and \$54,965 was covered by collateral securities pledged by the depository bank and held by an independent bank but not in the board's name.

Of the Health Center Board's bank balance at December 31, 1999, \$100,000 was covered by federal depository insurance and \$34,462 was covered by collateral securities pledged by the depository bank and held by an independent bank but not in the board's name.

The Habilitation Services Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depository insurance or by collateral securities held by the board's custodial bank in the board's name.

3. Prior Period Adjustment

The Circuit Clerk Interest Fund's cash balance at January 1, 1999, as previously stated has been increased by \$19,646 to reflect interest not previously reported.

Supplementary Schedule

Schedule

TEXAS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-1208	\$ 74,494	85,066
10.559	Summer Food Service Program for Children	ERS046-0208	228	0
Office of Administration -				
10.665	Schools and Roads - Grants to States	N/A	69,457	75,939
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	99-PF-09	97,508	0
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	14,129	820
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-107(7)	0	33,253

Schedule

TEXAS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.268	Immunization Grants	PG0064-9208IAP	0	2,925
		N/A	22,113	17,552
	Program Total		22,113	20,477
Department of Social Services -				
93.563	Child Support Enforcement	N/A	1,398	4,607
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-1208	3,270	2,050
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERS161-00065	30,307	14,945
93.940	HIV Prevention Activities - Health Department Based	N/A	123	140
93.991	Preventive Health and Health Services Block Grant	N/A	241	209
93.994	Maternal and Child Health Services Block Grant to the States	ER0146-1208	33,272	25,265
		N/A	1,206	1,045
	Program Total		34,478	26,310
	Total Expenditures of Federal Awards		\$ 347,746	263,816

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

TEXAS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Texas County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Of the amounts for Immunization Grants (CFDA number 93.268), \$22,113 and \$17,552 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the

years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$241 and \$209 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,206 and \$1,045 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Texas County, Missouri

Compliance

We have audited the compliance of Texas County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Texas County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Texas County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Texas County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 6, 2001 (fieldwork completion date)

Schedule

TEXAS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for
major program(s): Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? yes x no

Identification of major programs:

CFDA or
Other Identifying

<u>Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Schools and Roads – Grants to States
14.228	Community Development Block Grants/State's Program

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee? _____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

TEXAS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

TEXAS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

TEXAS COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Texas County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 6, 2001. We also have audited the compliance of Texas County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 6, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Texas County Memorial Hospital is audited and separately reported on by other independent auditors, the related fund is not presented in the special-purpose financial statements. However, we reviewed those audit reports and other applicable information.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Texas County but do not meet

the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Budgets and Financial Reporting
--

- A. The approved budget documents for several county funds (including those prepared by elected officials) did not adequately reflect the anticipated financial condition for the two years ended December 31, 2000. Expenditures were budgeted to use substantially all available resources. For example, the anticipated ending cash balance for the General Revenue Fund for December 31, 2000 was projected at \$69,093, while the actual ending cash balance was \$418,092. In addition, for most of the smaller county funds, the budgets project ending balances of zero while the actual ending balances are normally much higher.

To be of maximum assistance to the county and to adequately inform the public, the budgets should accurately reflect the anticipated receipts, expenditures and ending cash balance. The practice of routinely budgeting to spend the majority of all available resources decreases the effectiveness of the budget as a management planning tool and as a control over expenditures.

Similar conditions were noted in prior reports.

- B. Formal budgets were not prepared or obtained for various county funds for the years ended December 31, 2000 and 1999. Chapter 50, RSMo 2000, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. Preparing or obtaining budgets for all county funds would enable the County Commission to effectively evaluate all county financial resources.
- C. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

WE RECOMMEND the County Commission:

- A. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that the budget documents present a reasonable estimate of the county's financial plan and ending cash balances.
- B. Ensure budgets are prepared or obtained for all county funds.
- C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

- A. *We disagree as we have in past audits.*

The General Revenue Fund has budgeted expense items that are solely controlled by the County Commission and Budget Officer. Funds are budgeted in case expenditures are needed during the year; however, if the county can operate without them, this means an unnecessary expenditure and an increase in the ending fund balance. Revenues are not always estimated as close as possible due to numerous revisions that the federal and state government may make during the year. If additional revenue is received above the budgeted amounts, this will still cause a larger ending balance.

The smaller funds are budgeted for the total allowable expenditures so the applicable elected officials and/or department heads will have available the maximum funds if needed. This is done mainly because the needed expenditures are not always known and/or decided prior to completion of the budget. The County Commission and Budget Officer have little or no control over the expenditures of these special funds. We believe the General Assembly needs to eliminate these special funds and direct all revenue into the General Revenue Fund. If all funds are made available, the elected official does not have to ask the County Commission and Budget Officer to amend the applicable budgets during the fiscal year.

We believe the method of budgeting used by the county for the past twenty years has provided a stable budget process.

- B. *We agree; however the public needs to know that the County Commission and Budget Officer are not at fault. Elected officials and department heads, including judges, have willingly refused to prepare applicable budgets. Nothing short of filing suit for neglect of duty will resolve this matter. The only other hope in obtaining these budgets is when different people hold these offices and positions.*
- C. *We agree for the most part, with the following exceptions. The Budget Officer made an error by not including the Community Development Block Grant Fund. All other funds not published were the result of elected officials and department heads not supplying the needed information in a timely manner as there is a statutory deadline for when the financial statement must be published. Further, we believe the Missouri Press Association needs to back off and allow the General Assembly to pass revisions to the financial statement law for*

third-class counties. First and second-class counties that spend millions more than third-class counties merely have to publish beginning balances, revenue totals, expense totals, and ending balances for each fund. Schools and cities likewise have to publish only a recap balance sheet. Third class counties are expending large sums of money because state law requires the publication in such a detailed style. Anyone wanting detailed financial information for the county has the right to ask for it.

AUDITOR'S COMMENT

- A. While we agree that uncertainties at the beginning of the year and changes throughout the year can have a major impact on budgeted revenues and expenditures, the county's current budgeting practices significantly reduces the effectiveness of the budget as a planning tool and does not provide the county with sufficient information to make long-term plans. Regarding the smaller funds, it appears the county may need greater involvement and input from all the elected officials to prepare budgets that more accurately project the anticipated financial activity of these funds.

2. Associate Commissioners' Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Texas County's former Associate County Commissioners salaries were each increased approximately \$7,580 yearly.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the former Associate County Commissioners, totaling approximately \$15,160 for the two years ended December 31, 2000, should be repaid. In addition, in light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

WE RECOMMEND the County Commission review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

While we plan to discuss this matter with legal counsel, we believe the Texas County Salary Commission made this decision based on allowable state law. The General Assembly should not pass laws that are in violation of the Missouri Constitution. We believe it should be noted that state-paid county and circuit elected officials are allowed increases in compensation during their terms of office and we are not sure why this is not also considered a violation of the Missouri Constitution.

3. County Procedures

- A. As of December 31, 2000, the Domestic Violence Fund balance was \$16,662. Although the county disbursed \$5,790 to domestic violence shelters during the two years ended December 31, 2000, the fund balance remains large. Section 488.445, RSMo 2000, authorizes the county to impose certain fees on the issuance of marriage licenses and on any civil case filed in circuit court. These fees are to be used to provide financial assistance to shelters for victims of domestic violence. The county has not adequately been disbursing the fees collected to shelters for victims of domestic violence.

In September 2000, the State Auditor issued an audit report on the statewide collection and distribution of fees for domestic violence shelters. That report concluded that Texas County had deposited as much as \$9,000 in marriage license domestic violence fees into the county's General Revenue Fund since 1991. While the county began depositing these fees into the Domestic Violence Fund in April 2000, the county has not transferred any money from the General Revenue Fund to the Domestic Violence Fund. The county should determine the amount of domestic violence fees deposited into the General Revenue Fund since 1991 and transfer that amount to the Domestic Violence Fund.

- B. In December 1999, the county authorized the turnover of approximately \$5,400 of unidentified and unclaimed monies to the General Revenue Fund. However, it appears unclaimed monies should be remitted to the state Unclaimed Property Section. Sections 447.500 through 447.595, RSMo 2000, apply to the Uniform Disposition of Unclaimed Property which requires unclaimed property to be remitted to the Unclaimed Property Section of the State Treasurer's Office. The county should review these sections of state law and take appropriate action.

WE RECOMMEND the County Commission:

- A. Ensure Domestic Violence Fund monies are disbursed to qualifying shelters in a timely manner. In addition, the county should determine the amount of domestic violence fees deposited into the General Revenue Fund since 1991 and transfer that amount to the Domestic Violence Fund.

- B. Review the county's procedures for disposing of unclaimed and unidentified monies and ensure applicable state laws are followed. The county should review the \$5,400 turned over to the General Revenue Fund and determine if any of this money should be remitted to the state Unclaimed Property Section.

AUDITEE'S RESPONSE

- A. *The voters of Texas County initially set the amounts to be collected for the Domestic Violence Fund in the early 1980's. Errors have been corrected as to what fund the monies are being deposited into. If any funds from the General Revenue Fund are transferred into the Domestic Violence Fund, this amount will need to be determined by the current Circuit Clerk and Ex Officio Recorder of Deeds, and budgeted as an expense item in future year's budgets. We do not believe the balance in the Domestic Violence Fund is too large. Qualifying shelters need to report and request funds for services provided and we will continue to provide funding only when proper documentation is received from the shelters.*
- B. *We agree that future unclaimed monies should be deposited with the State Unclaimed Property Section in accordance with the law. We do not believe past turnovers to the county General Revenue Fund should be transferred to the state. For the most part, these monies represent expenses paid from local funds, and if not claimed should be returned to the applicable local fund. We believe the General Assembly should change this law.*

4. General Fixed Assets

The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Currently, the County Clerk maintains a computerized inventory listing of fixed assets held by county officials. The computerized listing is provided to each officeholder, who is then responsible for conducting the physical inventory in his/her office. However, during our review of equipment expenditures, four of the five purchases reviewed were not recorded on the county's general fixed asset listing. These items included leased computers for the property tax system, Associate Court computers, and two sheriff vehicles. Additions to the inventory listing are not reconciled to equipment expenditures or the County Clerk's annual physical inventory to ensure all fixed assets are properly recorded.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property.

Effective August 28, 1999, Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not

inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

AUDITEE'S RESPONSE

We agree with this recommendation. We will encourage the county elected officials to comply with the changes in state law dealing with county property. We would like to obtain a copy of a written policy used by another county, which meets the state auditor's recommendation, and we will review and adopt such a policy.

5. Property Tax System and Ex Officio County Collector's Controls
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- A. Additions and abatements of property taxes are initiated by the County Assessor, who prepares a written form for each addition and abatement. The forms are taken by the taxpayer from the Assessor's office to the Ex Officio County Collector. The Ex Officio County Collector makes the applicable changes to the property tax system for additions and abatements. The Ex Officio County Collector periodically forwards a summary of the additions and abatements along with copies of the Assessor's forms to the County Clerk, who reviews these records and submits them to the County Commission for approval.

Since the Ex Officio County Collector is responsible for collecting the taxes, she should not have the capability to make changes to the tax data. Section 137.260, RSMo 2000, requires that the tax book only be changed by the County Clerk under order of the County Commission. At a minimum, the county should establish procedures for an independent reconciliation between the Assessor's records and the Ex Officio County Collector's records to ensure all additions and abatements are properly recorded.

- B. Check and money orders received are not restrictively endorsed immediately upon receipt. To adequately safeguard receipts, all checks and money orders should be restrictively endorsed immediately upon receipt.
- C. The former Ex Officio County Collector did not file annual settlements with the County Commission on a timely basis. The annual settlement for the year ended February 29, 2000, was not filed until July 12, 2000. In addition, the annual settlement for the year ended February 28, 2001, had not been filed as of July 24, 2001.

Section 139.160, RSMo 2000, requires the annual settlement to be filed with the County Commission by the first Monday in March. While filing the annual settlement by the statutory due date is difficult, the former Ex Officio County Collector needs to complete the annual settlement and file it with the County Commission.

WE RECOMMEND:

- A. The Ex Officio County Collector and the County Commission revise the addition/abatement process so that the Ex Officio County Collector does not have the capability to make changes to computerized property tax data. At a minimum, there should be independent reconciliations between the Assessor's records and the Ex Officio County Collector's records of additions and abatements.
- B. The Ex Officio County Collector restrictively endorse checks and money orders immediately upon receipt.
- C. The former Ex Officio County Collector complete the annual settlement for the year ended February 28, 2001, and file it with the County Commission.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A. *We are currently reviewing all additions and abatements to the township collectors' records. In the future, we will approve additions and abatements to the Ex Officio County Collector's records on a monthly basis. Independent reconciliations between the Assessor's records and the collectors' records are now being done by the County Clerk.*

The current Ex Officio County Collector provided the following response:

- A. *I plan to work with the other officials to ensure all additions and abatements are properly recorded.*
- B. *I plan to implement this recommendation.*

The former Ex Officio County Collector provided the following response:

- C. *I have been attempting to complete the annual settlement; however, I currently reside two hours away from the county courthouse where the records are kept which makes it very difficult to commute on a timely basis. I will complete this as soon as possible.*

6. Prosecuting Attorney's Accounting Controls and Procedures

The Prosecuting Attorney's office collects bad check restitution and fees. Bad check fees total approximately \$9,500 annually; however, summary records are not maintained for total restitution received. Bad check collection procedures require that the check issuer pay restitution using two money orders. One money order is made payable to the merchant for restitution and the other to the Prosecuting Attorney for the collection fee. Our review of the Prosecuting Attorney's records, controls, and procedures noted the following areas of concern:

- A. Bad check restitutions and fees are not recorded, transmitted to the merchants, or deposited into the bank account on a timely basis. A cash count conducted on May 16, 2001, disclosed \$11,255 in bad check restitution and fees that had not been recorded as received. Transmittals and deposits are usually made once or twice a month. In addition, fees are not turned over to the County Treasurer on a timely basis. There were only five turnovers to the County Treasurer for year ended December 31, 2000.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be recorded and deposited or transmitted daily or when accumulated receipts exceed \$100. In addition, bad check fees should be turned over monthly to the County Treasurer as required by Section 50.360, RSMo 2000.

- B. Receipt slips are not issued for some monies received and redi-form receipt slips are issued rather than official, pre-numbered receipt slips. To ensure all monies are properly handled, official, pre-numbered receipt slips should be issued for all monies received.
- C. An adequate system has not been established to account for bad check complaints received, as well as the subsequent disposition of these complaints. A bad check complaint log would provide a record of all such complaints filed with the Prosecuting Attorney and a record of all bad check receipts and disbursements. The log should contain information such as the merchant, the issuer of the check, the amount of the check, the amount of the administrative fee, and the disposition of the bad check, including the date payment was received and paid to the merchant and County Treasurer or the criminal case number in which charges were filed or other disposition.
- D. Formal bank reconciliations are not prepared on a monthly basis. Bank reconciliations are normally prepared quarterly. Bank reconciliations should be prepared monthly to help ensure errors or misstatements are detected on a timely basis.

- E. Monthly listings of open items are not prepared. The reconciled bank balance was \$1,109 at December 31, 2000, and although a check register is maintained of the cash balance, the check register balance is not reconciled to open items. Preparing accurate listings of open items and agreeing the total with the reconciled cash balance help ensure sufficient assets exist to cover liabilities and all monies are properly recorded and handled. Any unidentified differences between the cash balance and open items should be investigated and resolved.
- F. Money orders received are not restrictively endorsed immediately upon receipt. Endorsements are applied at the time deposits are prepared. To adequately safeguard receipts, all money orders should be restrictively endorsed immediately upon receipt.
- G. Voided checks are shredded and are not retained. To ensure all checks are properly accounted for, voided checks should be properly defaced and retained.

WE RECOMMEND the Prosecuting Attorney:

- A. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, turn over all fees monthly to the County Treasurer as required by state law.
- B. Issue prenumbered official receipt slips for all monies received.
- C. Implement procedures to adequately track bad check complaints received as well as the ultimate disposition of each complaint through the use of a bad check complaint log.
- D. Prepare bank reconciliations on a monthly basis.
- E. Prepare monthly listings of open items and reconcile to the cash balance.
- F. Restrictively endorse money orders immediately upon receipt.
- G. Ensure all voided checks are defaced and retained.

AUDITEE'S RESPONSE

A-G. *We have already implemented these recommendations.*

7.	Sheriff's Accounting Controls and Procedures
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The Sheriff's office collects approximately \$170,000 annually in fees, bonds, and other miscellaneous receipts, which are deposited into the Sheriff's Fee Account, Bond Account, or Land Account. Our review noted the following concerns regarding the accounting controls and procedures for the Sheriff's office:

- A. Accounting and bookkeeping duties are not adequately segregated. One individual is responsible for recording, depositing, and transmitting monies. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. At a minimum, there should be a documented review of accounting records performed by a supervisor.
- B. Receipts are not deposited in a timely manner. Although the Sheriff's office indicated deposits are normally made twice a week, only two deposits were made during December 2000 totaling \$3,039. In addition, bonds received on May 4, 2001, totaling \$500, were not deposited in the bond account until May 14, 2001, and miscellaneous fees received from May 2 through May 10, 2001, totaling \$2,554, were not deposited in the fee account until May 14, 2001.

To ensure all monies are properly accounted for and to adequately safeguard receipts, deposits should be made intact daily or when accumulated receipts exceed \$100.

- C. Bank reconciliations are not prepared on a timely basis. As of April 2001, the bank accounts had not been reconciled since December 1999. At our request, bank reconciliations were performed for each month of 2000. Failure to prepare monthly bank reconciliations increases the risk that errors or misstatements will not be detected on a timely basis.
- D. Monthly listings of open items are not prepared for the fee or bond account. The reconciled bank balances were \$2,801 and \$32,660 at December 31, 2000; respectively, and although check registers are maintained of the cash balances, the check register balances are not reconciled to open items. We were able to materially reconcile the balance of the fee account to open items at December 31, 2000, but did not attempt to identify open items of the bond account.

Preparing accurate listings of open items and agreeing the total with the reconciled cash balance help ensure sufficient assets exist to cover liabilities and all monies are properly recorded and handled. Any unidentified differences between the cash balances and open items should be investigated and resolved.

Conditions similar to Parts A and D were noted in a previous report.

WE RECOMMEND the Sheriff:

- A. Segregate accounting and bookkeeping duties to the extent possible. At a minimum, there should be documented supervisory reviews of the accounting records.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- C. Prepare bank reconciliations on a monthly basis.

- D. Prepare monthly listings of listings of open items and reconcile to the cash balances.

AUDITEE'S RESPONSE

A&C. These recommendations have been implemented.

B. We are currently depositing twice a week.

D. To eliminate any further problems with the bond account, we plan to turn over all bonds immediately to the court in accordance with Missouri court rules. We plan to prepare an open items listing on a monthly basis for the fee account.

<p>8. Circuit Clerk and Ex Officio Recorder of Deeds' Controls and Procedures</p>
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The Circuit Clerk's office collects approximately \$175,000 annually from court fees, board bills, child support and garnishments. The Ex Official Recorder of Deeds office collects approximately \$140,000 annually from recording fees. Our review noted the following concerns:

- A. Monthly listings of open items are not prepared for the Circuit Clerk's fee account. The reconciled bank balance was approximately \$91,000 at December 31, 2000. Preparing accurate listings of open items and agreeing the total with the reconciled cash balance help ensure sufficient assets exist to cover liabilities and all monies are properly recorded and handled. Any unidentified differences between the cash balance and open items should be investigated and resolved.
- B. Interest totaling \$1,416 earned on the Ex Officio Recorder's fee account since January 1, 1995 has not been turned over to the County Treasurer. There appears to be no statutory authority for the Ex Officio Recorder of Deeds to keep interest earned on the bank account and therefore, the interest should be turned over periodically to the county.

Similar conditions were noted in a previous report.

WE AGAIN RECOMMEND the Circuit Clerk and Ex Officio Recorder of Deeds:

- A. Prepare monthly listings of open items and reconcile to the cash balance.
- B. Disburse the \$1,416 in interest earned on the Ex Officio Recorder of Deeds' account to the County Treasurer, and turn over future interest periodically.

AUDITEE'S RESPONSE

- A. *We have prepared an open items listing as of June 2001 and we plan to prepare a listing on a monthly basis.*
- B. *This has been implemented.*

9. Associate and Probate Divisions' Accounting Controls and Procedures

The Circuit Clerk is the appointed supervisor of the Associate Circuit and Probate Divisions. The Associate Circuit Division maintains a civil bank account and a criminal/traffic bank account. Annual civil and criminal/traffic receipts are approximately \$465,000. The Probate Division maintains one account for fees and collects approximately \$13,000 annually. Our review noted the following concerns:

- A. Accounting and bookkeeping duties are not adequately segregated for the Associate and Probate divisions. One individual in each division is responsible for receiving, recording, depositing, and transmitting monies. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance. At a minimum, there should be a documented review of accounting records performed by a supervisor.
- B. Monthly bank reconciliations are not prepared for the criminal/traffic account. As of April 2001, the account had not been reconciled since March 1998. At our request, bank reconciliations were performed for each month of 1999 and 2000. Failure to prepare monthly bank reconciliations increases the risk that errors or misstatements will not be detected on a timely basis.
- C. Monthly listings of open items are not prepared for the criminal/traffic account. This account is maintained only for court fees which are disbursed on a monthly basis, therefore, the balance in the account should represent the amount of fees collected during the month. The reconciled bank balance was approximately \$12,500 at December 31, 2000, and our review noted an unidentified balance of approximately \$280. Preparing accurate listings of open items and agreeing the total with the reconciled cash balance help ensure sufficient assets exist to cover liabilities and all monies are properly recorded and handled. The court should follow up on the unidentified balance and dispose of this amount in accordance with applicable statutory provisions.

Conditions similar to Parts A and C were noted in a previous report.

WE RECOMMEND the Circuit Clerk:

- A. Segregate accounting and bookkeeping duties to the extent possible. At a minimum, there should be documented supervisory reviews of the accounting records.
- B. Prepare bank reconciliations for the criminal/traffic account on a monthly basis.
- C. Prepare monthly listings of open items for the criminal/traffic account and reconcile to the cash balance.

AUDITEE'S RESPONSE

A. *We plan to implement a supervisory review of the records.*

B&C. *These recommendations have been implemented.*

10. Assessor's Accounting Controls and Procedures
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The Assessor transmits approximately \$3,100 annually to the county from the sale of maps and photocopies; however, the Assessor does not maintain adequate records to account for monies received. Our review noted the following concerns:

- A. The Assessor does not transmit receipts to the County Treasurer intact or on a timely basis. Some cash receipts are retained as a change fund or as petty cash for expenditures of the office. A count conducted on April 10, 2001, noted \$302 in cash and checks was held by the Assessor, which apparently included receipts for March and April 2001. The Assessor's records indicated that February 2001 receipts of \$69 were transmitted to the County Treasurer on March 15, 2001.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer intact monthly as required by Section 50.360, RSMo 2000. If a change fund or petty cash fund is necessary, it should be approved by the County Commission and kept at a constant amount, and reimbursements for petty cash expenditures should be made by warrants approved by the County Commission.

- B. Receipt slips are issued; however, copies of the receipt slips are not maintained. To ensure monies are properly accounted for and transmitted intact, prenumbered receipt slips indicating the method of payment should be issued for all monies received and copies of all receipt slips should be maintained. The composition of receipt slips issued should be reconciled to the composition of transmittals to the County Treasurer.

- C. Checks and money orders are not restrictively endorsed immediately upon receipt. Endorsements are applied when transmittals to the County Treasurer are prepared. To adequately safeguard receipts, all checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Assessor:

- A. Transmit all monies to the County Treasurer intact monthly as required by state law. Change funds or petty cash funds should be kept at a constant amount and approved by the County Commission.
- B. Issue pre-numbered receipt slips for all monies received, ensure the method of payment is indicated on all receipt slips, and reconcile total cash, checks, and money orders received to amounts transmitted to the County Treasurer.
- C. Restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

A&B. We have already implemented these recommendations.

C. We plan to implement this recommendation.

This report is intended for the information of the management of Texas County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

TEXAS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Texas County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Federal Financial Assistance

- A. The County Commission did not maintain documentation that the collection of a federal reimbursement claim for bridge construction expenditures was adequately pursued.
- B. The County did not have a drug-free workplace policy or awareness programs sufficient to comply with the requirements of the Drug-Free Workplace Act.

Recommendation:

The County Commission:

- A. Investigate and resolve unpaid reimbursement claims on a timely basis.
- B. Establish a written drug-free workplace policy and applicable drug-free awareness programs to ensure compliance with the Drug-Free Workplace Act. The Drug-Free Workplace policy and programs should be adequately communicated to all county employees who perform functions associated with federal funds.

Status:

A&B. Implemented.

2. Budgetary Practices

- A. Expenditures in excess of approved budgeted expenditures were made from the Special Road and Bridge Fund.
- B. The budget for the Circuit Clerk Interest Fund contained several errors.

Recommendation:

- A. The County Commission keep expenditures within the amounts budgeted. If excess expenditures are necessary, the circumstances should be fully documented in the County Commission's minutes and the budgets properly amended.
- B. The Circuit Clerk ensure budgets accurately reflect the actual beginning cash balances and estimated revenues, expenditures, and ending cash balances.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 1.

3. Computer Controls

- A. Backup disks of information were not stored at an off-site location.
- B. The county did not have a formal emergency contingency plan for the computer system.

Recommendation:

The County Commission work with the applicable county officials to:

- A. Ensure backup disks of information are stored in a secure, off-site location.
- B. Develop a formal contingency plan for the county's computer system.

Status:

A&B. Implemented.

4. County Clerk's Account Book

The County Clerk did not maintain an account book with the Ex Officio County Collector.

Recommendation:

The County Clerk maintain an account book with the Ex Officio County Collector and use this information to verify the Ex Officio County Collector's annual settlements.

Status:

Implemented.

5. Ex Officio County Collector's Controls and Records

- A.1. Personal checks were occasionally cashed from collections.
- 2. Some refunds were made in cash or by money orders purchased from cash receipts.
- B. The annual settlements contained various omissions and errors.
- C. Current and back school surtax collections were not adjusted for the effects of Proposition C. As a result, approximately \$2,007 was due from the school districts to the General Revenue Fund and approximately \$669 was due from the school districts to the Assessment Fund.

Recommendation:

The Ex Officio County Collector:

- A.1. Discontinue the practice of cashing checks, deposit all receipts intact, and reconcile the composition of receipts to the composition of deposits.
- 2. Make all disbursements by check.
- B. File complete and accurate annual settlements.
- C. Retain \$2,676 from future distributions to school districts and distribute \$2,007 to the General Revenue Fund and \$669 to the Assessment Fund.

Status:

- A. Implemented by the current Ex Officio County Collector who took office on April 1, 2001.

B&C. Implemented.

6. Circuit Clerk's Controls and Records

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Old outstanding checks remained unresolved on the fee and child support accounts.

- C. Monthly listings of fee account liabilities (open-items) were not prepared and, consequently, liabilities were not reconciled with the cash balances.
- D. A perpetual listing of civil, criminal, and juvenile accrued costs was not prepared by the Circuit Clerk and the total amount of accrued costs was not readily available.
- E. The Circuit Clerk maintained several bank accounts but did not maintain records of the Circuit Clerk Interest Fund receipts, disbursements, and cash balances.

Recommendation:

The Circuit Clerk:

- A. Segregate the cash custody and record-keeping functions for each account and ensure there is a supervisory review of the work performed.
- B. Attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- C. Prepare listings of open-items monthly and reconcile the listings to the cash balances. Any excess cash balances which cannot be identified should be appropriately disposed of through the applicable statutory provisions.
- D. Implement procedures to adequately pursue the collection of accrued costs.
- E. Establish and maintain an interest ledger to record interest transactions and balances. In addition, the Circuit clerk should consider consolidating non-restricted monies into one interest-bearing checking account to minimize record-keeping.

Status:

A, D,
& E. Implemented.

B. Not implemented. There were five outstanding checks on the Child Support account totaling \$316 at December 31, 2000. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Not implemented. See MAR No. 8.

7. Ex Officio Recorder of Deeds' Controls and Records

- A. The numerical sequence of receipt slips was not accounted for properly. Monthly bank reconciliations were not performed, and unidentified monies remained in the

bank account. Several disbursement amounts did not agree to monthly reports generated by the computer system. A review of the deputy recorder's work was not performed.

- B. Checks were not restrictively endorsed immediately upon receipt.
- C. Interest earned on the bank account had not been turned over to the County Treasurer.

Recommendation:

The Ex Officio Recorder of Deeds:

- A.1. Account for the numerical sequence of receipt slips and reconcile receipt slips to deposit slips on a daily basis.
- 2. Prepare bank reconciliations on a monthly basis and remit the unidentified cash balance to the County Treasurer.
- 3. Maintain adequate supporting documentation for monthly disbursements and maintain documentation to explain any differences between amounts disbursed and amounts recorded on monthly disbursement reports.
- 4. Perform a monthly review of the deputy recorders' work.
- B. Restrictively endorse checks immediately upon receipt.
- C. Disburse interest earnings to the County Treasurer on a monthly basis.

Status:

A&B. Implemented.

C. Not implemented. See MAR No. 8.

8. Sheriff's Controls and Records

- A. Accounting duties were not adequately segregated.
- B. Receipt slips issued did not always indicate the method of payment received.
- C. Monthly listings of liabilities (open items) were not prepared and, consequently, liabilities were not reconciled with the cash balance of each account.

- D. The Sheriff's office did not maintain adequate records to account for traffic tickets assigned and issued. Furthermore, no record was maintained indicating the ultimate disposition of all traffic tickets issued.

Recommendation:

The Sheriff:

- A. Provide for adequate segregation of duties and the performance of independent reconciliations and reviews of accounting records.
- B. Record the method of payment on receipt slips, reconcile the composition of receipts to the composition of deposits, and ensure receipts are deposited intact.
- C. Prepare listings of open-items monthly and reconcile the listings to the cash balances. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- D. Ensure traffic tickets are assigned and issued in numerical sequence and that records are maintained to account for the numerical sequence and the ultimate disposition of all traffic tickets.

Status:

A&C. Not implemented. See MAR No. 7.

B. Implemented.

D. Not implemented. The number of traffic tickets issued by the Sheriff's department is not significant. Although not repeated in the current MAR, our recommendation remains as stated above.

9. Associate and Probate Divisions' Controls and Records

- A. The duties of cash custody and record-keeping were not adequately segregated.
- B. The method of payment received was not indicated on the receipt slips.
- C. Cash control ledgers which summarized disbursements for each month were not maintained.
- D. Monthly listings of the civil and probate liabilities (open-items) were not prepared and consequently, liabilities were not reconciled with the cash balances. Unidentified monies were held in the civil and probate accounts.

Recommendation:

The Associate Circuit Judge:

- A. Segregate the cash custody and record-keeping functions for each account and ensure there is a supervisory review of the work performed on a consistent and timely basis.
- B. Ensure the method of payment is recorded on the receipt slips and reconcile the composition of receipts to the composition of deposits.
- C. Require the divisions' clerks to maintain disbursement cash control ledgers and reconcile the disbursement cash control ledgers monthly with bank statements.
- D. Require the divisions' clerks to prepare listings of open-items monthly and reconcile the listings to the cash balances. Any excess cash balances which cannot be identified should be appropriately disposed of through the applicable statutory provisions.

Status:

- A. Not implemented. See MAR No. 9.
- B&D. Partially implemented. The method of payment is recorded on the receipt slips and a reconciliation of the composition of receipts to deposits is performed. In addition, open-items listings are prepared and reconciled on a monthly basis to the cash balance, and unidentified monies were properly disposed for the civil and probate divisions. However, open items lists are not prepared for the criminal/traffic division. See MAR No. 9.
- C. Implemented.

10. Public Administrator's Fees and Records

- A. The Associate Circuit Judge's approval for fees was not always received before the Public Administrator wrote herself checks for services.
- B. Receipts and disbursements were not always listed individually on the Public Administrator's annual settlements.

Recommendation:

The Associate Circuit Judge - Probate Division:

- A. Require the Public Administrator to obtain prior approval before fees are disbursed.

- B. Require the Public Administrator to list all receipts and disbursements individually on the settlements.

Status:

A&B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

TEXAS COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Texas was named after the Republic of Texas. Texas County is a township-organized, third-class county and is part of the 25th Judicial Circuit. The county seat is Houston.

Texas County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Texas County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Sales taxes	\$ 682,455	32	688,897	32
Federal and state aid	1,142,470	53	1,117,393	52
Fees, interest, and other	311,891	15	347,305	16
Total	\$ 2,136,816	100	2,153,595	100

The following chart shows how Texas County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 802,784	36	731,881	34
Public safety	478,866	21	487,423	22
Highways and roads	963,025	43	958,038	44
Total	\$ 2,244,675	100	2,177,342	100

The county's townships maintain approximately 70 county bridges and 988 miles of county roads.

The county's population was 18,320 in 1970 and 21,476 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	83.3	80.4	61.5	22.4	15.5
Personal property		36.5	34.2	16.3	9.2	5.8
Railroad and utilities		11.6	11.4	5.5	5.3	2.7
Total	\$	131.4	126.0	83.3	36.9	24.0

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Texas County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
General Revenue Fund	\$	.00	.00
Health Center Fund		.10	.10
Habilitation Services Fund		.10	.10

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for the county and most other local governments. Taxes collected were distributed as follows:

Year Ended February 28 (29),		
	2001	2000
State of Missouri	\$ 39,194	38,643
General Revenue Fund	5,019	4,471
Townships and township roads	565,513	553,919
Assessment Fund	50,870	47,947
Health Center Fund	128,579	126,687
Habilitation Services Fund	128,579	126,687
School districts	4,011,757	3,747,693
Library district	132,979	131,121
Hospital	23	23
Ambulance districts	23,386	23,425
Cities	41,113	43,926
Overplus	6,675	18,699
Tax sale redemption	0	13,187
County Clerk	2,622	2,511
County Employees' Retirement	28,555	32,228
Commissions and fees:		
Township collectors	44,492	41,773
General Revenue Fund	38,492	39,579
Total	\$ <u>5,247,848</u>	<u>4,992,519</u>

Percentages of current taxes collected were as follows:

Year Ended February 28 (29),			
	2001	2000	
Real estate	91 %	91	%
Personal property	90	90	
Railroad and utilities	100	100	

Texas County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	N/A	50 %

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Larry Southern, Presiding Commissioner	\$	27,080	27,080
David Impey, Associate Commissioner		25,080	25,080
Terry Kell, Associate Commissioner		25,080	25,080
Donald R. (Don) Troutman, County Clerk		38,000	38,000
Doug Gaston, Prosecuting Attorney		45,000	45,000
Dean Belshe, Sheriff		36,000	36,000
Thomas C. Whittaker, County Coroner		7,000	7,000
Lois England, Public Administrator *		21,755	23,854
Beth Ann Cooper, Treasurer and Ex Officio County Collector, year ended March 31,	28,250	28,250	
Bruce Wilson, County Assessor **, year ended August 31,		38,900	38,900
Louie Carmack Jr., County Surveyor ***		N/A	N/A

* Includes fees received from probate cases.

** Includes \$900 annual compensation received from the state.

*** Compensation on a fee basis.

State-Paid Officials:

Phyllis Staley, Circuit Clerk and Ex Officio Recorder of Deeds	46,127	44,292
John Beeler, Associate Circuit Judge	97,382	87,234

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk and Ex Officio Recorder of Deeds	2	3
County Clerk *	4	0
Prosecuting Attorney	2	0
Sheriff **	19	0
County Treasurer and Ex Officio Collector *	1	0
County Assessor	5	0
Associate Division	0	4
Road and Bridge***	2	0
Health Center	10	0
911 Office ****	13	0
Total	<u>58</u>	<u>7</u>

* Includes one part-time employee.

** Includes eight part-time employees.

*** Includes two part-time employees.

**** Includes four part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Texas County's share of the 25th Judicial Circuit's expenses is 20.26 percent.



**DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR CARRIER AND RAILROAD SAFETY**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-79
August 31, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Department of Economic Development, Division of Motor Carrier and Railroad Safety.

On average Missouri spends a total of \$4.6 million each year from state and federal funds on safety upgrades as compared to other similarly sized states spending between \$5.5 and \$15 million. In addition, for the two fiscal years ended June 30, 2001, the railroad industry contributed approximately \$700,000 annually. For the state to provide for more timely safety upgrades of railroad crossings, additional funds for upgrades are necessary.

A federal program mandates that each state maintain a listing of all railroad crossings which may require protective devices and provides for the state to schedule upgrade projects to provide for safety at railroad crossings. The division ranks approximately 3,900 public railroad crossings throughout the state in terms of an exposure index. The index measures such things as the number of cars which pass over the crossing daily, the posted vehicle speed limit, the number of daily trains, the speed of trains, and a sight impediment measure. According to management, accident rates are considered when a crossing is considered for upgrade. However, this information is not used to calculate the exposure index.

The fiscal year 2000 index identified fifty-three grade crossings which have the greatest need to be upgraded from passive to active safety measures. Passive safety devices do not have any sight or sound warning, while active safety devices include these types of warnings. Our review also noted twelve of these crossings have experienced an accident in the last five years, and four of the twelve have experienced multiple accidents during this time period. Approximately 46 percent of all grade crossings are equipped with active safety measures. On average Missouri annually upgrades ten to fifteen grade crossings from passive to active signals. Other similarly sized states are annually upgrading twenty-five to seventy grade crossings from passive to active.

At the current rate of grade crossing upgrades, it will take the state approximately four years to upgrade the grade crossings it has currently identified as most needing upgrades. To provide the additional safety the citizens of Missouri need, the division should aggressively seek additional funding sources, including more funding by the railroads, to increase the number of grade crossings annually upgraded.

(over)

YELLOW SHEET

It should be noted in May 2001, the Missouri Supreme Court issued its decision in the case of *Alcorn v. Union Pacific Railroad Company, et al.* This decision indicated that the railroad corporations have a legal duty to keep railroad crossings reasonably safe and to protect persons using the crossings. Despite this duty, contributions from railroad corporations have represented just small percentage of the money spent on grade crossing upgrades. The railroad's legal duty should act as an incentive to contribute more funds to warn or protect motorists at dangerous crossings.

The division has not made a sustained effort to inform the public about filing grade crossing safety complaints. While the division does receive some complaints regarding dangerous grade crossings, it does not adequately inform the public of how to file these complaints. Without a complete public service announcement campaign which includes all forms of media and the division's phone number encouraging citizens to file complaints many citizens' concerns may not be received by the division.

The division does not publicly release a ranking of grade crossings by the exposure index. The index is the main basis for selecting which grade crossings are being considered for upgrade. Releasing the index information, along with accident and complaint information, may also serve as a public awareness measure, warning individuals of the need to be more cautious and alert at certain crossings.

According to the Director of Motor Carrier and Railroad Safety, inspectors periodically inspect safety devices at each grade crossing and crossings are also inspected from a vehicle riding the rails during a rail safety inspection. However, the inspectors are not required to file a report on the safety conditions at each grade crossing. Without a documented inspection report and a tracking system, the division has little assurance that each grade crossing is being inspected and has met safety standards.

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR CARRIER AND RAILROAD SAFETY

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Joseph L. Driskill, Director
Department of Economic Development
and
Stephen R. Waters, Director
Division of Motor Carrier and Railroad Safety
Jefferson City, MO 65102

We have audited the Department of Economic Development, Division of Motor Carrier and Railroad Safety. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable statutes, regulations, and division policy.
2. Review the efficiency and effectiveness of certain management practices and operations.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the division's receipts, expenditures, policies, rules, regulations, contracts, statutes, and other pertinent procedures and documents and interviewed division personnel.

As part of our audit, we assessed the division's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we

performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our audit of the Department of Economic Development, Division of Motor Carrier and Railroad Safety.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Economic Development, Division of Motor Carrier and Railroad Safety.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

October 25, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Blattel, CPA
In-Charge Auditors:	Lonnie Breeding, III Dan Doerhoff
Audit Staff:	Joyce Medlock Karen Wirtmiller

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR CARRIER AND RAILROAD SAFETY
SUMMARY OF FINDINGS

1. Safety Upgrades (pages 6-7)

On average Missouri spends only \$4.6 million per year on safety upgrades while other similarly sized states are spending \$5.5 to \$15 million annually. The division has identified fifty-three grade crossings which have the greatest need for safety upgrades. These upgrades will take at least four years to complete.

2. Grade Crossing Safety (pages 7-9)

The division has not made a sustained effort to inform the public about filing complaints and as a result many safety problems may not be identified. The division does not publicly release the listing of grade crossings by exposure index. Finally, the division does not document each grade crossing inspection and these inspections are not tracked.

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR CARRIER AND RAILROAD SAFETY
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1.	Safety Upgrades
-----------	------------------------

On average Missouri spends a total of \$4.6 million each year from state and federal funds on safety upgrades as compared to other similarly sized states spending between \$5.5 and \$15 million. In addition, for the two fiscal years ended June 30, 2001, the railroad industry contributed approximately \$700,000 annually. For the state to provide for more timely safety upgrades of railroad crossings, additional funds for upgrades are necessary.

A federal program mandates that each state maintain a listing of all railroad crossings which may require protective devices and provides for the state to schedule upgrade projects to provide for safety at railroad crossings. The division ranks approximately 3,900 public railroad crossings throughout the state in terms of an exposure index. The index measures such things as the number of cars which pass over the crossing daily, the posted vehicle speed limit, the number of daily trains, the speed of trains, and a sight impediment measure. According to management, accident rates are considered when a crossing is considered for upgrade. However, this information is not used to calculate the exposure index.

The fiscal year 2000 index identified fifty-three grade crossings which have the greatest need to be upgraded from passive to active safety measures. Passive safety devices do not have any sight or sound warning, while active safety devices include these types of warnings. Our review also noted twelve of these crossings have experienced an accident in the last five years, and four of the twelve have experienced multiple accidents during this time period. Approximately 46 percent of all grade crossings are equipped with active safety measures. On average Missouri annually upgrades ten to fifteen grade crossings from passive to active signals. Other similarly sized states are annually upgrading twenty-five to seventy grade crossings from passive to active.

At the current rate of grade crossing upgrades, it will take the state approximately four years to upgrade the grade crossings it has currently identified as most needing upgrades. To provide the additional safety the citizens of Missouri need, the division should aggressively seek additional funding sources, including more funding by the railroads, to increase the number of grade crossings annually upgraded.

WE RECOMMEND the Division of Motor Carrier and Railroad Safety seek methods to improve funding and increase the number of passive to active upgrades.

AUDITEE'S RESPONSE

The Division of Motor Carrier and Railroad Safety (MCRS) agrees with the State Auditor's Office that additional funding would enable the Division to increase public safety by upgrading additional crossings per year. MCRS implemented the Signal Enhancement Program in 1998 to encourage railroads to participate in the funding of crossing projects. MCRS will work with railroads and local communities to increase participation in the program. The Signal Enhancement Program allows MCRS to "stretch" state and federal crossing project funds, thereby increasing the number of projects fundable. MCRS will actively work with the Governor's office and the General Assembly to identify additional funding sources

AUDITOR'S COMMENT

It should be noted in May 2001, the Missouri Supreme Court issued its decision in the case of *Alcorn v. Union Pacific Railroad Company, et al.* This decision indicated that the railroad corporations have a legal duty to keep railroad crossings reasonably safe and to protect persons using the crossings. Despite this duty, contributions from railroad corporations have represented just a small percentage of the money spent on grade crossing upgrades. The railroad's legal duty should act as an incentive to contribute more funds to warn or protect motorists at dangerous crossings.

2. Grade Crossing Safety

- A. The division has not made a sustained effort to inform the public about filing grade crossing safety complaints. According to the division's policies and procedures, complaint investigations rank as the second highest priority behind accident investigations. The division has placed a priority on complaint investigations; however, some complaints may not be filed because the public is not aware of the complaint filing system. To improve the filing of safety complaints the public needs to be informed as to how to file these complaints. Complaints could also help the division in determining crossings that may need improvements.

There are approximately 3,900 public grade crossings in Missouri. While the division does receive some complaints regarding dangerous grade crossings, it does not adequately inform the public of how to file these complaints. Without a complete public service announcement campaign, which includes all forms of media and the division's phone number encouraging citizens to file complaints, many citizens' concerns may not be received by the division.

- B. The division does not publicly release a ranking of grade crossings by the exposure index. The index is the main basis for selecting which grade crossings are being considered for upgrade. Releasing the index information, along with accident and complaint information, may also serve as a public awareness measure, warning individuals of the need to be more cautious and alert at certain crossings.

According to division staff, Section 622.400, RSMo 2000, prohibits the release of grade crossing information which has been furnished by railroad companies. However, the statute does not prevent the division from publishing the ranking based upon the exposure index. Additionally, the exposure index may represent a public record as defined by Section 610.010, RSMo 2000. As a result of this policy, the public is not receiving useful information needed to determine if a grade crossing will be upgraded and its priority on the upgrade listing, and the potential dangers that may exist at certain crossings.

- C. Prior to October 1, 2000, the division did not document grade crossing inspections unless a problem was noted. Additionally, the division has not implemented a tracking system to ensure that each grade crossing is being inspected on a regular basis. As a result, the division does not have a historical record of each inspection performed nor a time table for when the next inspection should be completed.

According to the Director of Motor Carrier and Railroad Safety, inspectors periodically inspect safety devices at each grade crossing and crossings are also inspected from a vehicle riding the rails during a rail safety inspection. However, the inspectors are not required to file a report on the safety conditions at each grade crossing. Without a documented inspection report and a tracking system, the division has little assurance that each grade crossing is being inspected and has met safety standards.

WE RECOMMEND the Division of Motor Carrier and Railroad Safety:

- A. Develop public service announcements, ensure each announcement makes reference to the division's phone number, and encourage citizens to register complaints.
- B. Publicly release all pertinent information regarding grade crossings, including a listing of crossings by exposure index.
- C. Require a documented inspection of each grade crossing and implement a tracking system to ensure that each grade crossing is being inspected on a periodic basis.

AUDITEE'S RESPONSE

- A. *The Division of Motor Carrier and Railroad Safety agrees with the State Auditor's Office that a public service announcement campaign will increase citizens' awareness of crossing safety issues and enhance the public's knowledge and ability to report railroad safety complaints. Within the limits of budget constraints, the Division will develop and implement a public awareness campaign.*
- B. *The Division of Motor Carrier and Railroad Safety does not agree with the State Auditor's Office recommendation that the Division release all information regarding crossings. At this time, it is the policy of this Division not to publicly release information including the railroad grade crossing database (information on grade crossings) and the priority index*

for improvements to crossings. This is because release of such information will possibly violate Missouri law closing access to information provided to the Division by regulated entities. Release of this information could also involve the Division in unnecessary litigation.

Section 622.400, RSMo, provides that information furnished to the Division or its Staff by a carrier, corporation or person (except information required to be open by the same Chapter) shall not be open to public inspection or made public except upon order of the Division Director or Administrative Law Judge (ALJ). This section expresses the general intent of the General Assembly that such information, when provided to the Division, NOT be made public unless a compelling reason prompts the Director or ALJ to release specific information.

Most of the information concerning grade crossings in Missouri that is in the possession of the Division is contained in its grade crossing database. This information has been collected and recorded over many years, from many sources. These sources include observation and measurement by Division Inspectors and reports and communications from the railroad carriers themselves. The information contained in the database is not identified as to source, in most instances. Accordingly, there is no way for the Division to determine whether specific information in the database came from internal or external sources, including the regulated carriers themselves.

The result is that any dissemination to the public of information contained in the railroad crossing database will run the inevitable risk of making public information provided to the Division by any “carrier, corporation or person” as generally prohibited in Section 622.400, RSMo. While the Division Director could lawfully order the sharing of this information, such dissemination on an across-the-board basis would be contrary to the intent of the General Assembly that information provided to the Division not be made public.

Because of the negative consequences of opening the Division’s database of grade crossing information, and the priority index, to the public, the Division has determined not to routinely open and share these sources of information, as per current policy. The Division will endeavor, however, to study ways in which the public can become more informed about specific grade crossings and better understand and respond to the threat they pose to public safety. As these ways are identified, they will be researched for possible changes in policy that provide more access by the public to Division information, without incurring significant collateral risks as identified above.

- C. *The Division of Motor Carrier and Railroad Safety agrees with the State Auditor’s Office recommendation and has completed implementation of a tracking system. The Division developed a State of Missouri Inspection Report Form, which is filled out each time a Division railroad safety inspector inspects a highway-rail crossing. Inspection data is entered into the Division’s “Railroad Safety Information System”. Each crossing inspection is cross referenced into the system’s crossing inventory which enables a comprehensive history of inspections for each crossing in the inventory.*

This report is intended for the information of the division's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR CARRIER AND RAILROAD SAFETY
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

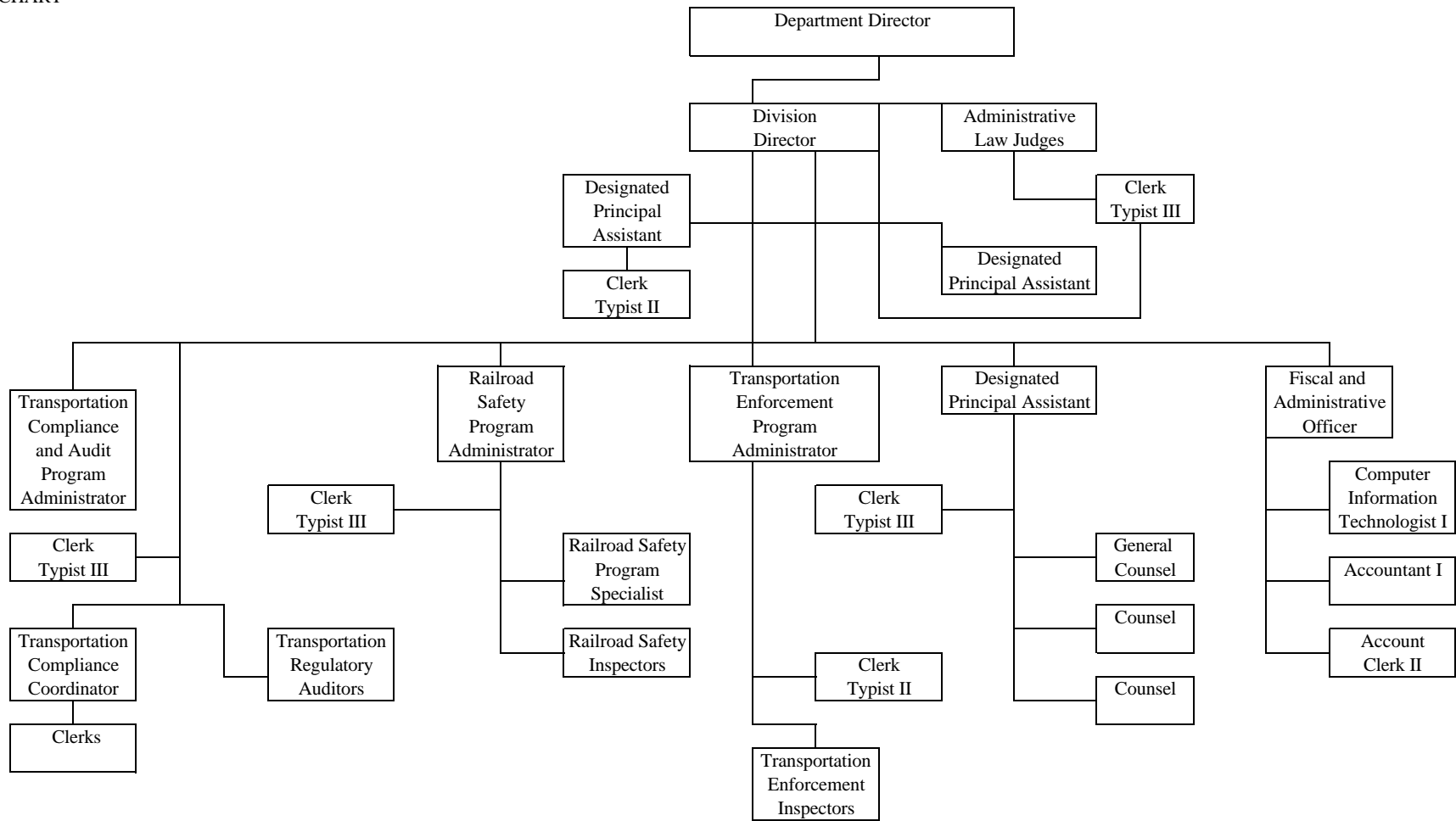
Effective July 1, 1997, the Eighty-Eight General Assembly changed the division's name from the Transportation Division to the Division of Motor Carrier and Railroad Safety. The division regulates bus, truck, and railroad companies. The division is headed by a director, nominated by the department director and appointed by the governor with the advise and consent of the senate. The division has been under the Division of Economic Development since July 1, 1985.

Prior to July 1, 1985, the Division of Transportation of Public Service Commission regulated the rates and services provided by Missouri's bus, truck, and railroad companies.

Stephen R. Waters has served as Director of the Division of Motor Carrier and Railroad Safety since July 1, 1997. On June 30, 2000, the division employed sixty-seven full time employees.

The organization chart follows.

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR CARRIER AND RAILROAD SAFETY
ORGANIZATION CHART
June 30, 2000



APPENDIX A-1
DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR CARRIER AND RAILROAD SAFETY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2000

	MCSAP-Division of Transportation Federal Fund	Grade Crossing Safety Account Fund	Highway Department Fund	Railroad Expense Fund	State Public School Fund	Light Rail Safety Fund	Total (Memorandum Only)
RECEIPTS							
Federal Receipts	\$ 358,966	0		0	0	0	358,966
Licences and Permits	0	758,150	2,834,755	0	0	0	3,592,905
Regulatory Fees	0	0	411,143	709,362	195,134	3,000	1,318,639
State Surplus Property	0	0	13,071	0	0	0	13,071
Other	161	0	372	207	0	0	740
TOTAL REVENUES	359,127	758,150	3,259,341	709,569	195,134	3,000	5,284,321
Provision for transmittal to state treasury	0	0	(3,259,341)	0	(195,134)		(3,454,475)
NET REVENUES	359,127	758,150	0	709,569	0	3,000	1,829,846
DISBURSEMENTS							
Personal Service and/or Expense and Equipment	254,265	0	0	495,014	0	0	749,279
Construction	0	1,141,325	0	0	0	8	1,141,333
TOTAL DISBURSEMENTS	254,265	1,141,325	0	495,014	0	8	1,890,612
RECEIPTS OVER (UNDER) DISBURSEMENTS	104,862	(383,175)		214,555		2,992	(60,766)
OTHER FINANCING (SOURCES)							
Non appropriated transfers		509,367					509,367
Transfer from Railroad Expense Fund for Administration Expenses				20,000			20,000
Transfer from Light Rail Safety Fund For Salaries				1,735			1,735
OTHER FINANCING (USES)							
Transfers to State Highways and Transportation Department Fund for salaries	(52,973)			(242,335)		(1,543)	(296,851)
Hancock transfer		(27,332)				(70)	(27,402)
Transfer to Railroad Expense Fund for salaries		(20,000)				(1,735)	(21,735)
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER USES	51,889	78,860	0	(6,045)	0	(356)	124,348
CASH AND INVESTMENTS, JULY 1	144,751	4,335,291	0	85,901	0	2,050	4,567,993
CASH AND INVESTMENTS, JUNE 30	\$ 196,640	4,414,151	0	79,856	0	1,694	4,692,341

APPENDIX A-2

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR VEHICLE AND RAILROAD SAFETY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 1999

	MCSAP-Division of Transportation Federal Fund	Grade Crossing Safety Account Fund	Highway Department Fund	Grade Crossing Fund	Railroad Expense Fund	Sate Public School Fund	Light Rail Safety Fund	Total (Memorandum Only)
RECEIPTS								
Federal Receipts	\$ 283,349	0	294,607	0	0	0	0	577,956
Licences and Permits	0	1,092,874	2,842,262	0	0	0	0	3,935,136
Regulatory Fees	0	0	0	0	693,531	141,313	0	693,531
State Surplus Property	0	0	19,611	0	0	0	0	19,611
Other	140	0	17,932	0	8,032	0	0	26,104
TOTAL REVENUES	283,489	1,092,874	3,174,412	0	701,563	141,313	0	5,252,338
Provision for transmittal to state treasury	0	0	(3,174,412)	0	0	(141,313)	0	(3,315,725)
NET REVENUES	283,489	1,092,874	0	0	701,563	0	0	2,077,926
DISBURSEMENTS								
Pesonal Service and/or Expense and Equipment	266,081	0	0	0	551,111	0	0	817,192
Construction	0	844,918	0	154,073	0	0	8	998,998
TOTAL DISBURSEMENTS	266,081	844,918	0	154,073	55,111	0	7	1,816,190
RECEIPTS OVER (UNDER) DISBURSEMENTS	17,408	247,956	0	(154,073)	150,452	0	(7)	261,736
OTHER FINANCING (SOURCES)								
Transfer from Railroad Expense Fund					223			223
State Retirement Contribution Fund				366				366
OTHER FINANCING (USES)								
Transfers to State Highways and Transportation Department Fund	(48,847)			(153,707)	(223,567)			(426,121)
Hancock Transfer		(48,273)						(48,273)
Transfer to Railroad Expense Fund							(223)	(223)
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER USES	(31,439)	199,683	0	(307,414)	(72,892)	0	(230)	(212,292)
CASH AND INVESTMENTS, JULY 1	176,190	4,135,608	0	153,707	158,793	0	2,280	4,626,578
CASH AND INVESTMENTS, JUNE 30	\$ 144,751	4,335,291	0	0	85,901	0	2,050	4,567,993

APPENDIX B-1

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR CARRIER AND RAILROAD SAFETY
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriation	Expenditures	Lapsed Balances
MCSAP/DIVISION OF TRANSPORTATION-FEDERAL FUND			
Payment of real property leases, related services, utilities, and systems furniture; and structural modifications for new FTE for rents consolidated to the Office of Administration-Expense and Equipment	\$ 6,805	6,275	530
Personal Services and/or Expense and Equipment	370,000	271,736	98,264
Total MCSAP Division of Transportation-Federal Fund	376,805	278,011	98,794
GRADE CROSSING SAFETY ACCOUNT FUND			
Protection of public against hazards existing at railroad crossings pursuant to Division of Motor Carriers and Railroad Safety action under Chapter 152 RSMo	5,929,774	1,353,835	4,575,939
Total Grade Crossing Safety Account Fund	5,929,774	1,353,835	4,575,939
HIGHWAY DEPARTMENT FUND			
Personal Service and/or Expense and Equipment	3,027,041	2,539,554	487,487
Total Highway Department Fund	3,027,041	2,539,554	487,487
RAILROAD EXPENSE FUND			
Personal Service and/or Expense and Equipment	527,309	493,083	34,226
Total Railroad Expense Fund	527,309	493,083	34,226
LIGHT RAIL SAFETY FUND			
Personal Service and/or Expense and Equipment	15,000	0	15,000
Total Light Rail Safety Fund	15,000	0	15,000
Total All Funds	\$ 9,860,929	4,664,483	5,196,446

APPENDIX B-2

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF MOTOR CARRIER AND RAILROAD SAFETY
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriation	Expenditures	Lapsed Balances
MCSAP/DIVISION OF TRANSPORTATION-FEDERAL FUND			
Personal Services and/or Expense and Equipment	\$ 313,133	258,783	54,350
Total MCSAP Division of Transportation-Federal Fund	313,133	258,783	54,350
GRADE CROSSING SAFETY ACCOUNT FUND			
Protection of public against hazards existing at railroad crossings pursuant to Division of Motor Carriers and Railroad Safety action under Chapter 152 RSMo	4,698,287	998,991	3,699,296
Total Grade Crossing Safety Account Fund	4,698,287	998,991	3,699,296
HIGHWAY DEPARTMENT FUND			
Personal Service and/or Expense and Equipment	2,563,155	2,215,205	347,950
Total Highway Department Fund	2,563,155	2,215,205	347,950
RAILROAD EXPENSE FUND			
Personal Service and/or Expense and Equipment	511,731	468,785	42,946
Total Railroad Expense Fund	511,731	468,785	42,946
LIGHT RAIL SAFETY FUND			
Personal Service and/or Expense and Equipment	15,000	15	14,985
Total Light Rail Safety Fund	15,000	15	14,985
Total All Funds	\$ 8,101,306	3,941,779	4,159,527

* * * * *



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Schuyler County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Schuyler County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by Arthur White & Associates, L.L.C., Certified Public Accountants, is attached.

Claire C. McCaskill
State Auditor

Report No. 2001-78
August 31, 2001



CLAIRE C. McCASKILL
Missouri State Auditor

Arthur White & Associates, L.L.C., Certified Public Accountants, performed the audit of Schuyler County for the two years ended December 31, 2000 (Report No. 2001-78). On October 8, 2001, he issued a correction to page 30 of the audit report. The attached reflects the correction.

ARTHUR WHITE & ASSOCIATES, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

May 15, 2001

Missouri State Auditor's Office
Jefferson City, Missouri

Compliance

We have audited the compliance of Schuyler County, Missouri (County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 1999. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Schuyler County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 2000.

Internal Control Over Compliance

The management of Schuyler County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Missouri State Auditor's Office
Jefferson City, Missouri
May 15, 2001

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Schuyler County, Missouri; the Missouri State Auditor's office; federal awarding agencies and pass-through entities; and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed By Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

**SCHUYLER COUNTY, MISSOURI
DECEMBER 31, 2000 AND 1999**

SCHUYLER COUNTY, MISSOURI

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Independent Auditors' Report

ARTHUR WHITE & ASSOCIATES, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES EXPENDITURES OF FEDERAL AWARDS

May 15, 2001

Missouri State Auditor's Office
Jefferson City, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Schuyler County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of Schuyler County, Missouri's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Schuyler County, Missouri.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of Schuyler County, Missouri as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 15, 2001, on our consideration of Schuyler County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedules of Expenditures of Federal Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

May 15, 2001

Missouri State Auditor's Office
Jefferson City, Missouri

We have audited the special-purpose financial statements of various funds of Schuyler County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 15, 2001. That report expressed a qualified opinion on the special-purpose financial statements because Schuyler County, Missouri, prepares financial statements using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Schuyler County, Missouri, are free of material misstatement, we performed tests of Schuyler County, Missouri's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding number 00-1.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various fund of Schuyler County, Missouri, we considered Schuyler County, Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Schuyler County, Missouri, the Missouri State Auditor's office, federal awarding agencies and pass-through entities, and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor
ARTHUR WHITE & ASSOCIATES, L.L.C.

Financial Statements

Exhibit A-1

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue Fund	\$ 258,343	\$ 337,034	\$ 351,886	\$ 243,491
Special Road and Bridge Fund	284,416	523,363	544,469	263,310
Assessment Fund	910	40,209	37,294	3,825
Law Enforcement Training Fund	1,207	1,843	909	2,141
Prosecuting Attorney Training Fund	145	280	392	33
Health Department Fund	32,623	341,736	311,941	62,418
Sales Tax Trust Fund	129,805	126,521	131,540	124,786
Recording Fund	2,402	1,672	2,330	1,744
Prosecuting Attorney Bad Check Fund	5,594	3,337	2,639	6,292
Law Sales Tax Fund	-	221,728	219,978	1,750
Senior Citizen Fund	6,274	16,264	19,255	3,283
Law Library Fund	214	1,920	1,609	525
Circuit Clerk Interest Fund	3,403	1,204	2,129	2,478
Civil Service Fund	2,486	3,863	5,696	653
Surplus Land Fund	721	45	-	766
Domestic Violence Fund	15	190	-	205
Associate Judge Interest Fund	872	247	106	1,013
Unclaimed Fees Fund	-	149	-	149
Total	<u>\$ 729,430</u>	<u>\$ 1,621,605</u>	<u>\$ 1,632,173</u>	<u>\$ 718,862</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue Fund	\$ 281,653	\$ 553,559	\$ 576,869	\$ 258,343
Special Road and Bridge Fund	174,131	735,977	625,692	284,416
Assessment Fund	23	40,839	39,952	910
Law Enforcement Training Fund	955	2,121	1,869	1,207
Prosecuting Attorney Training Fund	562	370	787	145
Health Department Fund	253,823	304,755	525,955	32,623
Sales Tax Trust Fund	127,559	129,806	127,560	129,805
Recording Fund	7,058	1,967	6,623	2,402
Prosecuting Attorney Bad Check Fund	4,230	4,144	2,780	5,594
Law Sales Tax Fund	-	195,742	195,742	-
C.O.P.S.	-	33,627	33,627	-
Senior Citizen Fund	4,370	16,745	14,841	6,274
Law Library Fund	350	1,330	1,466	214
Circuit Clerk Interest Fund	2,283	1,503	383	3,403
Civil Service Fund	4,133	4,531	6,178	2,486
Surplus Land Fund	-	721	-	721
Domestic Violence Fund	-	15	-	15
Associate Judge Interest Fund	842	249	219	872
Drug & Crime Fund	377	-	377	-
Schuyler County Law Fund	3,254	-	3,254	-
Total	<u>\$ 865,603</u>	<u>\$ 2,028,001</u>	<u>\$ 2,164,174</u>	<u>\$ 729,430</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 90,400	\$ 89,033	\$ (1,367)	\$ 87,430	\$ 92,098	\$ 4,668
Sales taxes	120,000	120,382	382	102,000	107,714	5,714
Intergovernmental	4,975	13,107	8,132	185,759	212,107	26,348
Charges for services	66,500	63,355	(3,145)	79,800	88,804	9,004
Interest	20,000	11,810	(8,190)	10,000	20,196	10,196
Other	10,500	13,154	2,654	12,300	15,023	2,723
Transfers in	32,085	26,193	(5,892)	48,833	17,617	(31,216)
Total Receipts	344,460	337,034	(7,426)	526,122	553,559	27,437
DISBURSEMENTS						
County Commission	47,344	46,853	491	47,333	46,724	609
County Clerk	41,492	39,262	2,230	41,070	39,165	1,905
Elections	22,000	21,903	97	12,000	-	12,000
Buildings and grounds	59,956	57,344	2,612	177,585	188,491	(10,906)
Employee fringe benefits	12,500	12,125	375	32,000	23,789	8,211
County Treasurer	17,509	17,045	464	17,509	17,488	21
County Collector	38,260	36,808	1,452	37,839	36,722	1,117
Circuit Clerk	4,200	3,254	946	5,200	3,972	1,228
Associate Circuit Court	3,550	3,550	-	4,750	1,597	3,153
Associate Circuit (Probate)	500	180	320	575	56	519
Court administration	7,123	5,336	1,787	17,023	3,393	13,630
Public Administrator	6,550	6,483	67	6,550	6,240	310
Public health and welfare services	9,090	6,862	2,228	9,117	7,076	2,041
General	49,210	42,420	6,790	117,737	99,178	18,559
Transfers out	101,073	52,461	48,612	124,522	100,391	24,131
Emergency Fund	12,611	-	12,611	18,820	344	18,476
Adjustment	-	-	-	-	2,243	(2,243)
Total Disbursements	432,968	351,886	81,082	669,630	576,869	92,761
RECEIPTS OVER (UNDER) DISBURSEMENTS	(88,508)	(14,852)	73,656	(143,508)	(23,310)	120,198
CASH, JANUARY 1	258,343	258,343	-	281,653	281,653	-
CASH, DECEMBER 31	\$ 169,835	\$ 243,491	\$ 73,656	\$ 138,145	\$ 258,343	\$ 120,198

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit C

SCHUYLER COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 202,260	\$ 199,262	\$ (2,998)	\$ 190,260	\$ 202,592	\$ 12,332
Intergovernmental	568,973	289,554	(279,419)	791,860	491,820	(300,040)
Charges for services	14,000	15,126	1,126	13,500	14,905	1,405
Interest	11,000	15,392	4,392	9,900	11,915	2,015
Other	2,200	4,029	1,829	12,000	14,745	2,745
Total Receipts	798,433	523,363	(275,070)	1,017,520	735,977	(281,543)
DISBURSEMENTS						
Salaries	175,000	157,300	17,700	175,500	148,135	27,365
Employee fringe benefits	26,000	19,733	6,267	26,000	13,169	12,831
Supplies	39,000	33,978	5,022	43,000	23,565	19,435
Insurance	10,000	8,529	1,471	10,000	8,058	1,942
Road and bridge materials	265,500	178,700	86,800	144,000	50,683	93,317
Equipment repairs	29,000	33,036	(4,036)	29,000	24,596	4,404
Construction, repair, and maintenance	288,973	1,000	287,973	515,000	188,186	326,814
Rentals	15,000	3,780	11,220	15,000	5,180	9,820
Equipment purchases	83,500	57,680	25,820	136,391	109,707	26,684
Other	38,863	34,940	3,923	41,403	37,068	4,335
Transfers out	28,585	15,793	12,792	29,319	17,345	11,974
Total Disbursements	999,421	544,469	454,952	1,164,613	625,692	538,921
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200,988)	(21,106)	179,882	(147,093)	110,285	257,378
CASH, JANUARY 1	284,416	284,416	-	174,131	174,131	-
CASH, DECEMBER 31	\$ 83,428	\$ 263,310	\$ 179,882	\$ 27,038	\$ 284,416	\$ 257,378

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit D

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 40,941	\$ 38,604	\$ (2,337)	\$ 39,078	\$ 38,738	\$ (340)
Charges for services	1,000	744	(256)	820	920	100
Interest	300	584	284	250	315	65
Other	400	277	(123)	160	408	248
Transfers in	821	-	(821)	3,480	458	(3,022)
Total Receipts	43,462	40,209	(3,253)	43,788	40,839	(2,949)
DISBURSEMENTS						
Assessor	43,462	37,294	6,168	43,788	39,952	3,836
Total Disbursements	43,462	37,294	6,168	43,788	39,952	3,836
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	2,915	2,915	-	887	887
CASH, JANUARY 1	910	910	-	23	23	-
CASH, DECEMBER 31	\$ 910	\$ 3,825	\$ 2,915	\$ 23	\$ 910	\$ 887

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit E

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 700	\$ 621	\$ (79)	\$ 450	\$ 638	\$ 188
Charges for services	1,500	1,119	(381)	1,250	1,478	228
Interest income		103	103		5	5
Total Receipts	2,200	1,843	(357)	1,700	2,121	421
DISBURSEMENTS						
Sheriff	3,407	909	2,498	2,400	1,869	531
Total Disbursements	3,407	909	2,498	2,400	1,869	531
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,207)	934	2,141	(700)	252	952
CASH, JANUARY 1	1,207	1,207	-	955	955	-
CASH, DECEMBER 31	\$ -	\$ 2,141	\$ 2,141	\$ 255	\$ 1,207	\$ 952

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit F

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 400	\$ 280	\$ (120)	\$ 400	\$ 370	\$ (30)
Total Receipts	400	280	(120)	400	370	(30)
DISBURSEMENTS						
Prosecuting Attorney	545	392	153	962	787	175
Total Disbursements	545	392	153	962	787	175
RECEIPTS OVER (UNDER) DISBURSEMENTS	(145)	(112)	33	(562)	(417)	145
CASH, JANUARY 1	145	145	-	562	562	-
CASH, DECEMBER 31	\$ -	\$ 33	\$ 33	\$ -	\$ 145	\$ 145

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit G

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH DEPARTMENT FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 46,530	\$ 45,850	\$ (680)	\$ 44,750	\$ 46,935	\$ 2,185
Intergovernmental	243,429	264,498	21,069	239,793	218,307	(21,486)
Charges for services	24,500	22,947	(1,553)	18,832	25,922	7,090
Interest	200	2,794	2,594	7,000	9,097	2,097
Other	3,750	5,647	1,897	7,900	4,494	(3,406)
Total Receipts	318,409	341,736	23,327	318,275	304,755	(13,520)
DISBURSEMENTS						
Salaries	244,984	251,888	(6,904)	247,161	236,558	10,603
Building construction	-	-	-	-	210,768	(210,768)
Office expenditures	14,525	13,805	720	16,900	18,896	(1,996)
Equipment	19,900	16,391	3,509	12,550	13,564	(1,014)
Mileage and training	9,000	7,863	1,137	10,000	8,844	1,156
Other	30,000	21,894	8,106	31,664	37,289	(5,625)
Prior year adjustments increasing disbursements	-	100	(100)	-	36	(36)
Total Disbursements	318,409	311,941	6,468	318,275	525,955	(207,680)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	29,795	29,795	-	(221,200)	(221,200)
CASH, JANUARY 1	32,623	32,623	-	253,823	253,823	-
CASH, DECEMBER 31	\$ 32,623	\$ 62,418	\$ 29,795	\$ 253,823	\$ 32,623	\$ (221,200)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit H

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SALES TAX TRUST FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax	\$ 125,000	\$ 121,054	\$ (3,946)	\$ 120,000	\$ 124,429	\$ 4,429
Interest	5,000	5,467	467	3,600	5,377	1,777
Total Receipts	130,000	126,521	(3,479)	123,600	129,806	6,206
DISBURSEMENTS						
Road	131,540	131,540	-	126,315	126,315	-
Adjustment	-	-	-	-	1,245	(1,245)
Total Disbursements	131,540	131,540	-	126,315	127,560	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,540)	(5,019)	(3,479)	(2,715)	2,246	6,206
CASH, JANUARY 1	129,805	129,805	-	127,559	127,559	-
CASH, DECEMBER 31	\$ 128,265	\$ 124,786	\$ (3,479)	\$ 124,844	\$ 129,805	\$ 6,206

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit I

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDING FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charge for services	\$ 1,400	\$ 1,580	\$ 180	\$ 1,400	\$ 1,758	\$ 358
Interest	200	92	(108)	200	209	9
Total Receipts	1,600	1,672	72	1,600	1,967	367
DISBURSEMENTS						
Recorder	4,002	2,330	1,672	7,000	6,623	377
Total Disbursements	4,002	2,330	1,672	7,000	6,623	377
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,402)	(658)	1,744	(5,400)	(4,656)	744
CASH, JANUARY 1	2,402	2,402	-	7,058	7,058	-
CASH, DECEMBER 31	\$ -	\$ 1,744	\$ 1,744	\$ 1,658	\$ 2,402	\$ 744

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit J

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 5,000	\$ 3,337	\$ (1,663)	\$ 4,000	\$ 4,144	\$ 144
Total Receipts	5,000	3,337	(1,663)	4,000	4,144	144
DISBURSEMENTS						
Prosecuting attorney	10,594	2,639	7955	7700	2,780	4920
Total Disbursements	10,594	2,639	7,955	7,700	2,780	4,920
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,594)	698	6,292	(3,700)	1,364	5,064
CASH, JANUARY 1	5,594	5,594	-	4,230	4,230	-
CASH, DECEMBER 31	\$ -	\$ 6,292	\$ 6,292	\$ 530	\$ 5,594	\$ 5,064

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit K

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW SALES TAX FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax	\$ 120,000	\$ 120,690	\$ 690	\$ 115,000	\$ 124,427	\$ 9,427
Intergovernmental	12,126	15,192	3,066	-	-	-
Charges for service	24,250	31,830	7,580	-	-	-
Interest	-	148	148	-	125	125
Other revenues	-	1,407	1,407	-	573	573
Transfers in	100,252	52,461	(47,791)	90,753	70,617	(20,136)
Total Receipts	256,628	221,728	(34,900)	205,753	195,742	(10,011)
DISBURSEMENTS						
Sheriff	105,484	100,091	5,393	81,698	79,453	2,245
Jail	57,240	55,400	1,840	58,386	55,041	3,345
Prosecuting Attorney	41,482	40,959	523	41,233	40,886	347
Juvenile office	10,150	4,196	5,954	13,376	13,661	(285)
Fringe benefits	25,500	14,806	10,694	-	-	-
C.O.P.S. Grant	5,062	-	5,062	-	-	-
Coroner	11,710	4,526	7,184	11,060	6,701	4,359
Total Disbursements	256,628	219,978	36,650	205,753	195,742	10,011
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	1,750	1,750	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ 1,750	\$ 1,750	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit L

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
C.O.P.S.

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Transfers in	\$ 33,627	\$ -	\$ (33,627)	\$ 30,290	\$ 33,627	\$ 3,337
Total Receipts	33,627	-	(33,627)	30,290	33,627	3,337
DISBURSEMENTS						
Sheriff	-	-	-	30,290	33,627	(3,337)
Total Disbursements	-	-	-	30,290	33,627	(3,337)
RECEIPTS OVER (UNDER) DISBURSEMENTS	33,627	-	(33,627)	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	\$ 33,627	\$ -	\$ (33,627)	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit M

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENIOR CITIZEN FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 15,840	\$ 15,944	\$ 104	\$ 15,000	\$ 16,333	\$ 1,333
Intergovernmental revenues	70	79	9	-	74	74
Interest income	300	241	(59)	-	338	338
Total Receipts	16,210	16,264	54	15,000	16,745	1,745
DISBURSEMENTS						
Senior Center	15,000	15,000	-	11,000	12,000	(1,000)
Oats	4,500	4,222	278	4,500	1,998	2,502
Miscellaneous	2,984	33	2,951	4,170	843	3,327
Total Disbursements	22,484	19,255	3,229	19,670	14,841	4,829
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,274)	(2,991)	3,283	(4,670)	1,904	6,574
CASH, JANUARY 1	6,274	6,274	-	4,370	4,370	-
CASH, DECEMBER 31	\$ -	\$ 3,283	\$ 3,283	\$ (300)	\$ 6,274	\$ 6,574

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit N

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest income	\$ 1,330	\$ 1,920	\$ 590	\$ -	\$ 1,330	\$ 1,330
Other revenue	-	-	-	1,300	-	(1,300)
Total Receipts	1,330	1,920	590	1,300	1,330	30
DISBURSEMENTS						
Law library	1,544	1,609	(65)	1,300	1,466	(166)
Total Disbursements	1,544	1,609	(65)	1,300	1,466	(166)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(214)	311	525	-	(136)	(136)
CASH, JANUARY 1	214	214	-	350	350	-
CASH, DECEMBER 31	\$ -	\$ 525	\$ 525	\$ 350	214	\$ (136)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit O

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest income	\$ 1,000	\$ 1,204	\$ 204	\$ 550	\$ 1,390	\$ 840
Prior year adjustment increasing receipts	-	-	-	-	113	113
Total Receipts	1,000	1,204	204	550	1,503	953
DISBURSEMENTS						
Circuit clerk interest	4,403	2,129	2,274	2,800	383	2,417
Total Disbursements	4,403	2,129	2,274	2,800	383	2,417
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,403)	(925)	2,478	(2,250)	1,120	3,370
CASH, JANUARY 1	3,403	3,403	-	2,283	2,283	-
CASH, DECEMBER 31	\$ -	\$ 2,478	\$ 2,478	\$ 33	\$ 3,403	\$ 3,370

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit P

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIVIL SERVICE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 4,455	\$ 3,863	\$ (592)	\$ 3,360	\$ 4,531	\$ 1,171
Total Receipts	4,455	3,863	(592)	3,360	4,531	1,171
DISBURSEMENTS						
Civil Service Fund	6,941	5,696	1,245	6,293	6,178	115
Total Disbursements	6,941	5,696	1,245	6,293	6,178	115
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,486)	(1,833)	653	(2,933)	(1,647)	1,286
CASH, JANUARY 1	2,486	2,486	-	4,133	4,133	-
CASH, DECEMBER 31	\$ -	\$ 653	\$ 653	\$ 1,200	2,486	\$ 1,286

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit Q

SCHUYLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SURPLUS LAND FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 721	\$ 721
Interest income	-	45	45	-	-	-
Total Receipts	-	45	45	-	721	721
DISBURSEMENTS						
Surplus land	721	-	721	-	-	-
Total Disbursements	721	-	721	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(721)	45	766	-	721	721
CASH, JANUARY 1	721	721	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ 766	\$ 766	\$ -	\$ 721	\$ 721

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit R

SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Fees	\$ 100	\$ 190	\$ 90	\$ -	\$ 15	\$ 15
Total Receipts	100	190	90	-	15	15
DISBURSEMENTS						
Domestic violence	115	-	115	-	-	-
Total Disbursements	115	-	115	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15)	190	205	-	15	15
CASH, JANUARY 1	15	15	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ 205	\$ 205	\$ -	\$ 15	\$ 15

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit S
SCHUYLER COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE JUDGE INTEREST FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest income	\$ 245	\$ 247	\$ 2	\$ 400	\$ 246	\$ (154)
Prior period adjustment to receipts	-	-	-	-	3	3
Total Receipts	245	247	2	400	249	(151)
DISBURSEMENTS						
Associate Judge	1,117	106	1,011	1,200	219	981
Total Disbursements	1,117	106	1,011	1,200	219	981
RECEIPTS OVER (UNDER) DISBURSEMENTS	(872)	141	1,013	(800)	30	830
CASH, JANUARY 1	872	872	-	842	842	-
CASH, DECEMBER 31	\$ -	\$ 1,013	\$ 1,013	\$ 42	\$ 872	\$ 830

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit T

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG AND CRIME FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest income	\$ -	\$ -	\$ -
Total Receipts	-	-	-
DISBURSEMENTS			
Cash Crop Drug Training	224	224	-
Adjustment	153	153	-
Total Disbursements	377	377	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(377)	(377)	-
CASH, JANUARY 1	377	377	-
CASH, DECEMBER 31	\$ -	-	\$ -

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SCHUYLER COUNTY LAW FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charge for services	\$ -	\$ -	\$ -
Total Receipts	-	-	-
DISBURSEMENTS			
Task Force	3,254	3,254	-
Total Disbursements	3,254	3,254	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,254)	(3,254)	-
CASH, JANUARY 1	3,254	3,254	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

SCHUYLER COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
UNCLAIMED FEES FUND

	Year Ended December 31,		
	2000		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other Revenues	\$ -	\$ 39	\$ 39
Adjustment	-	110	(110)
Total Receipts	-	149	(71)
DISBURSEMENTS			
Unclaimed fees	111	-	111
Total Disbursements	111	-	111
RECEIPTS OVER (UNDER) DISBURSEMENTS	(111)	149	40
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ (111)	\$ 149	\$ 40

The accompanying Notes to the Financial Statements are an integral part of this statement.

SCHUYLER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2000 AND 1999

1. Summary of Significant Accounting Policies

A. Reporting Entity Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Schuyler County, Missouri (County), and comparisons of such information for various funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Department Board. The General Revenue Fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the County did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Surplus Land Fund	1999
Domestic Violence Fund	1999
Drug and Crime Fund	2000

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the County. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the County's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Department Fund	2000, 1999
Associate Judge Interest Fund	1999

SCHUYLER COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2000 AND 1999

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments.

The County's and Health Department's deposits at December 31, 2000 and 1999, were entirely covered by federal depository insurance or by collateral securities held by the Department's or Health Department's custodial banks, respectively, in the Department's or Health Department's name.

Supplementary Schedules

Schedule

SCHUYLER COUNTY, MISSOURI
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2000	1999
U.S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special supplemental Nutrition Program for women, Infants, and Children	ERF-0451-199W	\$ 14,293	\$ 16,192
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	93-DR-70	2,730	166,971
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO-164-0312		5,945
		ERO-164-376	6,800	
	Program total		9,530	172,916
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERO-146-0199CLPP	1,940	
93.268	Immunization Grants	N/A		3,328
93.575	Child Care and Development Block Grant	N/A	3,840	29,168
93.919	Cooperative Agreements for State-Based	N/A	70	
93.991	Preventive Health and Health Services Block Grant	ERO-146-9199C		6,000
		ERF-S146-1199C	57,386	
93.994	Maternal and Child Health Services	ERO-146-9199MCH		28,963
		ERF-146-0199M	11,518	
	Program total		74,754	67,459
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.600	State and Community Highway Safety	N/A	1,000	
20.205	Off-System Bridge Replacement and Rehabilitation Program	N/A		204,162
	Program total		1,000	204,162
	Total Expenditures of Federal Awards		\$ 99,577	\$ 460,729

The accompanying Notes to the Schedules of Expenditures of Federal Awards are an integral part of these schedules.

Notes to the Supplementary Schedules

SCHUYLER COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2000 AND 1999

1. Summary of Significant Accounting Policies

A. Purpose of Schedules and Reporting Entity

The accompanying Schedules of Expenditures of Federal Awards have been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The Schedules of Expenditures of Federal Awards include all federal awards administered by Schuyler County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

C. Basis of Accounting

The Schedules of Expenditures of Federal Awards are presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The County provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS-
SINGLE AUDIT SECTION

Independent Auditors' Report

ARTHUR WHITE & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

302 Main Street
Tarkio, Missouri 64491
Telephone (660) 736-5811
Fax (660) 736-4364

Offices also located in:
St. Joseph, Missouri
Rock Port, Missouri

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

May 15, 2001

Missouri State Auditor's Office
Jefferson City, Missouri

Compliance

We have audited the compliance of Schuyler County, Missouri (County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 1999. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

Internal Control Over Compliance

The management of Schuyler County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

This report is intended for the information of the management of Schuyler County, Missouri; the Missouri State Auditor's office; federal awarding agencies and pass-through entities; and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

Schedule

SCHUYLER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

Material weakness identified? _____ yes X no

Reportable condition identified that is
not considered to be a Material weakness? _____ yes X no

Noncompliance material to the financial statements
noted? X yes _____ no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes X no

Reportable condition identified that is
not considered to be a Material weakness? _____ yes X no

Type of auditors' report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? _____ yes X no

Identification of major programs:

CFDA or Other Identifying Number	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
20.205	Off-System Bridge Replacement and Rehabilitative Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes X no

SCHUYLER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

FINDINGS

- 00 – 1 Condition: Following are the calculations of the property tax rollback and sales tax collections for the two years ended December 31, 2000, and excess property taxes of prior years:

	<u>Year Ended December 31,</u>	
	<u>2000</u>	<u>1999</u>
Actual Sales Tax Revenues	\$ 126,521	\$ 124,429
Required percentage of reduction	<u>50%</u>	<u>50%</u>
Required property tax revenue reduction	<u>63,260</u>	<u>62,214</u>
Assessed valuation	33,544,995	32,410,804
General Revenue Fund tax levy reduction (per \$100 assessed valuation)	<u>21%</u>	<u>21%</u>
Actual property tax revenue reduction	<u>70,444</u>	<u>68,063</u>
Excess property tax revenues Collected	(7,184)	(5,849)
Excess property tax revenues Collection from prior years	<u>60,620</u>	<u>66,469</u>
Excess through December 31,	<u>\$ 53,436</u>	<u>\$ 60,620</u>

Criteria: In 1987, voters authorized a ½ cent county sales tax with a ballot restriction under the provisions of Section 67.505 RSMo 1994, that provided the county would annually reduce its property tax levy by 50 percent of the total amount of sales tax collected.

Effect: As noted in the State's previous auditors' report, the county has not reduced its property tax sufficiently, according to the terms of the ballot.

Recommendation: We recommend that additional reductions will need to be made in future years to offset the balance of prior years' excess property tax revenue collections.

Auditee's Response: We have reduced the excess property taxes collected by over \$13,000 during the audit period and will continue to try to reduce the remaining excess balance in the future, depending on the county's current financial condition.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SCHUYLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Schuyler County, Missouri, on the applicable findings in the State Auditor's prior audit report issued for the two years ended December 31, 1998.

1. County Sales Tax

Schuyler County, Missouri did not sufficiently reduce its general property tax levy to fully comply with the County Sales Tax Act. As of December 31, 1998, property tax revenues collected were \$66,469 in excess of allowable amounts.

Recommendations:

The State Auditor recommended that the County Commission ensure appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

Status:

The County has not reduced its general property tax levy to fully comply with the County Sales Tax Act. The amount of the excess property tax revenues collected was reduced by \$13,033 during the two years ended December 31, 2000. As of December 31, 2000, property tax revenues collected were \$53,436 in excess of allowable amounts. See Finding 00-1 on page 32.

Summary Schedule of Prior Audit Findings
in Accordance with OMB Circular A-133

SCHUYLER COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2000 and 1999 included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Ripley County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Ripley County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by Charles Buchanan, P.C., Certified Public Accountant, is attached.

Claire C. McCaskill
State Auditor

Report No. 2001-77
August 31, 2001

RIPLEY COUNTY, MISSOURI
AUDIT REPORT
TWO YEARS ENDED DECEMBER 31, 2000

Prepared by:
Charles Buchanan, CPA, P. C.
Certified Public Accountants
8733 Riverview Blvd, Suite 2N
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RIPLEY COUNTY, MISSOURI

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FEDERAL AWARDS- SINGLE AUDIT SECTION

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FINANCIAL SECTION

Independent Auditor's Reports

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Ripley County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Ripley County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on the special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursement, and changes in cash of various funds of Ripley County, Missouri, and comparisons of such information with corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ripley County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various fund of Ripley County, Missouri, and comparisons of such information with the corresponding budgets information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 5, 2001, on our consideration of Ripley County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis as required by the U. S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

Original Signed By Auditor
Charles Buchanan CPA, P.C.
April 5, 2001

Charles Buchanan, CPA, P.C.
Certified Public Accountants
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission
and
Officeholders of Ripley County, Missouri

We have audited the special-purpose financial statements of various funds of Ripley County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 5, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Ripley County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of the management of Ripley County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited

Original Signed By Auditor
Charles Buchanan, CPA, P.C.
April 5, 2001

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

For the purposes of these disclosures, deposits with financial institutions are demand, time, and saving accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

Senate Bill
The County and Health Center and ~~Senior Citizen's~~ (SB-40) deposits at December 31, 1999 and 2000, were entirely covered by federal depository insurance or by collateral securities held by the Federal Reserve Bank at Kansas City, Missouri, in a joint account in the name of the Ripley County Treasurer and the County's Custodial Bank.

Of the County and Health Center's bank balances as of December 31, 1999 and 2000 respectively, \$100,000 (for each year) was covered by federal depository insurance. The balance of the county funds (for each year) was fully covered by collateral securities held by the Federal Reserve Bank of Kansas City, Missouri, in a joint account with the County's Custodial Bank in the name of the Ripley County Treasurer's.

To protect the safety of county deposits, section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Financial Statements

Ripley County Missouri
Statement of Receipts, Disbursements, and Changes in Cash - Various Funds
For the year ending December 31,

Account	Cash,			Cash,	Account	Cash,			Cash,
Fund	January 1	Receipts	Disbursements	December 31	Fund	January 1	Receipts	Disbursements	December 31
	1999			1999		2000			2000
General Revenue	\$ 359,734	555,443	484,512	\$430,665	General Revenue	\$ 430,665	608,779	667,242	\$ 372,202
Special Road and Bridges (CART)	93,262	636,061	576,832	152,491	Special Road and Bridges (CART)	152,491	441,164	459,469	134,186
Assessment	447	92,591	89,754	3,283	Assessment	3,283	96,802	97,395	2,691
Law Enforcement Training	576	2,103	1,100	1,579	Law Enforcement Training	1,579	2,353	1,234	2,698
Prosecuting Attorney Training	1,257	411	1,368	300	Prosecuting Attorney Training	300	397	363	334
Health Center	202,482	324,941	329,343	198,080	Health Center	198,080	362,803	351,761	209,122
Law Enforcement Sales Tax	1,450	475,419	474,131	2,738	Law Enforcement sales Tax	2,738	477,400	462,853	17,285
Children's Trust	-	704	704	-	Children's Trust	-	761	761	-
Crime Reduction	834	146	980	-	Crime Reduction	-	-	-	-
Crisis Intervention	1,538	659	1,284	913	Crisis Intervention	913	1,656	1,313	1,256
Prosecuting Attorney Bad Check	1,949	6,599	7,367	1,181	Prosecuting Attorney Bad Check	1,181	7,714	6,798	2,097
Prosecuting Attorney Delinquent Tax	192	1,402	1,563	31	Prosecuting Attorney Delinquent Tax	31	530	235	326
Recorder's User Fee	6,063	6,891	1,121	11,833	Recorder's User Fee	11,833	6,534	6,397	11,970
Board for the Care of the Handicapped	34,657	59,016	50,864	42,809	Board for the Care of the Handicapped)	42,809	64,842	55,030	52,621
Senior Citizen	7,388	30,477	33,244	4,621	Senior Citizen	4,621	32,542	31,082	6,081
Law Library Interest	4,239	7,006	6,475	4,770	Law Library Interest	4,770	6,407	6,747	4,430
Sheriff Civil	7,172	12,621	8,214	11,579	Sheriff Civil	11,579	14,457	16,365	9,671
Circuit Interest	1,910	957	1,465	1,402	Circuit Interest	1,402	1,187	1,877	712
West Doniphan Grant	-	224,260	224,260	-	West Doniphan Grant	-	10,167	10,167	-
Water District #2 Grant	-	259,376	258,876	500	Water District #2 Grant	500	220,678	220,678	500
Associate Circuit Clerk Interest	371	269	147	493	Associate Circuit Clerk Interest	493	70	563	-
Total All	<u>\$ 725,521</u>	<u>\$ 2,697,352</u>	<u>\$ 2,553,603</u>	<u>\$ 869,270</u>	Total All	<u>\$ 869,270</u>	<u>2,357,242</u>	<u>2,398,330</u>	<u>\$ 828,183</u>

The accompanying notes to the financial reports are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 201,000	211,100	10,100	187,000	154,617	(32,383)
Sales taxes	0	0	0	13,000	27,199	14,199
Intergovernmental	83,800	108,874	25,074	91,600	90,087	(1,513)
Charges for services	114,350	116,989	2,639	109,450	115,368	5,918
Interest	20,000	21,403	1,403	20,000	21,204	1,204
Other	21,755	33,720	11,965	19,725	32,309	12,584
Transfers in	17,337	116,693	99,356	20,395	114,659	94,264
Total Receipts	458,242	608,779	150,537	461,170	555,443	94,273
DISBURSEMENTS						
County Clerk	60,411	47,659	12,752	60,611	53,299	7,312
County Commission	68,210	67,360	850	68,420	68,126	294
Elections	0	0	0	0	0	0
Buildings and grounds	43,691	44,835	(1,144)	38,198	39,601	(1,403)
Employee fringe benefits	22,400	21,081	1,319	23,200	22,268	932
County Treasurer	25,774	25,095	679	27,005	25,281	1,724
County Collector	63,991	63,834	157	62,866	60,411	2,455
Ex Officio Recorder of Deeds	23,250	21,145	2,105	20,185	21,797	(1,612)
Circuit Clerk	0	0	0	0	0	0
Associate Circuit Court	10,650	7,817	2,833	8,550	7,104	1,446
Associate Circuit (Probate)	0	0	0	0	0	0
Court administration	14,300	9,128	5,172	12,500	9,507	2,993
Public Administrator	13,484	16,157	(2,673)	11,604	14,569	(2,965)
Child Support Enforcement	18,020	17,321	699	17,489	16,828	661
Community projects	8,500	7,500	1,000	8,500	8,500	0
Other General Co. Government	48,102	46,198	1,904	43,345	46,297	(2,952)
Transfers out	97,900	272,112	(174,212)	119,305	90,924	28,381
Emergency Fund	13,750	0	13,750	14,000	0	14,000
Total Disbursements	532,433	667,242	(134,809)	535,778	484,512	51,266
RECEIPTS OVER (UNDER) DISBURSEMENTS	(74,191)	(58,463)	285,346	(74,608)	70,931	43,007
CASH, JANUARY 1	330,664	430,665	100,001	359,734	359,734	0
CASH, DECEMBER 31	\$ 256,473	372,202	385,347	285,126	430,665	43,007

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

Year Ended December 31,						
2000			1999			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
RECEIPTS						
Property taxes	\$	0			0	
Sales taxes		0			0	
Intergovernmental-cart	400,000	401,423	1,423	400,000	398,996	(1,004)
Interest	8,000	9,449	1,449	8,000	8,388	388
Other	34,886	30,292	(4,594)	258,500	228,677	(29,823)
Total Receipts	442,886	441,164	(1,722)	666,500	636,061	(30,439)
DISBURSEMENTS						
Salaries	105,000	95,623	9,377	110,000	104,623	5,377
Employee fringe benefits	16,833	17,559	(726)	18,815	16,717	2,098
Supplies	48,000	39,351	8,649	50,000	43,969	6,031
Insurance	5,000	6,121	(1,121)	3,800	4,035	(235)
Road and bridge materials	39,500	30,527	8,973	35,000	34,074	926
Equipment repairs	20,000	28,040	(8,040)	10,000	7,482	2,518
Rentals	1,000	615	385	2,000	1,835	165
Equipment purchases	116,864	107,446	9,418	51,000	30,390	20,610
Construction, repair, and maintenance	71,136	42,425	28,711	255,000	234,248	20,752
Operating Transfers	0	15,296	(15,296)	12,495		12,495
Debt service	0	0	0	0	0	0
Other	112,715	76,466	36,249	143,020	86,963	56,057
Transfers out	15,297	0	15,297	0	12,496	(12,496)
Total Disbursements	551,345	459,469	91,876	691,130	576,832	114,298
RECEIPTS OVER (UNDER) DISBURSEMENTS	(108,459)	(18,305)	90,154	(24,630)	59,229	83,859
CASH, JANUARY 1	152,492	152,491	(1)	93,262	93,262	0
CASH, DECEMBER 31	\$ 44,033	134,186	90,153	68,632	152,491	83,859

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 81,075	82,193	1,118	76,844	77,552	708
Charges for services	930	718	(212)	570	575	5
Interest	800	891	91	500	777	277
Other	0	0	0	160	62	(98)
Transfers in	13,000	13,000	0	11,625	13,625	2,000
Total Receipts	95,805	96,802	997	89,699	92,591	2,892
DISBURSEMENTS						
Assessor	97,645	97,395	250	89,687	89,754	(67)
Total Disbursements	97,645	97,395	250	89,687	89,754	(67)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,840)	(593)	1,247	12	2,837	2,825
CASH, JANUARY 1	3,284	3,284	0	447	447	0
CASH, DECEMBER 31	\$ 1,444	2,691	1,247	459	3,284	2,825

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 1,400	1,502	102	2,000	1,418	(582)
Interest	50	122	72	25	56	31
Other	600	729	129	750	629	(121)
Total Receipts	2,050	2,353	303	2,775	2,103	(672)
DISBURSEMENTS						
Training	2,500	1,234	1,266	2,775	1,100	1,675
			0			0
Total Disbursements	2,500	1,234	1,266	2,775	1,100	1,675
RECEIPTS OVER (UNDER) DISBURSEMENTS	(450)	1,119	1,569	0	1,003	1,003
CASH, JANUARY 1	1,579	1,579	0	576	576	0
CASH, DECEMBER 31	\$ 1,129	2,698	1,569	576	1,579	1,003

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 400	375	(25)	355	355	0
Sales Tax Revenue						
Intergovernmental Revenues						
Operation Transfers						
Interest	50	22	(28)	56	56	0
Other			0			0
Total Receipts	450	397	(53)	411	411	0
DISBURSEMENTS						
Misc			0			0
Training	450	363	87	1,369	1,368	1
Total Disbursements	450	363	87	1,369	1,368	1
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	34	34	(958)	(957)	1
CASH, JANUARY 1	300	300	0	1,257	1,257	0
CASH, DECEMBER 31	\$ 300	334	34	299	300	1

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 92,248	95,959	3,711	93,394	88,262	(5,132)
Intergovernmental	203,220	222,912	19,692	209,800	184,846	(24,954)
Charges for services	17,500	3,600	(13,900)	15,500	9,327	(6,173)
Interest	6,000	4,042	(1,958)	6,000	5,248	(752)
Other	61,046	36,290	(24,756)	37,649	37,258	(391)
Total Receipts	380,014	362,803	(17,211)	362,343	324,941	(37,402)
DISBURSEMENTS						
Salaries	288,301	283,160	5,141	268,673	259,365	9,308
Office expenditures	52,155	41,541	10,614	57,655	46,975	10,680
Equipment	3,000	4,930	(1,930)	3,000	549	2,451
Mileage and training	10,000	4,590	5,410	10,000	8,208	1,792
Remodeling health center	7,058	0	7,058	8,015	0	8,015
Other	19,500	17,540	1,960	15,000	14,246	754
Total Disbursements	380,014	351,761	28,253	362,343	329,343	33,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	11,042	11,042	0	(4,402)	(4,402)
CASH, JANUARY 1	198,090	198,080	(10)	202,482	202,482	0
CASH, DECEMBER 31	\$ 198,090	209,122	11,032	202,482	198,080	(4,402)

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

Year Ended December 31,						
2000			1999			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Charges for services	\$ 2,000	1,582	1,700	2,097	397	
Sales Tax Revenue	350,000	387,606	340,000	346,752	6,752	
Intergovernmental Revenues	60,217	61,637	73,800	53,799	(20,001)	
Operation Transfers	50,000	25,000	100,000	70,000	(30,000)	
Interest	1,200	1,375	1,500	1,282	(218)	
Other		200	2,000	1,489	(511)	
Total Receipts	463,417	477,400	519,000	475,419	(43,581)	
DISBURSEMENTS						
Prosecuting Attorney	60,307	57,978	60,410	59,235	1,175	
Sheriff	221,420	221,079	244,028	240,399	3,629	
Jail	78,400	73,516	100,400	62,162	38,238	
Juvenile Office	60,500	65,094	70,500	70,424	76	
Coroner	9,000	11,212	10,200	7,336	2,864	
Other General LEST Expenses	8,150	7,826	6,400	8,037	(1,637)	
Fringe Benefits	26,800	26,148	28,000	26,538	1,462	
Total Disbursements	464,577	462,853	519,938	474,131	45,807	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,160)	14,547	(938)	1,288	2,226	
CASH, JANUARY 1	2,739	2,738	1,450	1,450	0	
CASH, DECEMBER 31	\$ 1,579	17,285	512	2,738	2,226	

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S TRUST FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 750	745	(5)	750	690	(60)
Interest	20	16	(4)	10	14	4
Other			0			0
Total Receipts	770	761	(9)	760	704	(56)
DISBURSEMENTS						
Allocations	770	761	9	760	704	56
Total Disbursements	770	761	9	760	704	56
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	\$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIME REDUCTION FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 0	0	0	300	146	(154)
Interest	0	0	0	26	0	(26)
Other	0	0	0	0	0	0
Total Receipts	0	0	0	326	146	(180)
DISBURSEMENTS						
Sheriff Equipment	0	0	0	580	980	(400)
PA Equipment	0	0	0	580	0	580
Total Disbursements	0	0	0	1,160	980	180
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(834)	(834)	0
CASH, JANUARY 1	0	0	0	834	834	0
CASH, DECEMBER 31	\$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CRISIS INTERVENTION FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$		0			0
Interest	100	79	(21)	100	98	(2)
Other	1,500	1,577	77	1,500	561	(939)
Total Receipts	1,600	1,656	56	1,600	659	(941)
DISBURSEMENTS						
Administrative Expenses	150	119	31	150	117	33
DFS Disbursements	1,500	1,194	306	1,500	1,167	333
Total Disbursements	1,650	1,313	337	1,650	1,284	366
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50)	343	393	(50)	(625)	(575)
CASH, JANUARY 1	913	913	0	1,538	1,538	0
CASH, DECEMBER 31	\$ 863	1,256	393	1,488	913	(575)

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 7,200	7,480	280	11,000	6,486	(4,514)
Interest	40	108	68	150	42	(108)
Other		126	126		71	71
Total Receipts	7,240	7,714	474	11,150	6,599	(4,551)
DISBURSEMENTS						
Salaries, Fringe Benefits	2,040	1,510	530	4,900	2,165	2,735
Office Supplies	1,300	775	525	750	1,237	(487)
Postage	575	663	(88)	500	495	5
Equipment	2,145	2,335	(190)	2,700	1,909	791
Library	0	709	(709)	1,000	947	53
Mileage & Training	0	0	0	350	0	350
Victim Rights	0	0	0	150	0	150
Other Expenses	0	524	(524)	250	0	250
Misc	755	282	473	890	285	605
Court reporting	0	0	0	500	329	171
Telephone	0	0	0	250		250
Total Disbursements	6,815	6,798	17	12,240	7,367	4,873
RECEIPTS OVER (UNDER) DISBURSEMENTS	425	916	491	(1,090)	(768)	322
CASH, JANUARY 1	1,181	1,181	0	1,949	1,949	0
CASH, DECEMBER 31	\$ 1,606	2,097	491	859	1,181	322

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

PROSECUTING ATTORNEY DELINQUENT TAX FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 1,400	526	(874)	5,600	1,145	(4,455)
Interest	0	4	4	0	16	16
Other	0	0	0	0	241	241
Total Receipts	1,400	530	(870)	5,600	1,402	(4,198)
DISBURSEMENTS						
Equipment	350	121	229	0	452	(452)
Office Supplies	200	0	200	250	0	250
Cellular Phone	0	10	(10)	30	323	(293)
Misc.	100	7	93	830	338	492
Fringe Benefits	0	0	0	3,000	0	3,000
Internet service	120	0	120	0	172	(172)
Mileage	400	0	400	1,000	0	1,000
Library	240	97	143	275	278	(3)
Total Disbursements	1,410	235	1,175	5,385	1,563	3,822
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10)	295	305	215	(161)	(376)
CASH, JANUARY 1	31	31	0	192	192	0
CASH, DECEMBER 31	\$ 21	326	305	407	31	(376)

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 6,000	5,708	(292)	5,500	6,391	891
Interest	500	826	326	500	500	0
Other			0			0
Total Receipts	6,500	6,534	34	6,000	6,891	891
DISBURSEMENTS						
Equipment	10,000	6,397	3,603	4,000	500	3,500
Office Supplies	500	0	500	1,000	456	544
Postage	500	0	500	0	165	(165)
Total Disbursements	11,000	6,397	4,603	5,000	1,121	3,879
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,500)	137	4,637	1,000	5,770	4,770
CASH, JANUARY 1	11,834	11,833	(1)	6,063	6,063	0
CASH, DECEMBER 31	\$ 7,334	11,970	4,636	7,063	11,833	4,770

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

BOARD FOR THE CARE OF THE HANDICAPPED (SB-40 Board)

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 61,837	64,842	3,005	62,262	59,016	(3,246)
Interest	1,100	0	(1,100)	650	0	(650)
Other - CD Transfer in	11,132	0	(11,132)	10,643	0	(10,643)
Total Receipts	74,069	64,842	(9,227)	73,555	59,016	(14,539)
DISBURSEMENTS						
Current River Sheltered Workshop, Inc.	61,700	55,030	6,670	61,700	50,864	10,836
Total Disbursements	61,700	55,030	6,670	61,700	50,864	10,836
RECEIPTS OVER (UNDER) DISBURSEMENTS	12,369	9,812	(2,557)	11,855	8,152	(3,703)
CASH, JANUARY 1	31,676	42,809	11,133	20,014	34,657	14,643
CASH, DECEMBER 31	\$ 44,045	52,621	8,576	31,869	42,809	10,940

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SENIOR CITIZEN FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 31,055	32,542	1,487	30,500	30,477	(23)
Interest			0			0
Other			0			0
Total Receipts	31,055	32,542	1,487	30,500	30,477	(23)
DISBURSEMENTS						
Naylor Senior Citizens Inc			0			0
Ripley County Senior Citizens Inc.	31,160	31,082	78	33,447	33,244	203
Ripley County Transit Inc.			0			0
Other			0			0
			0			0
Total Disbursements	31,160	31,082	78	33,447	33,244	203
RECEIPTS OVER (UNDER) DISBURSEMENTS	(105)	1,460	1,565	(2,947)	(2,767)	180
CASH, JANUARY 1	4,621	4,621	0	6,871	7,388	517
CASH, DECEMBER 31	\$ 4,516	6,081	1,565	3,924	4,621	697

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 6,500	6,290	(210)	6,000	6,125	125
Interest	0	117	117	0	101	101
Other			0	0	780	780
Total Receipts	6,500	6,407	(93)	6,000	7,006	1,006
DISBURSEMENTS						
Telephone	800	0	800	800	0	800
West Publishing	0	0	0	3,800	0	3,800
Lawyers Weekly	0	0	0	250	0	250
Paper Printer Supplies	0	0	0	100	0	100
PBMONE Internet Provider	120	0	120	250	0	250
Misc Publication	4,500	0	4,500	200	0	200
Equipment Purchase	1,000	0	1,000	2,050	0	2,050
Library	25	6,747	(6,722)	0	6,373	(6,373)
Bank service charges	120	0	120	0	102	(102)
Total Disbursements	6,565	6,747	(182)	7,450	6,475	975
RECEIPTS OVER (UNDER) DISBURSEMENTS	(65)	(340)	(275)	(1,450)	531	1,981
CASH, JANUARY 1	4,770	4,770	0	4,239	4,239	0
CASH, DECEMBER 31	\$ 4,705	4,430	(275)	2,789	4,770	1,981

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SHERIFF CIVIL FEES FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 11,000	9,243	(1,757)	9,000	11,322	2,322
Interest	500	778	278	250	579	329
Other		4,436	4,436		720	720
Total Receipts	11,500	14,457	2,957	9,250	12,621	3,371
DISBURSEMENTS						
Law enforcement equipment	8,000	14,504	(6,504)	5,000	6,890	(1,890)
Misc	1,500	1,861	(361)	2,500	1,324	1,176
Highway Patrol Used Vehivle	13,000	0	13,000	0	0	0
Total Disbursements	22,500	16,365	6,135	7,500	8,214	(714)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,000)	(1,908)	9,092	1,750	4,407	2,657
CASH, JANUARY 1	11,578	11,579	1	7,172	7,172	0
CASH, DECEMBER 31	\$ 578	9,671	9,093	8,922	11,579	2,657

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST

Year Ended December 31,						
2000			1999			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
Budget	Actual		Budget	Actual		
RECEIPTS						
Interest	650	1,187	537	500	957	457
Other			0	0		0
Total Receipts	650	1,187	537	500	957	457
DISBURSEMENTS						
Supplies and equipment	2,000	1,877	123	2,000	1,465	535
Total Disbursements	2,000	1,877	123	2,000	1,465	535
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,350)	(690)	660	(1,500)	(508)	992
CASH, JANUARY 1	1,394	1,402	8	1,910	1,910	0
CASH, DECEMBER 31	\$ 44	712	668	410	1,402	992

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLACK GRANT WEST DONIPHAN PROJECT FUND

Year Ended December 31,						
2000			1999			
		Variance			Variance	
		Favorable			Favorable	
Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)	
RECEIPTS						
Charges for services	\$	0			0	
Interest		0			0	
County Share			10,000	0	(10,000)	
CDBG	0	10,167	224,260	224,260	0	
Total Receipts	0	10,167	234,260	224,260	(10,000)	
DISBURSEMENTS						
Drainage		0	131,000	121,000	10,000	
Streets		0	62,450	62,450	0	
Engineering		0	26,510	26,510	0	
Administration	0	10,167	14,300	14,300	0	
		0			0	
		0			0	
Total Disbursements	0	10,167	234,260	224,260	10,000	
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	
CASH, JANUARY 1		0			0	
CASH, DECEMBER 31	\$	0	0	0	0	

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

COMMUNITY DEVELOPMENT BLOCK GRANT RIPLEY COUNTY PUBLIC WATER SUPPLY DIST 2 FUND

Year Ended December 31,						
2000			1999			
		Variance			Variance	
	Budget	Favorable		Budget	Favorable	
		(Unfavorable)			(Unfavorable)	
RECEIPTS						
Charges for services	\$	0			0	
Interest		0			0	
CDBG Fund	240,000	220,678	(19,322)	397,913	259,376	(138,537)
Other		0			0	
Total Receipts	240,000	220,678	(19,322)	397,913	259,376	(138,537)
DISBURSEMENTS						
Grant Expenditures	240,500	220,678	19,822		258,876	(258,876)
Water Facilities	0	0	0	303,388	0	303,388
Property Acquisition	0	0	0	25,375	0	25,375
Engineering	0	0	0	49,600	0	49,600
Grant Administration	0	0	0	19,550	0	19,550
Total Disbursements	240,500	220,678	19,822	397,913	258,876	139,037
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	0	500	0	500	500
CASH, JANUARY 1	500	500	0	0	0	0
CASH, DECEMBER 31	\$ 0	500	500	0	500	500

The accompanying Notes to the Financial Statements are an integral part of this statement.

RIPLEY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT CLERK INTEREST

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$	70	70		269	269
Interest	270	0	(270)	25	0	(25)
County Revenue	0	0	0	3,180	0	(3,180)
Other	0	0	0	12,500	0	(12,500)
Total Receipts	270	70	(200)	15,705	269	(15,436)
DISBURSEMENTS						(15,436)
Supplies	297	202	95	3,180	147	3,033
Maintenance	0	49	(49)	12,500	0	12,500
UPS	0	46	(46)	0	0	0
Treasurer	0	266	(266)	0	0	0
	0	0	0	0	0	0
Total Disbursements	297	563	(266)	15,680	147	15,533
RECEIPTS OVER (UNDER) DISBURSEMENTS	(27)	(493)	(466)	25	122	97
CASH, JANUARY 1	493	493	0	83	371	288
CASH, DECEMBER 31	\$ 466	0	(466)	108	493	385

The accompanying Notes to the Financial Statements are an integral part of this statement.
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Notes to the Financial Statements

Ripley County, Missouri

Notes To the Financial Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present receipts, disbursements, and changes in cash of various funds of Ripley County, Missouri, and comparison of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Senate Bill 40 Board, or the Senior Citizen's Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Section 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

D. Published Financial Statements

Under Section 50.800 and 50.810 RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28 1997, requires political subdivisions with existing authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit political subdivision to the principles of safety, liquidity and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreement or other methods), and use of public fund for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Government Accounting Standards Board, Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreement, disclosures are provided below regarding the risk of potential loss of deposits and investments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

For the purposes of these disclosures, deposits with financial institutions are demand, time, and saving accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The County and Health Center's deposits at December 31, 1999 and 2000, were entirely covered by federal depositary insurance or by collateral securities held by the Federal Reserve Bank at Kansas City, Missouri, in a joint account in the name of the Ripley County Treasurer and the County's Custodial Bank.

Of the County and Health Center's bank balances as of December 31, 1999 and 2000 respectively, \$100,000 (for each year) was covered by federal depositary insurance. The balance of the county funds (for each year) was fully covered by collateral securities held by the Federal Reserve Bank of Kansas City, Missouri, in a joint account with the County's Custodial Bank in the name of the Ripley County Treasurer's.

To protect the safety of county deposits, section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

RIPLEY COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/ Pass- Through Grantor/Program Title	Pass-Through Entity Identifying Number	Expenditures Year Ended December 31,	
			1999	2000
	U.S DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Services-Food Distribution			
10.665	Schools and Roads - Grants to State	N/A	\$ 109,254	\$ 103,491
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development-			
14.228	Community Development Block Grant/State's Program	93DR71	224,260	
14.228	Community Development Block Grant/State's Program	98PF30	259,376	
14.228	Community Development Block Grant/State's Program	98PF30		220,678
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:			
16.710	Public Safety Partnership and Community Policing ("Cops) Grants	95-CFW-1117		21,128
	Passed Through:			
	State Department of Public Safety-			
16.unknown	Missouri Sheriffs' Association - Domestic Cannabis Eradication/Suppression Program	N/A	790	
	Local Law Enforcement Block Grants Prorams	96-LBG-108	16,261	9,000
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	1,450	47,325
	U.S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission			
20.205	Off-System Bridge Replacement and Rehabilitation Program	N/A	215,726	26,126
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state Department of Public Safety:			
83.534	Emergency Management - State and Local Assistance	N/A	1,959	5,564
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Social Services - Division of Aging			
93.563	Child Support Enforcement	N/A	9,540	4,990
	Total Expenditures of Federal Awards		\$ 838,616	\$ 438,302

N/A-Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

RIPLEY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. The schedule includes all federal awards administered by Ripley County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Accordingly, the schedule includes expenditures of both cash and non-cash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash. Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$ 220,678 and \$ 473,636 to subrecipients under the Community Development Block Grants/State's Program (CFDA number 14.228) during the years ended December 31, 2000 and 1999, respectively.

FEDERAL AWARDS –
SINGLE AUDIT SECTION

Auditor's Compliance Report

**Charles Buchanan, CPA, P.C.
Certified Public Accountants
8733 Riverview # 2 North
St. Louis, MO 63147
(314)-869-2720 (OFC)
(314)-869-5955 (Fax)**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Ripley County, Missouri

Compliance

We have audited the compliance of Ripley County, Missouri with the types of compliance requirement described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the county's compliance with those requirements.

In our opinion, Ripley County, Missouri, complied in all material respects, with the requirements referred to above that are applicable to its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 99-1 and 99-2.

Internal Control Over Compliance

The management of Ripley County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the

risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants that would be material in relation to major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

This report is intended for the information of the management of Ripley County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Original Signed By Auditor
Charles Buchanan, CPA, P.C.
April 5, 2001

Schedule

RIPLEY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 2000 AND 1999

Section I - Summary Of Auditor's Results

Financial Statement

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ☐yes ☒no

Reportable conditions identified that are not considered to be material weaknesses? ☐yes ☐none reported

Noncompliance Material to the financial states noted? ☐yes ☒no

Federal Award

Internal control over major programs:

Material weakness identified? ☐yes ☒no

Reportable conditions identified that are not considered to be material weaknesses? ☒yes ☐no

Type of audit's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? ☐yes ☒no

Identification of major programs:

CFDA or Other identification number

14.228

Program Title

Community Development Block Grants/ State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee ☐yes ☒no

Section II - Financial Statement Findings

This section includes no audit finding that Government Auditing Standards requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

99-1. Unauthorized Reprogramming of Grant Amounts.

Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: Department of Economic Development
Federal CFDA Number: 14.228
Program Title: Community Development Block Grant/State's Program
Pass-through Entity
Identifying Number: 98-PF-30
Award Year: 1998
Questioned Costs: \$1,001

Condition: During the year ended December 31, 1999, \$11,001 was reprogrammed from acquisition costs ; \$9,651 was reallocated to water costs and \$1,350 to administrative expenses without prior approval of DED.

Criteria: Community Block Development (DED) Grant funds are approved by activity (line item) except that the grantee may transfer funds between activities in an amount not to exceed \$10,000 or 10% of the total allocation, whichever is less, except that administration, audit inspection, and engineering costs may not exceed the indicated totals. No variance is allowed for non - construction activities unless approved by the Department of Economic Development.

Effect: The county did not comply with DED's regulations.

Recommendation: We recommend that the county refer to the grant agreement prior to reprogramming costs and discuss any future reprogramming of budget costs with DED.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission will discuss this issue with the third-party administrator to resolve the problem..

99-2. Inadequate Monitoring of Cash Management.

Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: Department of Economic Development
Federal CFDA Number: 14.228
Program Title: Community Development Block Grant/State's Program
Pass-through Entity
Identifying Number: 98-PF-30
Award Year: 1998
Questioned Costs: Under the statutory limitations.

Condition: The county exceeded the maximum 5 day time lapse between draw-down of funds and payment to vendors.

Criteria: When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds and disbursement by the recipient.

Effect: The treasurer might have earned an additional 1-2 days interest on the money held by the county.

Recommendation: We recommend the county monitors it's draw-downs and disbursement dates more closely.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION:

The County Commission will discuss this issue with the third party administrator to resolve this problem.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

**RIPLEY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The State Auditor's prior audit report issued for the two years ended December 31, 1998, included no audit findings that Government Auditing Standards requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance with OMB Circular A-133

RIPLEY COUNTY, MISSOURI
SUMMARY SCHEDULE PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The State Auditor's prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Ralls County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Ralls County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by Larson, Allen, Weishair & Co., LLP, Certified Public Accountants, is attached.

Claire C. McCaskill
State Auditor

Report No. 2001-76
August 31, 2001

**RALLS COUNTY, MISSOURI
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2000 AND 1999

**RALLS COUNTY, MISSOURI
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Business Consultants • Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the County Commission
and Officeholders of Ralls County, Missouri

We have audited the special-purpose financial statements, identified in the table of contents, of various funds of Ralls County, Missouri, as of and for the years ended December 31, 2000 and 1999. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Ralls County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ralls County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Ralls County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Page Two

In accordance with Government Auditing Standards, we have also issued a report dated May 10, 2001, on our consideration of Ralls County, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the special purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special purpose financial statements of Ralls County, Missouri. Such information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the special purpose financial statements taken as a whole.

Original Signed by Auditor

LARSON, ALLEN, WEISHAIR & CO., LLP

May 10, 2001
St. Louis, Missouri

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 79,109	\$ 1,243,887	\$ 1,226,624	\$ 96,372
Special Road and Bridge	221,082	1,054,965	1,110,807	165,240
Assessment	-	156,348	156,348	-
Law Enforcement Training	155	4,988	3,747	1,396
Prosecuting Attorney Training	10,281	2,026	1,050	11,257
Prosecuting Attorney Administration	1,753	2,180	1,200	2,733
Prosecuting Attorney Delinquent Tax	2,797	1,547	-	4,344
Domestic Violence	249	500	463	286
Drug Enforcement	296	4	300	-
Recorder's User Fee	14,383	5,194	13,110	6,467
911	-	155,692	155,692	-
Health Center	209,579	670,175	611,581	268,173
Subtotal	<u>\$ 539,684</u>	<u>\$ 3,297,506</u>	<u>\$ 3,280,922</u>	<u>\$ 556,268</u>
Circuit Division Interest	\$ 6,614	\$ 2,739	\$ 1,377	\$ 7,976
Associate Circuit Division Interest	1,215	623	-	1,838
Total	<u>\$ 547,513</u>	<u>\$ 3,300,868</u>	<u>\$ 3,282,299</u>	<u>\$ 566,082</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

RALLS COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 4,229	\$ 1,197,660	\$ 1,122,780	\$ 79,109
Special Road and Bridge	348,207	1,032,925	1,160,050	221,082
Assessment	(6,002)	158,125	152,123	-
Law Enforcement Training	711	5,945	6,501	155
Prosecuting Attorney Training	9,448	1,333	500	10,281
Prosecuting Attorney Administration	632	2,321	1,200	1,753
Prosecuting Attorney Delinquent Tax	2,256	541	-	2,797
Domestic Violence	273	426	450	249
Drug Enforcement	2,097	532	2,333	296
Recorder's User Fee	13,875	6,060	5,552	14,383
911	1,966	144,527	146,493	-
Health Center	237,055	687,614	715,090	209,579
Subtotal	<u>\$ 614,747</u>	<u>\$ 3,238,009</u>	<u>\$ 3,313,072</u>	<u>\$ 539,684</u>
Circuit Division Interest	\$ 5,527	\$ 2,695	\$ 1,608	\$ 6,614
Associate Circuit Division Interest	2,054	678	1,517	1,215
Total	<u><u>\$ 622,328</u></u>	<u><u>\$ 3,241,382</u></u>	<u><u>\$ 3,316,197</u></u>	<u><u>\$ 547,513</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT B

**RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 263,201	\$ 269,176	\$ 5,975	\$ 212,593	\$ 241,409	\$ 28,816
Sales Taxes	585,000	602,507	17,507	590,000	589,392	(608)
Intergovernmental	64,200	64,892	692	66,200	61,072	(5,128)
Charges for Services	180,600	163,485	(17,115)	168,200	181,323	13,123
Interest	5,000	11,648	6,648	4,000	3,902	(98)
Other	90,400	86,558	(3,842)	48,300	80,520	32,220
Transfers In	50,054	45,621	(4,433)	60,000	40,042	(19,958)
Total Receipts	\$ 1,238,455	\$ 1,243,887	\$ 5,432	\$ 1,149,293	\$ 1,197,660	\$ 48,367
DISBURSEMENTS						
County Commission	\$ 78,940	\$ 78,604	\$ 336	\$ 77,440	\$ 77,407	\$ 33
County Clerk	69,500	64,668	4,832	68,860	67,410	1,450
Elections	74,265	66,216	8,049	21,050	14,282	6,768
Buildings and Grounds	51,762	55,075	(3,313)	76,742	57,154	19,588
Employee Fringe Benefits	167,500	140,216	27,284	175,000	144,585	30,415
County Treasurer	29,520	29,418	102	29,320	29,028	292
County Collector	66,900	66,231	669	67,186	64,698	2,488
Circuit Clerk	47,331	40,965	6,366	40,880	41,732	(852)
Associate Circuit	9,400	8,121	1,279	10,050	9,171	879
Court Administration	8,948	8,871	77	10,577	5,975	4,602
Public Administrator	16,075	17,165	(1,090)	16,800	15,775	1,025
Sheriff	330,217	343,948	(13,731)	346,614	317,303	29,311
Prosecuting Attorney	75,334	75,935	(601)	75,559	74,736	823
Juvenile Officer	43,861	14,439	29,422	54,819	34,242	20,577
County Coroner	13,650	6,830	6,820	12,900	8,251	4,649
Planning & Zoning	21,952	21,665	287	22,432	21,124	1,308
University Extension Service	36,680	36,680	-	35,140	35,140	-
Prosecuting Attorney retirement	4,500	4,500	-	4,500	4,500	-
Health and Welfare	-	100	(100)	-	100	(100)
Local Emergency Planning Committee	2,500	-	2,500	2,500	-	-
Other General County Government	56,000	62,271	(6,271)	64,500	50,888	13,612
Transfers Out	77,080	84,706	(7,626)	79,672	49,279	30,393
Emergency Fund	35,652	-	35,652	34,479	-	34,479
Total Disbursements	\$ 1,317,567	\$ 1,226,624	\$ 90,943	\$ 1,327,020	\$ 1,122,780	\$ 204,240
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (79,112)	\$ 17,263	\$ 96,375	\$ (177,727)	\$ 74,880	\$ 252,607
CASH, JANUARY 1	79,109	79,109	-	4,229	4,229	-
CASH, DECEMBER 31	\$ (3)	\$ 96,372	\$ 96,375	\$ (173,498)	\$ 79,109	\$ 252,607

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT C

**RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 307,126	\$ 310,348	\$ 3,222	\$ 290,502	\$ 324,168	\$ 33,666
Sales Taxes	117,000	120,360	3,360	130,000	110,729	(19,271)
Intergovernmental	546,300	542,122	(4,178)	602,680	538,770	(63,910)
Interest	25,000	24,710	(290)	30,000	23,094	(6,906)
Other	37,500	52,425	14,925	25,200	36,164	10,964
Transfers in	5,000	5,000	-	-	-	-
Total Receipts	<u>\$ 1,037,926</u>	<u>\$ 1,054,965</u>	<u>\$ 17,039</u>	<u>\$ 1,078,382</u>	<u>\$ 1,032,925</u>	<u>\$ (45,457)</u>
DISBURSEMENTS						
Salaries	\$ 280,000	\$ 253,048	\$ 26,952	\$ 280,000	\$ 253,109	\$ 26,891
Employee Fringe Benefits	109,500	93,403	16,097	116,500	92,779	23,721
Supplies	136,500	147,272	(10,772)	135,000	126,654	8,346
Insurance	25,000	23,201	1,799	30,000	23,056	6,944
Road and Bridge Materials	336,954	279,686	57,268	407,089	325,700	81,389
Equipment Repairs	55,000	23,443	31,557	55,000	51,742	3,258
Rentals	2,000	-	2,000	10,000	1,040	8,960
Equipment Purchases	200,000	177,282	22,718	245,000	198,026	46,974
Construction, repair and maintenance	20,000	39,958	(19,958)	30,000	1,955	28,045
Other	20,000	3,850	16,150	18,000	5,152	12,848
Transfers Out	74,054	69,664	4,390	100,000	80,837	19,163
Total Disbursements	<u>\$ 1,259,008</u>	<u>\$ 1,110,807</u>	<u>\$ 148,201</u>	<u>\$ 1,426,589</u>	<u>\$ 1,160,050</u>	<u>\$ 266,539</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (221,082)</u>	<u>\$ (55,842)</u>	<u>\$ 165,240</u>	<u>\$ (348,207)</u>	<u>\$ (127,125)</u>	<u>\$ 221,082</u>
CASH, JANUARY 1	<u>221,082</u>	<u>221,082</u>	<u>-</u>	<u>348,207</u>	<u>348,207</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ -</u></u>	<u>\$ 165,240</u>	<u>\$ 165,240</u>	<u><u>\$ -</u></u>	<u>\$ 221,082</u>	<u>\$ 221,082</u>
Cash - Prior Page		<u>96,372</u>			<u>79,109</u>	
Cash Subtotal Carryforward		<u>\$ 261,612</u>			<u>\$ 300,191</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT D

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 107,500	\$ 105,316	\$ (2,184)	\$ 103,000	\$ 105,943	\$ 2,943
Charges for services	1,000	1,008	8	1,000	1,111	111
Interest	150	762	612	200	205	5
Other	1,300	1,365	65	2,200	1,587	(613)
Transfers in	50,335	47,897	(2,438)	68,222	49,279	(18,943)
Total Receipts	<u>\$ 160,285</u>	<u>\$ 156,348</u>	<u>\$ (3,937)</u>	<u>\$ 174,622</u>	<u>\$ 158,125</u>	<u>\$ (16,497)</u>
DISBURSEMENTS						
Assessor	\$ 160,285	\$ 156,348	\$ 3,937	\$ 168,620	\$ 152,123	\$ 16,497
Total Disbursements	<u>\$ 160,285</u>	<u>\$ 156,348</u>	<u>\$ 3,937</u>	<u>\$ 168,620</u>	<u>\$ 152,123</u>	<u>\$ 16,497</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ 6,002	\$ 6,002	\$ -
CASH, JANUARY 1	-	-	-	(6,002)	(6,002)	-
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Subtotal - Prior Page		<u>261,612</u>			<u>300,191</u>	
Cash Subtotal Carryforward		<u>\$ 261,612</u>			<u>\$ 300,191</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT E

**RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 2,500	\$ 3,088	\$ 588	\$ 3,000	\$ 3,702	\$ 702
Interest	-	107	107	35	76	41
Other	-	1,793	1,793	100	2,167	2,067
Total Receipts	<u>\$ 2,500</u>	<u>\$ 4,988</u>	<u>\$ 2,488</u>	<u>\$ 3,135</u>	<u>\$ 5,945</u>	<u>\$ 2,810</u>
DISBURSEMENTS						
Sheriff	\$ 2,500	\$ 3,747	\$ (1,247)	\$ 2,000	\$ 6,501	\$ (4,501)
Total Disbursements	<u>\$ 2,500</u>	<u>\$ 3,747</u>	<u>\$ (1,247)</u>	<u>\$ 2,000</u>	<u>\$ 6,501</u>	<u>\$ (4,501)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 1,241	\$ 2,840	\$ 1,135	\$ (556)	\$ 1,016
CASH, JANUARY 1	155	155	-	711	711	-
CASH, DECEMBER 31	<u>\$ 155</u>	\$ 1,396	<u>\$ 2,840</u>	<u>\$ 1,846</u>	155	<u>\$ 1,016</u>
Cash Subtotal - Prior Page		261,612			300,191	
Cash Subtotal Carryforward		<u>\$ 263,008</u>			<u>\$ 300,346</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT F

**RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 500	\$ 772	\$ 272	\$ 1,000	\$ 922	\$ 78
Interest	500	1,254	754	240	411	(171)
Total Receipts	<u>\$ 1,000</u>	<u>\$ 2,026</u>	<u>\$ 1,026</u>	<u>\$ 1,240</u>	<u>\$ 1,333</u>	<u>\$ (93)</u>
DISBURSEMENTS						
Prosecuting Attorney	\$ 500	\$ 1,050	\$ (550)	\$ 500	\$ 500	\$ -
Total Disbursements	<u>\$ 500</u>	<u>\$ 1,050</u>	<u>\$ (550)</u>	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 500	\$ 976	\$ 476	\$ 740	\$ 833	\$ (93)
CASH, JANUARY 1	10,281	10,281	-	9,448	9,448	-
CASH, DECEMBER 31	<u>\$ 10,781</u>	<u>\$ 11,257</u>	<u>\$ 476</u>	<u>\$ 10,188</u>	<u>\$ 10,281</u>	<u>\$ (93)</u>
Cash Subtotal - Prior Page		263,008			300,346	
Cash Subtotal Carryforward		<u>\$ 274,265</u>			<u>\$ 310,627</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT G

**RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY ADMINISTRATION
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 30	\$ 305	\$ 275	\$ 10	\$ 56	\$ (46)
Other	1,500	1,875	375	1,000	2,265	(1,265)
Total Receipts	<u>\$ 1,530</u>	<u>\$ 2,180</u>	<u>\$ 650</u>	<u>\$ 1,010</u>	<u>\$ 2,321</u>	<u>\$ (1,311)</u>
DISBURSEMENTS						
Prosecuting Attorney	\$ 1,200	\$ 1,200	\$ -	\$ 1,200	\$ 1,200	\$ -
Total Disbursements	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 330	\$ 980	\$ 650	\$ (190)	\$ 1,121	\$ (1,311)
CASH, JANUARY 1	1,753	1,753	-	632	632	-
CASH, DECEMBER 31	<u>\$ 2,083</u>	<u>\$ 2,733</u>	<u>\$ 650</u>	<u>\$ 442</u>	<u>\$ 1,753</u>	<u>\$ (1,311)</u>
Cash Subtotal - Prior Page		274,265			310,627	
Cash Subtotal Carryforward		<u>\$ 276,998</u>			<u>\$ 312,380</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 125	\$ 411	\$ 286	\$ 244	\$ 108	\$ 136
Other	200	1,136	936	500	433	67
Total Receipts	<u>\$ 325</u>	<u>\$ 1,547</u>	<u>\$ 1,222</u>	<u>\$ 744</u>	<u>\$ 541</u>	<u>\$ 203</u>
DISBURSEMENTS						
Other Expenditures	\$ 3,000	\$ -	\$ 3,000	\$ 3,000	\$ -	\$ 3,000
Total Disbursements	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,675)	\$ 1,547	\$ 4,222	\$ (2,256)	\$ 541	\$ (2,797)
CASH, JANUARY 1	<u>2,797</u>	<u>2,797</u>	<u>-</u>	<u>2,256</u>	<u>2,256</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 122</u></u>	<u>\$ 4,344</u>	<u><u>\$ 4,222</u></u>	<u><u>\$ -</u></u>	<u>\$ 2,797</u>	<u><u>\$ (2,797)</u></u>
Cash Subtotal - Prior Page		<u>276,998</u>			<u>312,380</u>	
Cash Subtotal Carryforward		<u><u>\$ 281,342</u></u>			<u><u>\$ 315,177</u></u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT I

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 250	\$ 485	\$ 235	\$ 400	\$ 420	\$ (20)
Interest	-	15	15	5	6	(1)
Total Receipts	<u>\$ 250</u>	<u>\$ 500</u>	<u>\$ 250</u>	<u>\$ 405</u>	<u>\$ 426</u>	<u>\$ (21)</u>
DISBURSEMENTS						
Contracted Services	\$ 250	\$ 463	\$ (213)	\$ 400	\$ 450	\$ (50)
Total Disbursements	<u>\$ 250</u>	<u>\$ 463</u>	<u>\$ (213)</u>	<u>\$ 400</u>	<u>\$ 450</u>	<u>\$ (50)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 37	\$ 37	\$ 5	\$ (24)	\$ 29
CASH, JANUARY 1	<u>249</u>	<u>249</u>	<u>-</u>	<u>273</u>	<u>273</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 249</u></u>	<u>\$ 286</u>	<u><u>\$ 37</u></u>	<u><u>\$ 278</u></u>	<u>\$ 249</u>	<u><u>\$ 29</u></u>
Cash Subtotal - Prior Page		<u>281,342</u>			<u>315,177</u>	
Cash Subtotal Carryforward		<u><u>\$ 281,628</u></u>			<u><u>\$ 315,426</u></u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG ENFORCEMENT
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	532	(532)
Interest	-	4	4	-	-	-
Total Receipts	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 532</u>	<u>\$ (532)</u>
DISBURSEMENTS						
Drug Task Force	\$ -	\$ 300	\$ (300)	\$ -	\$ 2,333	\$ (2,333)
Total Disbursements	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ (300)</u>	<u>\$ -</u>	<u>\$ 2,333</u>	<u>\$ (2,333)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (296)	\$ (296)	\$ -	\$ (1,801)	\$ 1,801
CASH, JANUARY 1	<u>296</u>	<u>296</u>	<u>-</u>	<u>2,097</u>	<u>2,097</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 296</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (296)</u></u>	<u><u>\$ 2,097</u></u>	<u><u>\$ 296</u></u>	<u><u>\$ 1,801</u></u>
Cash Subtotal - Prior Page		281,628			315,426	
Cash Subtotal Carryforward		<u><u>\$ 281,628</u></u>			<u><u>\$ 315,722</u></u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 7,000	\$ 4,604	\$ (2,396.00)	\$ 5,000	\$ 5,534	\$ (534.00)
Interest	500	590	90	500	526	(26)
Total Receipts	<u>\$ 7,500</u>	<u>\$ 5,194</u>	<u>\$ (2,306)</u>	<u>\$ 5,500</u>	<u>\$ 6,060</u>	<u>\$ (560)</u>
DISBURSEMENTS						
Recorder	\$ 14,383	\$ 13,110	\$ 1,273	\$ 5,000	\$ 5,552	\$ (552)
Total Disbursements	<u>\$ 14,383</u>	<u>\$ 13,110</u>	<u>\$ 1,273</u>	<u>\$ 5,000</u>	<u>\$ 5,552</u>	<u>\$ (552)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,883)	\$ (7,916)	\$ (1,033)	\$ 500	\$ 508	\$ (8)
CASH, JANUARY 1	14,383	14,383	-	13,875	13,875	-
CASH, DECEMBER 31	<u>\$ 7,500</u>	\$ 6,467	<u>\$ (1,033)</u>	<u>\$ 14,375</u>	\$ 14,383	<u>\$ (8)</u>
Cash Subtotal - Prior Page		281,628			315,722	
Cash Subtotal Carryforward		<u>\$ 288,095</u>			<u>\$ 330,105</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
911
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
E911 phone tax	\$ 104,424	\$ 103,549	\$ (875)	\$ 96,540	\$ 103,418	\$ 6,878
Interest	50	96	46	1,000	70	(930)
Transfers in	45,745	52,047	6,302	61,450	41,039	(20,411)
Total Receipts	<u>\$ 150,219</u>	<u>\$ 155,692</u>	<u>\$ 5,473</u>	<u>\$ 158,990</u>	<u>\$ 144,527</u>	<u>\$ (14,463)</u>
DISBURSEMENTS						
Salaries	\$ 78,626	\$ 82,758	\$ (4,132)	\$ 75,823	\$ 76,169	\$ (346)
Fringe Benefits	17,650	15,477	2,173	19,250	16,526	2,724
Office Supplies	4,000	3,946	54	2,000	4,326	(2,326)
Equipment	2,600	6,026	(3,426)	-	2,703	(2,703)
Lease purchase payments	27,743	27,743	-	27,743	27,743	-
Network	17,000	15,508	1,492	32,000	15,814	16,186
Other	2,600	4,234	(1,634)	4,140	3,212	928
Total Disbursements	<u>\$ 150,219</u>	<u>\$ 155,692</u>	<u>\$ (5,473)</u>	<u>\$ 160,956</u>	<u>\$ 146,493</u>	<u>\$ 14,463</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ (1,966)	\$ (1,966)	\$ -
CASH, JANUARY 1	-	-	-	1,966	1,966	-
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Subtotal - Prior Page		288,095			330,105	
Cash Subtotal Carryforward		<u>\$ 288,095</u>			<u>\$ 330,105</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT M

RALLS COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 120,000	\$ 111,697	\$ (8,303)	\$ 103,000	\$ 117,318	\$ 14,318
Intergovernmental	127,400	115,550	(11,850)	121,950	122,056	106
Charges for services	398,500	385,477	(13,023)	487,250	401,317	(85,933)
Interest	8,000	14,897	6,897	7,000	8,760	1,760
Other	8,500	14,469	5,969	21,500	17,105	(4,395)
Transfer in	21,500	28,085	6,585	35,250	21,058	(14,192)
Total Receipts	<u>\$ 683,900</u>	<u>\$ 670,175</u>	<u>\$ (13,725)</u>	<u>\$ 775,950</u>	<u>\$ 687,614</u>	<u>\$ (88,336)</u>
DISBURSEMENTS						
Salaries	\$ 375,000	\$ 363,693	\$ 11,307	\$ 500,000	\$ 437,977	\$ 62,023
Fringe Benefits	103,500	87,769	15,731	118,250	100,217	18,033
Office Supplies	60,800	33,538	27,262	55,200	59,390	(4,190)
Equipment	5,000	3,892	1,108	5,000	9,913	(4,913)
Mileage and Training	34,600	28,893	5,707	37,500	28,656	8,844
Program expenditures	59,000	41,061	17,939	28,000	29,841	(1,841)
Building expenses	23,000	24,650	(1,650)	24,000	22,593	1,407
Transfers out	22,500	28,085	(5,585)	35,250	21,058	14,192
Other	500	-	500	10,500	5,445	5,055
Total Disbursements	<u>\$ 683,900</u>	<u>\$ 611,581</u>	<u>\$ 72,319</u>	<u>\$ 813,700</u>	<u>\$ 715,090</u>	<u>\$ 98,610</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ -</u>	<u>\$ 58,594</u>	<u>\$ 58,594</u>	<u>\$ (37,750)</u>	<u>\$ (27,476)</u>	<u>\$ 10,274</u>
CASH, JANUARY 1	<u>209,579</u>	<u>209,579</u>	<u>-</u>	<u>237,055</u>	<u>237,055</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 209,579</u></u>	<u>\$ 268,173</u>	<u><u>\$ 58,594</u></u>	<u><u>\$ 199,305</u></u>	<u>\$ 209,579</u>	<u><u>\$ 10,274</u></u>
Cash Subtotal - Prior Page		<u>288,095</u>			<u>330,105</u>	
Cash Subtotal Carryforward		<u><u>\$ 556,268</u></u>			<u><u>\$ 539,684</u></u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**RALLS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Ralls County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Year(s) Ended December 31,</u>
Circuit Division Interest	1999 and 2000
Associate Circuit Division Interest	1999 and 2000

**RALLS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Practices (Continued)

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Year(s) Ended December 31,</u>
Law Enforcement Training	1999 and 2000
Prosecuting Attorney Training	2000
Domestic Violence	1999 and 2000
Drug Enforcement	1999 and 2000
Recorder's User Fees	1999
911	2000

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Published Financial Statements

Under Sections 50.800 and 50.810, RSMO 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Year(s) Ended December 31,</u>
Health Center Fund	1999 and 2000
Circuit Division Interest Fund	1999 and 2000
Associate Circuit Division Interest Fund	1999 and 2000

**RALLS COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 2 CASH

The county has not adopted a formal investment policies for its monies. However, the county has also determined through experience that checking accounts and negotiable order of withdrawal (NOW) accounts are appropriate types of accounts or instruments for its needs.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and NOW accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The County's deposits at December 31, 2000 and 1999, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name, or by commercial insurance provided through a surety bond.

The Health Center's Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depository insurance or by collateral securities held by the Board's custodial bank in the Board's name. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

NOTE 3 TAXES

The assessed valuation of the tangible property for the calendar year 2000 and 1999 for purposes of local taxation was \$118,249,544 and \$116,153,164.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2000 and 1999 for purposes of local taxation was:

	2000	1999
General Revenue Fund	\$ 0.23	\$ 0.23
Special Road & Bridge Fund	0.27	0.27
Health Department	0.10	0.10
Total	\$ 0.60	\$ 0.60

These levies represent amounts directly received by the County for its purposes versus amounts collected by the County as a pass through on behalf of another entity.



Business Consultants • Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission and
Officeholders of Ralls County, Missouri

We have audited the special-purpose financial statements of Ralls County, Missouri, as of and for the two years ended December 31, 2000, and have issued our report thereon dated May 10, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ralls County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Ralls County in a separate letter dated May 10, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ralls County, Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Ralls County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 00-1.

Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and the use of the administration, management, County Commissioners, State of Missouri Auditor's Office and Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.

Original Signed by Auditor

LARSON, ALLEN, WEISHAIR & CO., LLP

May 10, 2001
St. Louis, Missouri



Business Consultants • Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission and
Officeholders of Ralls County, Missouri

Compliance

We have audited the compliance of Ralls County, Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000 and 1999. Ralls County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ralls County, Missouri's management. Our responsibility is to express an opinion on Ralls County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ralls County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ralls County, Missouri's compliance with those requirements.

In our opinion, Ralls County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Ralls County, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ralls County, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect Ralls County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 00-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and the use of the administration, management, County Commissioners, State of Missouri Auditor's Office and Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.

Original Signed by Auditor

LARSON, ALLEN, WEISHAIR & CO., LLP

May 10, 2001
St. Louis, Missouri

**RALLS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that are not considered to be material weaknesses?
☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted?
☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that are not considered to be material weakness?
☒ Yes ☐ None Reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs?

CFDA Number(s)	Name of Federal Program or Cluster	2000 Amount	1999 Amount
14.228	Community Development Block Grants/ State’s Program	\$278,035 <u>\$278,035</u>	\$284,388 <u>\$284,388</u>

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

RALLS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

Section II – Financial Statement Findings

Finding: 00-1

Criteria: SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55*.

Condition: Lack of sufficient segregation of duties.

Questioned Costs: None.

Context: A review of the internal control procedures.

Effect: The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Cause: Size and budget constraints limiting the number of personnel within the accounting department.

Recommendation: These areas should be reviewed periodically and consideration given to improving the segregation of duties.

Management's Response: We will review periodically the size and budget constraints limiting the number of personnel within the accounting department. We will continue to utilize the other internal controls, such as administrative oversight, to minimize the lack of sufficient segregation of duties.

Section III – Federal Awards Findings and Questioned Costs

Finding: 00-2

Criteria: SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55*.

Condition: Lack of sufficient segregation of duties.

Questioned Costs: None.

Context: A review of the internal control procedures.

Effect: The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

**RALLS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Cause: Size and budget constraints limiting the number of personnel within the accounting department.

Recommendation: These areas should be reviewed periodically and consideration given to improving the segregation of duties.

Management's Response: We will review periodically the size and budget constraints limiting the number of personnel within the accounting department. We will continue to utilize the other internal controls, such as administrative oversight, to minimize the lack of sufficient segregation of duties.

**RALLS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Financial Statement Findings

The audit did not disclose any noncompliance which is material to the special-purpose financial statements of the County.

Federal Award Findings and Questioned Costs

Federal Grantor: U.S. Department of Transportation
Pass –Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity: Not applicable
Identifying Number: BRO 087 (12)
Award Year: 1998
Questioned Costs: Not applicable

During the two years ended December 31, 1998 the county received reimbursements from the Missouri Department of Transportation for bridge replacement and rehabilitation expenditures under the Highway Planning and Construction Program – Off System Projects. The county normally pays such expenditures as the liability is incurred and prior to the reimbursement. However, we noted one reimbursement totaling \$44,578 which the county held 46 days before the related payment was made to the contractor.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that federal funds shall be disbursed by the county within two days of receipt.

Recommendation:

The County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

**RALLS COUNTY, MISSOURI
CORRECTIVE ACTION PLAN
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Findings – Financial Statement Audit

Questions regarding the County's Corrective Action Plan should be directed to Gaylord Winders at 573-985-7111.

SCHEDULE 1

**RALLS COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 2000**

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
			1999	2000
U.S. DEPARTMENT OF AGRICULTURE:				
Passed through State Department of Health Special Supplemental Nutrition Program for Women, Infants and Children	10.557	ER0045-4207	\$ 14,439	\$ 13,526
Total U.S. Department of Agriculture			\$ 14,439	\$ 13,526
U.S. DEPARTMENT OF DEFENSE				
Passed through State Office of Administration Payments in Lieu of Real Estate Taxes	12.112	DDACW	\$ 5,375	\$ 18,055
Passed through State Department of Public Safety Surplus Property	12.xxx	43085-H0040	37,683	29,269
Total U.S. Department of Agriculture			\$ 43,058	\$ 47,324
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through Department of Economic Development Community Development Block Grant	14.228	98-PF-008/028	\$ 284,388	\$ 278,035
Total U.S. Department of Housing and Urban Development			\$ 284,388	\$ 278,035
U.S. DEPARTMENT OF JUSTICE:				
Passed through State Department of Public Safety:				
Local Law Enforcement Block Grants	16.592	98-LBG-077	\$ 4,893	\$ -
Total U.S. Department of Justice			\$ 4,893	\$ -
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through State Highway and Transportation Commission				
Off System Road and Bridge Replacement	20.205	BRO-087(13)	\$ 1,187	\$ 37,595
Total Environmental Protection Agency			\$ 1,187	\$ 37,595
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through State:				
Department of Health				
Childhood Immunization Grants	93.268	ERO-146-0187GPH	\$ 1,748	\$ -
Child Care and Development Block Grant	93.575	ERO-146-7207	1,385	6,491
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	ERS-161-10044	705	705
Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention	93.197	ERO-146-0187CIPP	-	1,162
Preventative Health and Health Services Block Grant	93.991	C000151001C	1,411	6,325
Maternal and Child Health Services Block Grant to the States	93.994	ERO-146-7207	12,742	14,036
Department of Social Services:				
Child Support Enforcement Block Grant to the States	93.563	C002600091	1,733	908
Total U.S. Department of Health and Human Resources			\$ 19,724	\$ 29,627
Total Federal Financial Assistance			\$ 367,689	\$ 406,107

RALLS COUNTY, MISSOURI

MANAGEMENT LETTER

DECEMBER 31, 2000

To the County Commission and
Officeholders of Ralls County, Missouri:

In planning and performing our audit of the special-purpose financial statements of the Ralls County as of and for the two years ended December 31, 2000, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgement, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

REPORTABLE CONDITION

We noted the following reportable condition that is not considered to be a material weakness.

Segregation of Duties

The small size of the accounting department limits the extent of a proper segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. This results in some risk that intentional or unintentional errors could be made and not detected.

We noted the following:

1. The County Treasurer is responsible for recording various cash receipts, reconciling the bank statements, preparing and recording cash disbursements, and reconciling the general ledger.

OBSERVATIONS

We noted the following observations that are not considered to be reportable conditions, but are comments to help strengthen internal controls and operating efficiency.

Assessor's Office

Currently, the Assessor's Office does not always deposit money on a daily basis. We encourage the Assessor's Office to deposit monies on a daily basis and to continue to maintain all County monies in fully secured bank accounts, while gaining the Board of Commissioner's approval for opening and closing all bank and depository accounts.

Collector's Office

Currently, the Collector's Office does not always deposit money on a daily basis. We encourage the Collector's Office to deposit monies on a daily basis and to continue to maintain all County monies in fully secured bank accounts, while gaining the Board of Commissioner's approval for opening and closing all bank and depository accounts.

Changes in Reporting Requirements

The Governmental Accounting Standards Board recently released a new financial statement reporting requirement commonly referred to as "GASB 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". The intent of GASB 34 is to standardize financial statement reporting across governmental entities and to make them more comparable to statements issued by like-sized profit-seeking companies. Adherence to GASB 34 is a requirement for all local governmental entities, including school districts, and the gradual implementation requirement is as follows:

<u>Entities With Revenues</u>	<u>Fiscal Year Beginning After</u>
Greater than \$100 million	June 15, 2001
\$10 - \$100 million	June 15, 2002
Less than \$10 million	June 15, 2003

GASB 34 will require government-wide financial statements to include a Statement of Activities and a Statement of Net Assets. It will also require as supplemental information a narrative section referred to as "Management Discussion and Analysis" to further communicate the operations and goals of the School District. As management is ultimately responsible for the financial statements, they will likewise be responsible for all statements as reported under GASB 34.

License Bureau Operational

The County Collectors Office maintains a License Bureau in the County Court House. Certain County employees from the Collector's Office share duties with the License Bureau. In addition, certain County resources are devoted to the operation of the License Bureau. We recommend the County exercise a formal contract with the License Bureau delineating shared employees, duties of employees and reimbursement for shared costs and resources.

We recommend that the County familiarize itself with GASB 34 and the new reporting requirements prior to your implementation year. We encourage you to reference the GASB Guide to Implementation of GASB 34 Basic Financial Statements. As always, we remind you that the staff of LarsonAllen is available on a year-round basis and will gladly meet with you to plan for your County's implementation objectives. Furthermore, we will continue to update you as your compliance date nears.

Cooperation

We received complete cooperation from all County officials during the 1999 and 2000 audit. It appears that the overall accounting procedures laid down by the County, are being adhered to by the officials within each office.

We welcome the opportunity to discuss the points mentioned in this letter, or any other accounting and procedural problems in order to coordinate our efforts with you, the mutual objectives being the development of more effective accounting, financial reporting, and business procedures for the County.

We understand that some of the aforementioned points are in the process of implementation or may already have been implemented; however, these points are noted so that effective follow up can be accomplished.

Thank you for the opportunity to be of service to you. We sincerely appreciate all the courtesies and cooperation extended to us by you and your staff and remind you that we are available on a year-round basis. Please do not hesitate to call us whenever you believe we can be of assistance.

This report is intended solely for the information and use of the County Commission and Officeholders of Ralls County, and others within the administration.

LARSON, ALLEN, WEISHAIR & CO., LLP

May 10, 2001
St. Louis, Missouri



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Pemiscot County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Pemiscot County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by Larson, Allen, Weishair & Co., LLP, Certified Public Accountants, is attached.

Claire C. McCaskill
State Auditor

Report No. 2001-75
August 31, 2001

**PEMISCOT COUNTY, MISSOURI
INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2000 AND 1999

**PEMISCOT COUNTY, MISSOURI
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Business Consultants ▶ Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the County Commission
and Officeholders of Pemiscot County, Missouri

We have audited the special-purpose financial statements, identified in the table of contents, of various funds of Pemiscot County, Missouri, as of and for the years ended December 31, 2000 and 1999. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Pemiscot County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

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In accordance with Government Auditing Standards, we have also issued a report dated March 2, 2001, on our consideration of Pemiscot County, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the special purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special purpose financial statements of Pemiscot County, Missouri. Such information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the special purpose financial statements taken as a whole.

Original Signed by Auditor

LARSON, ALLEN, WEISHAIR & CO., LLP

St. Louis, Missouri
March 2, 2001

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 114,620	\$ 2,140,876	\$ 2,051,337	\$ 204,159
Special Road and Bridge	237,836	1,147,765	1,273,425	112,176
Assessment	512	147,000	157,261	(9,749)
Law Enforcement Training	12,134	20,334	13,620	18,848
Prosecuting Attorney Training	(751)	3,426	4,674	(1,999)
Drug Abuse Resistance Education	1,856	5,874	5,484	2,246
Bootheel Drug Task Force	31,371	156,636	134,323	53,684
Firing Range	5,920	4,250	6,620	3,550
Johnson Grass	52,252	73,086	74,612	50,726
Drainage Districts	271,716	200,455	123,126	349,045
Emergency 911	57,966	152,426	226,134	(15,742)
Solid Waste Transfer Station	279,236	807,943	761,599	325,580
Criminal Investigation	90,936	30,547	75,440	46,043
Domestic Violence	12,056	1,823	0	13,879
Police Apprehension of Student Traffickers Program	5,678	377	0	6,055
Seized Money	897	3,856	1,357	3,396
Capital Improvement Sales Tax	513,281	640,101	529,598	623,784
Law Enforcement Sales Tax	316,243	331,293	152,397	495,139
Recorder's User Fees	0	7,134	4,430	2,704
Health Center	793,453	663,964	719,466	737,951
Prosecuting Attorney Bad Check	5,134	14,398	14,396	5,136
Senate Bill 40 Board	71,267	143,848	177,886	37,229
Juvenile Grant Program	(4,594)	126,907	103,230	19,083
Sheriff Patrol	644	0	394	250
SUBTOTAL	<u>\$ 2,869,663</u>	<u>\$ 6,824,319</u>	<u>\$ 6,610,809</u>	<u>\$ 3,083,173</u>
Law Library	\$ 986	\$ 5,078	\$ 5,828	\$ 236
Associate Division Interest	18,148	3,144	545	20,747
Circuit Division Interest	22,168	3,304	7,500	17,972
SUBTOTAL	<u>\$ 41,302</u>	<u>\$ 11,526</u>	<u>\$ 13,873</u>	<u>\$ 38,955</u>
 TOTAL	 <u>\$ 2,910,965</u>	 <u>\$ 6,835,845</u>	 <u>\$ 6,624,682</u>	 <u>\$ 3,122,128</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 198,079	\$ 2,003,547	\$ 2,087,006	\$ 114,620
Special Road and Bridge	519,668	1,048,563	1,330,395	237,836
Assessment	(136,929)	297,841	160,400	512
Law Enforcement Training	10,648	21,397	19,911	12,134
Prosecuting Attorney Training	7,853	4,133	12,737	(751)
Drug Abuse Resistance Education	(2,647)	9,074	4,571	1,856
Bootheel Drug Task Force	15,142	158,843	142,614	31,371
Firing Range	6,199	6,495	6,774	5,920
Johnson Grass	51,358	75,353	74,459	52,252
Drainage Districts	242,969	198,047	169,300	271,716
Emergency 911	94,138	145,491	181,663	57,966
Solid Waste Transfer Station	233,827	732,647	687,238	279,236
Criminal Investigation	96,570	61,156	66,790	90,936
Domestic Violence	10,557	1,499	-	12,056
Police Apprehension of Student Traffickers Program	5,395	283	-	5,678
Seized Money	5,488	512	5,103	897
Capital Improvement Sales Tax	320,355	601,727	408,801	513,281
Law Enforcement Sales Tax	116,345	304,339	104,441	316,243
Recorder's User Fees	7,787	8,012	15,799	-
Health Center	706,737	731,811	645,095	793,453
Prosecuting Attorney Bad Check	11,697	11,167	17,730	5,134
Senate Bill 40 Board	107,791	151,229	187,753	71,267
Juvenile Grant Program	-	59,410	64,004	(4,594)
Sheriff Patrol	644	-	-	644
SUBTOTAL	<u>\$ 2,629,671</u>	<u>\$ 6,632,576</u>	<u>\$ 6,392,584</u>	<u>\$ 2,869,663</u>
Law Library	\$ 1,398	\$ 4,360	\$ 4,772	\$ 986
Associate Division Interest	15,308	2,901	61	18,148
Circuit Division Interest	18,753	3,415	-	22,168
SUBTOTAL	<u>\$ 35,459</u>	<u>\$ 10,676</u>	<u>\$ 4,833</u>	<u>\$ 41,302</u>
TOTAL	<u>\$ 2,665,130</u>	<u>\$ 6,643,252</u>	<u>\$ 6,397,417</u>	<u>\$ 2,910,965</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT B

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH- BUDGET AND ACTUAL
GENERAL REVENUE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 270,000	\$ 313,428	\$ 43,428	\$ 250,000	\$ 266,696	\$ 16,696
Sales Taxes	580,000	561,660	(18,340)	575,000	576,602	1,602
Intergovernmental	220,450	359,570	139,120	262,600	286,481	23,881
Charges for Services	606,400	605,545	(855)	593,600	596,942	3,342
Interest	23,000	26,636	3,636	18,000	17,620	(380)
Other	145,000	166,537	21,537	305,200	123,106	(182,094)
Transfers In	310,000	107,500	(202,500)	200,000	136,100	(63,900)
Total Receipts	<u>\$ 2,154,850</u>	<u>\$ 2,140,876</u>	<u>\$ (13,974)</u>	<u>\$ 2,204,400</u>	<u>\$ 2,003,547</u>	<u>\$ (200,853)</u>
DISBURSEMENTS						
County Commission	\$ 87,900	\$ 85,361	\$ 2,539	\$ 87,400	\$ 86,622	\$ 778
County Clerk	64,700	65,437	(737)	62,150	62,800	(650)
Elections	110,500	125,537	(15,037)	64,400	59,582	4,818
Buildings and Grounds	109,500	87,157	22,343	100,900	116,211	(15,311)
Employee Fringe Benefits	260,600	281,282	(20,682)	225,000	252,425	(27,425)
County Treasurer	31,300	31,659	(359)	31,500	31,220	280
County Collector	85,575	82,321	3,254	82,350	84,412	(2,062)
Ex Officio Recorder of Deeds	77,850	77,603	247	72,150	72,369	(219)
Circuit Clerk	21,650	6,078	15,572	13,950	13,387	563
Associate Circuit	15,000	10,361	4,639	14,000	13,422	578
Associate Circuit (Probate)	4,900	4,850	50	4,000	3,236	764
Court Administration	10,900	4,431	6,469	10,000	5,207	4,793
Public Administrator	15,290	14,523	767	16,040	15,871	169
Sheriff	502,198	474,340	27,858	461,538	455,248	6,290
Jail	218,500	197,070	21,430	211,300	196,521	14,779
Prosecuting Attorney	214,523	226,111	(11,588)	200,787	200,063	724
Juvenile Officer	34,950	47,385	(12,435)	53,394	51,546	1,848
County Coroner	19,300	19,187	113	16,050	24,244	(8,194)
Court Reporter	1,200	401	799	1,500	1,080	420
Data Processing	111,700	111,549	151	104,050	116,361	(12,311)
Other	110,980	88,471	22,509	110,500	108,519	1,981
Heating and Cooling Project	-	8,286	(8,286)	-	-	-
Public Health and Welfare Services	1,500	1,937	(437)	1,500	1,600	(100)
Transfers Out	66,304	-	66,304	165,000	115,060	49,940
Emergency Fund	30,000	-	30,000	30,000	-	30,000
Total Disbursements	<u>\$ 2,206,820</u>	<u>\$ 2,051,337</u>	<u>\$ 155,483</u>	<u>\$ 2,139,459</u>	<u>\$ 2,087,006</u>	<u>\$ 52,453</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (51,970)</u>	<u>\$ 89,539</u>	<u>\$ 141,509</u>	<u>\$ 64,941</u>	<u>\$ (83,459)</u>	<u>\$ (148,400)</u>
CASH, JANUARY 1	<u>114,620</u>	<u>114,620</u>	<u>-</u>	<u>198,079</u>	<u>198,079</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 62,650</u>	<u>\$ 204,159</u>	<u>\$ 141,509</u>	<u>\$ 263,020</u>	<u>\$ 114,620</u>	<u>\$ (148,400)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 400,000	\$ 386,519	\$ (13,481)	\$ 384,000	\$ 400,766	\$ 16,766
Sales Taxes	155,000	132,982	(22,018)	140,000	153,425	13,425
Intergovernmental	487,000	597,874	110,874	472,200	410,157	(62,043)
Interest	15,500	12,703	(2,797)	28,000	24,037	(3,963)
Other	25,000	17,687	(7,313)	2,000	60,178	58,178
Transfers in	100,000	-	(100,000)	-	-	-
Total Receipts	<u>\$ 1,182,500</u>	<u>\$ 1,147,765</u>	<u>\$ (34,735)</u>	<u>\$ 1,026,200</u>	<u>\$ 1,048,563</u>	<u>\$ 22,363</u>
DISBURSEMENTS						
Salaries	\$ 330,000	\$ 321,312	\$ 8,688	\$ 285,000	\$ 285,180	\$ (180)
Employee Fringe Benefits	98,800	93,917	4,883	83,900	85,995	(2,095)
Supplies	330,000	288,848	41,152	246,100	346,454	(100,354)
Insurance	25,000	26,139	(1,139)	20,000	27,108	(7,108)
Road and Bridge Materials	238,000	279,703	(41,703)	238,000	191,189	46,811
Equipment Repairs	-	15,637	(15,637)	-	496	(496)
Rentals	-	6,220	(6,220)	-	-	-
Equipment Purchases	225,000	221,397	3,603	209,000	137,504	71,496
Other	135,500	20,252	115,248	236,300	256,469	(20,169)
Total Disbursements	<u>\$ 1,382,300</u>	<u>\$ 1,273,425</u>	<u>\$ 108,875</u>	<u>\$ 1,318,300</u>	<u>\$ 1,330,395</u>	<u>\$ (12,095)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (199,800)</u>	<u>\$ (125,660)</u>	<u>\$ 74,140</u>	<u>\$ (292,100)</u>	<u>\$ (281,832)</u>	<u>\$ 10,268</u>
CASH, JANUARY 1	<u>237,836</u>	<u>237,836</u>	<u>-</u>	<u>519,668</u>	<u>519,668</u>	<u>-</u>
CASH, DECEMBER 31	<u>\$ 38,036</u>	<u>\$ 112,176</u>	<u>\$ 74,140</u>	<u>\$ 227,568</u>	<u>\$ 237,836</u>	<u>\$ 10,268</u>
Cash - Prior Page		204,159			114,620	
Cash - Subtotal Carryforward		<u>\$ 316,335</u>			<u>\$ 352,456</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 184,456	\$ 145,867	\$ (38,589)	\$ 251,368	\$ 240,757	\$ (10,611)
Charges for Services	-	866	866	-	-	-
Other	-	267	267	-	453	453
Transfers in	6,304	-	(6,304)	58,297	56,631	(1,666)
Total Receipts	<u>\$ 190,760</u>	<u>\$ 147,000</u>	<u>\$ (43,760)</u>	<u>\$ 309,665</u>	<u>\$ 297,841</u>	<u>\$ (11,824)</u>
DISBURSEMENTS						
Assessor	\$ 190,760	\$ 157,261	\$ 33,499	\$ 172,737	\$ 160,400	\$ 12,337
Total Disbursements	<u>\$ 190,760</u>	<u>\$ 157,261</u>	<u>\$ 33,499</u>	<u>\$ 172,737</u>	<u>\$ 160,400</u>	<u>\$ 12,337</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (10,261)	\$ (10,261)	\$ 136,928	\$ 137,441	\$ 513
CASH, JANUARY 1	512	512	-	(136,929)	(136,929)	-
CASH, DECEMBER 31	<u>\$ 512</u>	<u>\$ (9,749)</u>	<u>\$ (10,261)</u>	<u>\$ (1)</u>	<u>\$ 512</u>	<u>\$ 513</u>
Cash - Prior Page		316,335			352,456	
Cash - Subtotal Carryforward		<u>\$ 306,586</u>			<u>\$ 352,968</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT E

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 20,000	\$ 19,382	\$ (618)	\$ 15,000	\$ 20,802	\$ 5,802
Interest	500	952	452	600	595	(5)
Total Receipts	<u>\$ 20,500</u>	<u>\$ 20,334</u>	<u>\$ (166)</u>	<u>\$ 15,600</u>	<u>\$ 21,397</u>	<u>\$ 5,797</u>
DISBURSEMENTS						
Sheriff	\$ 19,000	\$ 13,620	\$ 5,380	\$ 16,000	\$ 19,911	\$ (3,911)
Total Disbursements	<u>\$ 19,000</u>	<u>\$ 13,620</u>	<u>\$ 5,380</u>	<u>\$ 16,000</u>	<u>\$ 19,911</u>	<u>\$ (3,911)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,500	\$ 6,714	\$ 2,840	\$ (400)	\$ 1,486	\$ 1,016
CASH, JANUARY 1	12,134	12,134	-	10,648	10,648	-
CASH, DECEMBER 31	<u>\$ 13,634</u>	<u>\$ 18,848</u>	<u>\$ 2,840</u>	<u>\$ 10,248</u>	<u>\$ 12,134</u>	<u>\$ 1,016</u>
Cash - Prior Page		306,586			352,968	
Cash - Subtotal Carryforward		<u>\$ 325,434</u>			<u>\$ 365,102</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 5,000	\$ 3,426	\$ (1,574)	\$ 8,000	\$ 4,133	\$ (3,867)
Total Receipts	<u>\$ 5,000</u>	<u>\$ 3,426</u>	<u>\$ (1,574)</u>	<u>\$ 8,000</u>	<u>\$ 4,133</u>	<u>\$ (3,867)</u>
DISBURSEMENTS						
Prosecuting Attorney	\$ 4,250	\$ 4,674	\$ (424)	\$ 14,000	\$ 12,737	\$ 1,263
Total Disbursements	<u>\$ 4,250</u>	<u>\$ 4,674</u>	<u>\$ (424)</u>	<u>\$ 14,000</u>	<u>\$ 12,737</u>	<u>\$ 1,263</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 750	\$ (1,248)	\$ (1,998)	\$ (6,000)	\$ (8,604)	\$ 2,604
CASH, JANUARY 1	(751)	(751)	-	7,853	7,853	-
CASH, DECEMBER 31	<u>\$ (1)</u>	<u>\$ (1,999)</u>	<u>\$ (1,998)</u>	<u>\$ 1,853</u>	<u>\$ (751)</u>	<u>\$ 2,604</u>
Cash - Prior Page		325,434			365,102	
Cash - Subtotal Carryforward		<u>\$ 323,435</u>			<u>\$ 364,351</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT G

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG ABUSE RESISTANCE EDUCATION FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ -	\$ 209	\$ 209	\$ -	\$ -	\$ -
Other	7,000	5,665	(1,335)	8,000	7,199	(801)
Transfers in	-	-	-	-	1,875	1,875
Total Receipts	<u>\$ 7,000</u>	<u>\$ 5,874</u>	<u>\$ (1,126)</u>	<u>\$ 8,000</u>	<u>\$ 9,074</u>	<u>\$ 1,074</u>
DISBURSEMENTS						
Salaries	\$ -	\$ 2,598	\$ (2,598)	\$ -	\$ 2,598	\$ (2,598)
Office Expenditures	5,000	2,886	2,114	5,000	1,973	3,027
Total Disbursements	<u>\$ 5,000</u>	<u>\$ 5,484</u>	<u>\$ (484)</u>	<u>\$ 5,000</u>	<u>\$ 4,571</u>	<u>\$ 429</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,000	\$ 390	\$ 1,610	\$ 3,000	\$ 4,503	\$ (1,503)
CASH, JANUARY 1	1,856	1,856	-	(2,647)	(2,647)	-
CASH, DECEMBER 31	<u>\$ 3,856</u>	<u>\$ 2,246</u>	<u>\$ 1,610</u>	<u>\$ 353</u>	<u>\$ 1,856</u>	<u>\$ (1,503)</u>
Cash - Prior Page		323,435			364,351	
Cash - Subtotal Carryforward		<u>\$ 325,681</u>			<u>\$ 366,207</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
BOOTHEEL DRUG TASK FORCE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 164,579	\$ 156,636	\$ (7,943)	\$ 105,000	\$ 158,843	\$ 53,843
Interest	-	-	-	1,000	-	(1,000)
Transfers in	-	-	-	29,000	-	(29,000)
Total Receipts	<u>\$ 164,579</u>	<u>\$ 156,636</u>	<u>\$ (7,943)</u>	<u>\$ 135,000</u>	<u>\$ 158,843</u>	<u>\$ 23,843</u>
DISBURSEMENTS						
Salaries	\$ 101,415.00	\$ 108,403.00	\$ (6,988)	\$ 93,785.00	\$ 97,927.00	\$ (4,142)
Office Expenditures	1,440	484	956	2,200	1,027	1,173
Equipment	11,944	8,755	3,189	6,800	20,777	(13,977)
Mileage and Training	18,070	9,308	8,762	27,000	22,883	4,117
Other	\$ 3,710	\$ 7,373	(3,663)	8,500	-	8,500
Total Disbursements	<u>\$ 136,579</u>	<u>\$ 134,323</u>	<u>\$ 2,256</u>	<u>\$ 138,285</u>	<u>\$ 142,614</u>	<u>\$ (4,329)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 28,000	\$ 22,313	\$ 5,687	\$ (3,285)	\$ 16,229	\$ (19,514)
CASH, JANUARY 1	31,371	31,371	-	15,142	15,142	-
CASH, DECEMBER 31	<u>\$ 59,371</u>	<u>\$ 53,684</u>	<u>\$ 5,687</u>	<u>\$ 11,857</u>	<u>\$ 31,371</u>	<u>\$ (19,514)</u>
Cash - Prior Page		<u>325,681</u>			<u>366,207</u>	
Cash - Subtotal Carryforward		<u>\$ 379,365</u>			<u>\$ 397,578</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
FIRING RANGE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 2,500	\$ 2,432	\$ (68)	\$ 3,600	\$ 1,970	\$ (1,630)
Charges for Services	4,000	1,511	(2,489)	3,700	4,205	505
Interest	300	307	7	100	320	220
Total Receipts	<u>\$ 6,800</u>	<u>\$ 4,250</u>	<u>\$ (2,550)</u>	<u>\$ 7,400</u>	<u>\$ 6,495</u>	<u>\$ (905)</u>
DISBURSEMENTS						
Contract Services	\$ 4,000	\$ -	\$ 4,000	\$ 4,000	\$ 3,198	\$ 802
Office Expenditures	6,000	6,620	(620)	6,400	3,576	2,824
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 6,620</u>	<u>\$ 3,380</u>	<u>\$ 10,400</u>	<u>\$ 6,774</u>	<u>\$ 3,626</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,200)	\$ (2,370)	\$ 830	\$ (3,000)	\$ (279)	\$ (2,721)
CASH, JANUARY 1	5,920	5,920	-	6,199	6,199	-
CASH, DECEMBER 31	<u>\$ 2,720</u>	<u>\$ 3,550</u>	<u>\$ 830</u>	<u>\$ 3,199</u>	<u>\$ 5,920</u>	<u>\$ (2,721)</u>
Cash - Prior Page		<u>379,365</u>			<u>397,578</u>	
Cash - Subtotal Carryforward		<u>\$ 382,915</u>			<u>\$ 403,498</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
JOHNSON GRASS FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 70,000	\$ 68,825	\$ (1,175)	\$ 70,000	\$ 71,638	\$ 1,638
Other	-	125	125	-	413	413
Interest	3,000	4,136	1,136	3,000	3,302	302
Total Receipts	<u>\$ 73,000</u>	<u>\$ 73,086</u>	<u>\$ 86</u>	<u>\$ 73,000</u>	<u>\$ 75,353</u>	<u>\$ 2,353</u>
DISBURSEMENTS						
Salaries	\$ 60,400	\$ 42,587	\$ 17,813	\$ 48,257	\$ 43,289	\$ 4,968
Equipment	25,000	17,440	7,560	25,000	16,654	8,346
Other	17,000	14,585	2,415	12,500	14,516	(2,016)
Total Disbursements	<u>\$ 102,400</u>	<u>\$ 74,612</u>	<u>\$ 27,788</u>	<u>\$ 85,757</u>	<u>\$ 74,459</u>	<u>\$ 11,298</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (29,400)	\$ (1,526)	\$ (27,874)	\$ (12,757)	\$ 894	\$ (13,651)
CASH, JANUARY 1	52,252	52,252	-	51,358	51,358	-
CASH, DECEMBER 31	<u>\$ 22,852</u>	<u>\$ 50,726</u>	<u>\$ (27,874)</u>	<u>\$ 38,601</u>	<u>\$ 52,252</u>	<u>\$ (13,651)</u>
Cash - Prior Page		382,915			403,498	
Cash - Subtotal Carryforward		<u>\$ 433,641</u>			<u>\$ 455,750</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
DRAINAGE DISTRICTS FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 177,175	\$ 178,465	\$ 1,290	\$ 183,250	\$ 182,768	\$ (482)
Interest	9,275	21,990	12,715	12,800	15,279	2,479
Total Receipts	<u>\$ 186,450</u>	<u>\$ 200,455</u>	<u>\$ 14,005</u>	<u>\$ 196,050</u>	<u>\$ 198,047</u>	<u>\$ 1,997</u>
DISBURSEMENTS						
Salaries	\$ 406,200	\$ 93,907	\$ 312,293	\$ 117,520	\$ 126,810	\$ (9,290)
Equipment	13,000	4,968	8,032	15,000	4,795	10,205
Other	284,550	24,251	260,299	232,500	37,695	194,805
Total Disbursements	<u>\$ 703,750</u>	<u>\$ 123,126</u>	<u>\$ 580,624</u>	<u>\$ 365,020</u>	<u>\$ 169,300</u>	<u>\$ 195,720</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (517,300)	\$ 77,329	\$ 594,629	\$ (168,970)	\$ 28,747	\$ 197,717
CASH, JANUARY 1	271,716	271,716	-	242,969	242,969	-
CASH, DECEMBER 31	<u>\$ (245,584)</u>	<u>\$ 349,045</u>	<u>\$ 594,629</u>	<u>\$ 73,999</u>	<u>\$ 271,716</u>	<u>\$ 197,717</u>
Cash - Prior Page		433,641			455,750	
Cash - Subtotal Carryforward		<u>\$ 782,686</u>			<u>\$ 727,466</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 138,000	\$ 151,026	\$ 13,026	\$ 135,000	\$ 137,767	\$ 2,767
Interest	3,500	989	(2,511)	6,000	3,699	(2,301)
Other	-	411	411	-	4,025	4,025
Total Receipts	<u>\$ 141,500</u>	<u>\$ 152,426</u>	<u>\$ 10,926</u>	<u>\$ 141,000</u>	<u>\$ 145,491</u>	<u>\$ 4,491</u>
DISBURSEMENTS						
Salaries	\$ 152,000	\$ 180,285	\$ (28,285)	\$ 105,161	\$ 124,555	\$ (19,394)
Office Expenditures	-	408	(408)	100	338	(238)
Equipment	5,000	11,465	(6,465)	4,000	20,156	(16,156)
Mileage and Training	1,000	90	910	2,500	953	1,547
Transfer	-	-	-	30,000	-	30,000
Other	32,000	33,886	(1,886)	52,000	35,661	16,339
Total Disbursements	<u>\$ 190,000</u>	<u>\$ 226,134</u>	<u>\$ (36,134)</u>	<u>\$ 193,761</u>	<u>\$ 181,663</u>	<u>\$ 12,098</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (48,500)</u>	<u>\$ (73,708)</u>	<u>\$ (25,208)</u>	<u>\$ (52,761)</u>	<u>\$ (36,172)</u>	<u>\$ 16,589</u>
CASH, JANUARY 1	57,966	57,966	-	94,138	94,138	-
CASH, DECEMBER 31	<u>\$ 9,466</u>	<u>\$ (15,742)</u>	<u>\$ (25,208)</u>	<u>\$ 41,377</u>	<u>\$ 57,966</u>	<u>\$ 16,589</u>
Cash - Prior Page		<u>782,686</u>			<u>727,466</u>	
Cash - Subtotal Carryforward		<u>\$ 766,944</u>			<u>\$ 785,432</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT M

**PEMISCOT COUNTY, MISSOURI
FIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND
AND CHANGES IN CASH - BUDGET AND ACTUAL
SOLID WASTE TRANSFER STATION FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 737,000	\$ 804,103	\$ 67,103	\$ 740,000	\$ 729,752	\$ (10,248)
Interest	3,000	3,840	840	9,000	2,895	(6,105)
Other	-	-	-	30,000	-	(30,000)
Transfers in	50,000	-	(50,000)	-	-	-
Total Receipts	<u>\$ 790,000</u>	<u>\$ 807,943</u>	<u>\$ 17,943</u>	<u>\$ 779,000</u>	<u>\$ 732,647</u>	<u>\$ (46,353)</u>
DISBURSEMENTS						
Salaries	\$ 99,800	\$ 105,989	\$ (6,189)	\$ 81,000	\$ 94,279	\$ (13,279)
Contract Services	500,000	475,446	24,554	465,000	488,540	(23,540)
Office Expenditures	35,500	24,520	10,980	38,000	14,968	23,032
Equipment	131,000	97,315	33,685	64,000	41,380	22,620
Mileage and Training	500	700	(200)	500	-	500
Bond Payment and Interest	45,000	44,007	993	50,000	41,752	8,248
Other	105,000	13,622	91,378	66,000	6,319	59,681
Transfers out	-	-	-	50,000	-	50,000
Total Disbursements	<u>\$ 916,800</u>	<u>\$ 761,599</u>	<u>\$ 155,201</u>	<u>\$ 814,500</u>	<u>\$ 687,238</u>	<u>\$ 127,262</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (126,800)</u>	<u>\$ 46,344</u>	<u>\$ 173,144</u>	<u>\$ (35,500)</u>	<u>\$ 45,409</u>	<u>\$ 80,909</u>
CASH, JANUARY 1	279,236	279,236	-	233,827	233,827	-
CASH, DECEMBER 31	<u>\$ 152,436</u>	<u>\$ 325,580</u>	<u>\$ 173,144</u>	<u>\$ 198,327</u>	<u>\$ 279,236</u>	<u>\$ 80,909</u>
Cash - Prior Page		766,944			785,432	
Cash - Subtotal Carryforward		<u>\$ 1,092,524</u>			<u>\$ 1,064,668</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIMINAL INVESTIGATION FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 40,000	\$ 26,539	\$ (13,461)	\$ 100,000	\$ 55,893	\$ (44,107)
Interest	4,000	4,008	8	4,000	5,263	1,263
Total Receipts	<u>\$ 44,000</u>	<u>\$ 30,547</u>	<u>\$ (13,453)</u>	<u>\$ 104,000</u>	<u>\$ 61,156</u>	<u>\$ (42,844)</u>
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ -	\$ 9,666	\$ 1,570	\$ 8,096
Transfers out	-	75,440	(75,440)	100,000	65,220	34,780
Total Disbursements	<u>\$ -</u>	<u>\$ 75,440</u>	<u>\$ (75,440)</u>	<u>\$ 109,666</u>	<u>\$ 66,790</u>	<u>\$ 42,876</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 44,000	\$ (44,893)	\$ (88,893)	\$ (5,666)	\$ (5,634)	\$ 32
CASH, JANUARY 1	90,936	90,936	-	96,570	96,570	-
CASH, DECEMBER 31	<u>\$ 134,936</u>	<u>\$ 46,043</u>	<u>\$ (88,893)</u>	<u>\$ 90,904</u>	<u>\$ 90,936</u>	<u>\$ 32</u>
Cash - Prior Page		1,092,524			1,064,668	
Cash - Subtotal Carryforward		<u>\$ 1,138,567</u>			<u>\$ 1,155,604</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 900	\$ 990	\$ 90	\$ 900	\$ 1,000	\$ 100
Interest	500	833	333	500	499	(1)
Total Receipts	<u>\$ 1,400</u>	<u>\$ 1,823</u>	<u>\$ 423</u>	<u>\$ 1,400</u>	<u>\$ 1,499</u>	<u>\$ 99</u>
DISBURSEMENTS						
Other	\$ 10,000	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Total Disbursements	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (8,600)	\$ 1,823	\$ 10,423	\$ (8,600)	\$ 1,499	\$ 10,099
CASH, JANUARY 1	12,056	12,056	-	10,557	10,557	-
CASH, DECEMBER 31	<u>\$ 3,456</u>	<u>\$ 13,879</u>	<u>\$ 10,423</u>	<u>\$ 1,957</u>	<u>\$ 12,056</u>	<u>\$ 10,099</u>
Cash - Prior Page		<u>1,138,567</u>			<u>1,155,604</u>	
Cash - Subtotal Carryforward		<u>\$ 1,152,446</u>			<u>\$ 1,167,660</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
POLICE APPREHENSION OF STUDENT TRAFFICKERS PROGRAM FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 300	\$ 377	\$ 77	\$ -	\$ 283	\$ 283
Total Receipts	<u>\$ 300</u>	<u>\$ 377</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ 283</u>	<u>\$ 283</u>
DISBURSEMENTS						
Other	\$ 5,900	\$ -	\$ 5,900	\$ -	\$ -	\$ -
Total Disbursements	<u>\$ 5,900</u>	<u>\$ -</u>	<u>\$ 5,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (5,600)	\$ 377	\$ 5,977	\$ -	\$ 283	\$ 283
CASH, JANUARY 1	5,678	5,678	-	5,395	5,395	-
CASH, DECEMBER 31	<u>\$ 78</u>	<u>\$ 6,055</u>	<u>\$ 5,977</u>	<u>\$ 5,395</u>	<u>\$ 5,678</u>	<u>\$ 283</u>
Cash - Prior Page		1,152,446			1,167,660	
Cash - Subtotal Carryforward		<u>\$ 1,158,501</u>			<u>\$ 1,173,338</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
SEIZED MONEY FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 10,000	\$ 3,724	\$ (6,276)	\$ 15,000	\$ 414	\$ (14,586)
Interest	100	132	32	500	98	(402)
Total Receipts	<u>\$ 10,100</u>	<u>\$ 3,856</u>	<u>\$ (6,244)</u>	<u>\$ 15,500</u>	<u>\$ 512</u>	<u>\$ (14,988)</u>
DISBURSEMENTS						
Other	\$ 10,000	\$ 1,357	\$ 8,643	\$ 20,000	\$ 5,103	\$ 14,897
Total Disbursements	<u>\$ 10,000</u>	<u>\$ 1,357</u>	<u>\$ 8,643</u>	<u>\$ 20,000</u>	<u>\$ 5,103</u>	<u>\$ 14,897</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 100	\$ 2,499	\$ 2,399	\$ (4,500)	\$ (4,591)	\$ (91)
CASH, JANUARY 1	897	897	-	5,488	5,488	-
CASH, DECEMBER 31	<u>\$ 997</u>	<u>\$ 3,396</u>	<u>\$ 2,399</u>	<u>\$ 988</u>	<u>\$ 897</u>	<u>\$ (91)</u>
Cash - Prior Page		<u>1,158,501</u>			<u>1,173,338</u>	
Cash - Subtotal Carryforward		<u>\$ 1,161,897</u>			<u>\$ 1,174,235</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT SALES TAX FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales Tax	\$ 550,000	\$ 607,377	\$ 57,377	\$ 525,000	\$ 581,478	\$ 56,478
Interest	20,000	32,724	12,724	10,000	20,249	10,249
Total Receipts	<u>\$ 570,000</u>	<u>\$ 640,101</u>	<u>\$ 70,101</u>	<u>\$ 535,000</u>	<u>\$ 601,727</u>	<u>\$ 66,727</u>
DISBURSEMENTS						
Property	\$ 529,500	\$ 529,598	\$ (98)	\$ 425,000	\$ 408,801	\$ 16,199
Total Disbursements	<u>\$ 529,500</u>	<u>\$ 529,598</u>	<u>\$ (98)</u>	<u>\$ 425,000</u>	<u>\$ 408,801</u>	<u>\$ 16,199</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 40,500	\$ 110,503	\$ 70,003	\$ 110,000	\$ 192,926	\$ 82,926
CASH, JANUARY 1	513,281	513,281	-	320,355	320,355	-
CASH, DECEMBER 31	<u>\$ 553,781</u>	<u>\$ 623,784</u>	<u>\$ 70,003</u>	<u>\$ 430,355</u>	<u>\$ 513,281</u>	<u>\$ 82,926</u>
Cash - Prior Page		1,161,897			1,174,235	
Cash - Subtotal Carryforward		<u>\$ 1,785,681</u>			<u>\$ 1,687,516</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales Tax	\$ 300,000	\$ 303,696	\$ 3,696	\$ 262,500	\$ 290,747	\$ 28,247
Interest	10,000	27,597	17,597	6,000	13,592	7,592
Total Receipts	<u>\$ 310,000</u>	<u>\$ 331,293</u>	<u>\$ 21,293</u>	<u>\$ 268,500</u>	<u>\$ 304,339</u>	<u>\$ 35,839</u>
DISBURSEMENTS						
Salaries	\$ -	\$ -	\$ -	\$ 9,359	\$ 104,441	\$ (95,082)
Equipment	310,000	152,397	157,603	150,780	-	150,780
Total Disbursements	<u>\$ 310,000</u>	<u>\$ 152,397</u>	<u>\$ 157,603</u>	<u>\$ 160,139</u>	<u>\$ 104,441</u>	<u>\$ 55,698</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 178,896	\$ 178,896	\$ 108,361	\$ 199,898	\$ 91,537
CASH, JANUARY 1	316,243	316,243	-	116,345	116,345	-
CASH, DECEMBER 31	<u>\$ 316,243</u>	<u>\$ 495,139</u>	<u>\$ 178,896</u>	<u>\$ 224,706</u>	<u>\$ 316,243</u>	<u>\$ 91,537</u>
Cash - Prior Page		1,785,681			1,687,516	
Cash - Subtotal Carryforward		<u>\$ 2,280,820</u>			<u>\$ 2,003,759</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 7,500	\$ 7,030	\$ (470)	\$ 10,000	\$ 7,646	\$ (2,354)
Interest	300	104	(196)	800	366	(434)
Total Receipts	<u>\$ 7,800</u>	<u>\$ 7,134</u>	<u>\$ (666)</u>	<u>\$ 10,800</u>	<u>\$ 8,012</u>	<u>\$ (2,788)</u>
DISBURSEMENTS						
Recorder of Deeds	\$ 3,000	\$ 4,430	\$ (1,430)	\$ 18,000	\$ 15,799	\$ 2,201
Total Disbursements	<u>\$ 3,000</u>	<u>\$ 4,430</u>	<u>\$ (1,430)</u>	<u>\$ 18,000</u>	<u>\$ 15,799</u>	<u>\$ 2,201</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 4,800	\$ 2,704	\$ (2,096)	\$ (7,200)	\$ (7,787)	\$ (587)
CASH, JANUARY 1	-	-	-	7,787	7,787	-
CASH, DECEMBER 31	<u>\$ 4,800</u>	<u>\$ 2,704</u>	<u>\$ (2,096)</u>	<u>\$ 587</u>	<u>\$ -</u>	<u>\$ (587)</u>
Cash - Prior Page		<u>2,280,820</u>			<u>2,003,759</u>	
Cash - Subtotal Carryforward		<u>\$ 2,283,524</u>			<u>\$ 2,003,759</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 143,500	\$ 137,600	\$ (5,900)	\$ 138,171	\$ 143,515	\$ 5,344
Intergovernmental	493,953	464,147	(29,806)	551,612	522,278	(29,334)
Charges for services	18,500	8,239	(10,261)	19,000	20,488	1,488
Interest	38,000	45,790	7,790	40,000	34,161	(5,839)
Other	7,000	8,188	1,188	5,000	11,369	6,369
Total Receipts	<u>\$ 700,953</u>	<u>\$ 663,964</u>	<u>\$ (36,989)</u>	<u>\$ 753,783</u>	<u>\$ 731,811</u>	<u>\$ (21,972)</u>
DISBURSEMENTS						
Salaries	\$ 463,726	\$ 496,535	\$ (32,809)	\$ 477,378	\$ 434,621	\$ 42,757
Office Expenditures	91,933	78,531	13,402	77,455	88,643	(11,188)
Equipment	38,464	16,318	22,146	96,500	17,407	79,093
Mileage and Training	86,130	67,634	18,496	70,250	78,793	(8,543)
Other	22,700	60,448	(37,748)	32,200	25,631	6,569
Total Disbursements	<u>\$ 702,953</u>	<u>\$ 719,466</u>	<u>\$ (16,513)</u>	<u>\$ 753,783</u>	<u>\$ 645,095</u>	<u>\$ 108,688</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (2,000)</u>	<u>\$ (55,502)</u>	<u>\$ (53,502)</u>	<u>\$ -</u>	<u>\$ 86,716</u>	<u>\$ 86,716</u>
CASH, JANUARY 1	<u>793,453</u>	<u>793,453</u>	<u>-</u>	<u>706,737</u>	<u>706,737</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 791,453</u></u>	<u><u>\$ 737,951</u></u>	<u><u>\$ (53,502)</u></u>	<u><u>\$ 706,737</u></u>	<u><u>\$ 793,453</u></u>	<u><u>\$ 86,716</u></u>
Cash - Prior Page		<u>2,283,524</u>			<u>2,003,759</u>	
Cash - Subtotal Carryforward		<u><u>\$ 3,021,475</u></u>			<u><u>\$ 2,797,212</u></u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
JUVENILE GRANT PROGRAM
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 132,298	\$ 126,400	\$ (5,898)	\$ 56,922	\$ 59,410	\$ 2,488
Interest	-	507	507	-	-	-
Total Receipts	<u>\$ 132,298</u>	<u>\$ 126,907</u>	<u>\$ (5,391)</u>	<u>\$ 56,922</u>	<u>\$ 59,410</u>	<u>\$ 2,488</u>
DISBURSEMENTS						
Salaries	\$ 103,524	\$ 97,929	\$ 5,595	\$ 47,382	\$ 58,491	\$ (11,109)
Other	24,280	5,301	18,979	9,540	5,513	4,027
Total Disbursements	<u>\$ 127,804</u>	<u>\$ 103,230</u>	<u>\$ 24,574</u>	<u>\$ 56,922</u>	<u>\$ 64,004</u>	<u>\$ (7,082)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 4,494	\$ 23,677	\$ (19,183)	\$ -	\$ (4,594)	\$ 4,594
CASH, JANUARY 1	(4,594)	(4,594)	-	-	-	-
CASH, DECEMBER 31	<u>\$ (100)</u>	<u>\$ 19,083</u>	<u>\$ (19,183)</u>	<u>\$ -</u>	<u>\$ (4,594)</u>	<u>\$ 4,594</u>
Cash - Prior Page		3,021,475			2,797,212	
Cash - Subtotal Carryforward		<u>\$ 3,040,558</u>			<u>\$ 2,792,618</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Tax	\$ -	\$ 137,813	\$ 137,813	\$ -	\$ 144,012	\$ 144,012
Interest	-	6,035	6,035	-	7,217	7,217
Total Receipts	<u>\$ -</u>	<u>\$ 143,848</u>	<u>\$ 143,848</u>	<u>\$ -</u>	<u>\$ 151,229</u>	<u>\$ 151,229</u>
DISBURSEMENTS						
Other	\$ -	\$ 177,886	\$ (177,886)	\$ -	\$ 187,753	\$ (187,753)
Total Disbursements	<u>\$ -</u>	<u>\$ 177,886</u>	<u>\$ (177,886)</u>	<u>\$ -</u>	<u>\$ 187,753</u>	<u>\$ (187,753)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (34,038)	\$ 34,038	\$ -	\$ (36,524)	\$ 36,524
CASH, JANUARY 1	71,267	71,267	-	107,791	107,791	-
CASH, DECEMBER 31	<u>\$ 71,267</u>	<u>\$ 37,229</u>	<u>\$ 34,038</u>	<u>\$ 107,791</u>	<u>\$ 71,267</u>	<u>\$ 36,524</u>
Cash - Prior Page		3,040,558			2,792,618	
Cash - Subtotal Carryforward		<u>\$ 3,077,787</u>			<u>\$ 2,863,885</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECKS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 10,700	\$ 14,020	\$ 3,320	\$ 11,000	\$ 10,705	\$ (295)
Interest	462	378	(84)	-	462	462
Total Receipts	<u>\$ 11,162</u>	<u>\$ 14,398</u>	<u>\$ 3,236</u>	<u>\$ 11,000</u>	<u>\$ 11,167</u>	<u>\$ 167</u>
DISBURSEMENTS						
Salaries	\$ 15,300	\$ 14,396	\$ 904	\$ 16,000	\$ 16,997	\$ (997)
Office Supplies	-	-	-	-	733	(733)
Total Disbursements	<u>\$ 15,300</u>	<u>\$ 14,396</u>	<u>\$ 904</u>	<u>\$ 16,000</u>	<u>\$ 17,730</u>	<u>\$ (1,730)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,138)	\$ 2	\$ (4,140)	\$ (5,000)	\$ (6,563)	\$ 1,563
CASH, JANUARY 1	5,134	5,134	-	11,697	11,697	-
CASH, DECEMBER 31	<u>\$ 996</u>	<u>\$ 5,136</u>	<u>\$ (4,140)</u>	<u>\$ 6,697</u>	<u>\$ 5,134</u>	<u>\$ 1,563</u>
Cash - Prior Page		3,077,787			2,863,885	
Cash - Subtotal Carryforward		<u>\$ 3,082,923</u>			<u>\$ 2,869,019</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

PEMISCOT COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF PATROL
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Total Receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS						
Other	\$ 644	\$ 394	\$ 250	\$ -	\$ -	\$ -
Total Disbursements	\$ 644	\$ 394	\$ 250	\$ -	\$ -	\$ -
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (644)	\$ (394)	\$ (250)	\$ -	\$ -	\$ -
CASH, JANUARY 1	644	644	-	644	644	-
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ (250)</u>	<u>\$ 644</u>	<u>\$ 644</u>	<u>\$ -</u>
Cash - Prior Page		3,082,923			2,869,019	
Cash - Subtotal Carryforward		<u>\$ 3,083,173</u>			<u>\$ 2,869,663</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**PEMISCOT COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Pemiscot County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board of Trustees or the Senate Bill 40 Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the controlling authority did not adopt formal budgets for the following funds:

Pemiscot County

Sheriff Patrol 1999

Police Apprehension of Student Traffickers Program 1999

Prosecuting Attorney

Prosecuting Attorney Bad Check 1999

Senate Bill 40 Board

Senate Bill 40 Board 1999

Circuit Court En Banc

Law Library 2000 and 1999

Circuit Court Division II

Associate Division Interest 2000 and 1999

Circuit Clerk

Circuit Division Interest 2000 and 1999

**PEMISCOT COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Practices (Continued)

Disbursements issued were in excess of budgeted amounts for the following funds:

Fund	Year(s) Ended December 31,
Special Road and Bridge	1999
Law Enforcement Training	1999
Prosecuting Attorney Training	2000
Drug Abuse Resistance Education	2000
Bootheel Drug Task Force	1999
Emergency 911	2000
Criminal Investigation	2000
Capital Improvement Sales Tax	2000
Recorder's User Fee	2000
Health Center	2000
Juvenile Grant Program	1999
Senate Bill 40	2000 and 1999
Prosecuting Attorney Bad Checks	1999

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Published Financial Statements

Under Sections 50.800 and 50.810, RSMO 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the controlling authority did not include the following funds within the County's published financial statements:

Pemiscot County	
Sheriff Patrol	1999
Circuit Court En Banc	
Law Library	2000 and 1999
Circuit Court Division II	
Associate Division Interest	2000 and 1999
Circuit Court	
Circuit Division Interest	2000 and 1999

**PEMISCOT COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 2 CASH

The County has adopted a formal investment policies for its monies. However, the county has also determined through experience that checking accounts, certificates of deposit, and negotiable order of withdrawal (NOW) accounts are appropriate types of accounts or instruments for its needs.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and NOW accounts, in banks, savings institutions, and credit unions.

Deposits

The County's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year end.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

NOTE 3 TAXES

The assessed valuation of the tangible property for the calendar year 2000 and 1999 for purposes of local taxation was \$151,065,983 and \$149,810,386.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2000 and 1999 for purposes of local taxation was:

	2000	1999
General Revenue Fund	\$ 0.18	\$ 0.19
Special Road and Bridge Fund	0.28	0.28
Hospital	0.36	0.36
Health Center	0.10	0.10
Shelter Workshop	0.10	0.10
Johnson Grass	0.05	0.05
M & M Replacement	0.26	0.26
Total	<u>\$ 1.33</u>	<u>\$ 1.34</u>

**PEMISCOT COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 3 TAXES (CONTINUED)

These levies represent amounts directly received by the County for its purposes versus amounts collected by the County as a pass through on behalf of another entity.

NOTE 4 GENERAL OBLIGATION BOND ISSUANCE

During the year ended December 31, 1999, the County passed a general obligation bond issue for the construction of a criminal justice center. As of December 31, 2000, the County had outstanding commitment related to the project of approximately \$9,900,000. The financial statements, as presented, do include the revenue, expenses and cash balances of the bond proceeds and construction activities.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission and
Officeholders of Pemiscot County, Missouri

We have audited the special-purpose financial statements of Pemiscot County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 2, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Pemiscot County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Pemiscot County in a separate letter dated March 2, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pemiscot County, Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Pemiscot County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 00-1.

Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and the use of the administration, management, County Commissioners, State of Missouri Auditor's Office and Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.

Original Signed by Auditor

LARSON, ALLEN, WEISHAIR & CO., LLP

March 2, 2001
St. Louis, Missouri



Business Consultants • Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission and
Officeholders of Pemiscot County, Missouri

Compliance

We have audited the compliance of Pemiscot County, Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. Pemiscot County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pemiscot County, Missouri's management. Our responsibility is to express an opinion on Pemiscot County, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pemiscot County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pemiscot County, Missouri's compliance with those requirements.

In our opinion, Pemiscot County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Pemiscot County, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pemiscot County, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and the use of the administration, management, County Commissioners, State of Missouri Auditor's Office and Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.

Original Signed by Auditor

LARSON, ALLEN, WEISHAIR & CO., LLP

March 2, 2001
St. Louis, Missouri

**PEMISCOT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that is not considered to be a material weakness?
☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted?
☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that is not considered to be a material weakness?
☒ Yes ☐ None Reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	2000	1999
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	\$112,318	\$125,822
16.579	Byrne Formula Grant Program	103,229	123,241
93.563	Block Grant to the States	128,961	102,451
		<u>\$344,508</u>	<u>\$351,514</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

Section II – Financial Statement Findings

Finding: 00-1

Criteria: SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit*, as amended by SAS No. 78, *Consideration of Internal Control in a Financial Statement Audit: An Amendment to SAS No. 55*.

Condition: Lack of sufficient segregation of duties.

Questioned Costs: None.

Context: A review of the internal control procedures.

Effect: The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Cause: Size and budget constraints limiting the number of personnel within the accounting department.

Recommendation: These areas should be reviewed periodically and consideration given to improving the segregation of duties.

Management's Response: We will review periodically the size and budget constraints limiting the number of personnel within the accounting department. We will continue to utilize the other internal controls, such as administrative oversight, to minimize the lack of sufficient segregation of duties.

Section III – Federal Awards Findings and Questioned Costs

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended December 31, 2000 and 1999.

**PEMISCOT COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Financial Statement Findings

98-1. Funds Not Budgeted

Formal budgets were not prepared for various funds.

Chapter 50, RSMo 1994, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. Expenditures from funds not budgeted as a percentage of all expenditures amounted to approximately 10 percent and 5 percent for the years ended December 31, 2000 and 1999, respectively.

By preparing or obtaining budgets for all county funds and activities, the County Commission is able to more efficiently evaluate all county financial resources.

According to Section 50.530, RSMo 1994, the County Clerk, is the budget officer. The controlling authority needs to implement procedures to ensure all funds are budgeted and filed with the County Clerk. These procedures need to include requesting and obtaining budgets for funds controlled by other county officials.

**PEMISCOT COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Financial Statement Findings (Continued)

98-2. Overspending Budgets

Disbursements were made in excess of the approved budgets in various funds during the years ended December 31, 2000 and 1999:

It was ruled in State ex. rel. Strong vs. Cribb, 364 Mo. 1122, 273 SW 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

**PEMISCOT COUNTY, MISSOURI
CORRECTIVE ACTION PLAN
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

For information regarding the Corrective Action Plan please contact John Alford at (573) 333-4203.

SCHEDULE 1

PEMISCOTT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 2000

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
			1999	2000
U.S. DEPARTMENT OF AGRICULTURE:				
Passed through State Department of Health				
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	ER0045-4207	\$ 125,822	\$ 112,318
Summer Food Service Program for Children	10.559	None	-	2,508
Total U.S. Department of Agriculture			\$ 125,822	\$ 114,826
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through Department of Economic Development				
Community Development Block Grant	14.228	None	\$ 28,490	\$
Total U.S. Department of Housing and Urban Development			\$ 28,490	\$
U.S. DEPARTMENT OF JUSTICE:				
Passed through State Department of Public Safety:				
Byrne Formula Grant Program	16.579	98NCD2003	\$ 123,241	\$ 103,229
Juvenile Justice and Delinquency Prevention	16.540	ERO172131	-	121,679
Direct Programs:				
Public Safety Partnership and Community Policing ("Cops") Grants	16.710	95CFWX5084	50,700	67,652
Equitable Sharing of Seized and Forfeited Prope	16.xxx	None	414	-
Total U.S. Department of Justice			\$ 174,355	\$ 292,560
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through State Highway and Transportation Commission				
Off System Road and Bridge Replacement	20.205	BRO-025	\$ 4,440	\$ -
Total Environmental Protection Agency			\$ 4,440	\$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through State:				
Department of Health				
Childhood Immunization Grants	93.268	PG0064-8124IAP	\$ 5,510	\$ 2,999
Child Care and Development Block Grant	93.575	ERO0146-7124	1,870	2,275
Administration for Children and Families	93.569	None	37,059	56,076
AIDS Prevention	93.268	ERO-146-91786PH	486	-
Infant Mortality Block Grant	93.994	A0C00380047	-	35,836
Family Planning Block Grant	93.994	ER5175-1178	-	1,500
Preventative Health and Health Services				
Block Grant	93.991	A0C00380217	25,695	21,091
Maternal and Child Health Services				
Block Grant to the States	93.994	ERO0146-8124	28,686	31,528
Department of Social Services:				
Child Support Enforcement				
Block Grant to the States	93.563	None	102,451	128,961
Total U.S. Department of Health and Human Resources			\$ 201,757	\$ 280,266
Total Federal Financial Assistance			\$ 534,864	\$ 687,652

PEMISCOT COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pemiscot County, Missouri, and is presented on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

PEMISCOT COUNTY, MISSOURI

MANAGEMENT LETTER

DECEMBER 31, 2000

To the County Commission and
Officeholders of Pemiscot County, Missouri:

In planning and performing our audit of the special-purpose financial statements of the Pemiscot County as of and for the years ended December 31, 2000 and 1999, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgement, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

REPORTABLE CONDITION

We noted the following reportable condition that is not considered to be a material weakness.

Segregation of Duties

The small size of the accounting department limits the extent of a proper segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. This results in some risk that intentional or unintentional errors could be made and not detected.

We noted the following:

1. The County Treasurer is responsible for recording various cash receipts, reconciling the bank statements, preparing and recording cash disbursements, and reconciling the general ledger.

OBSERVATIONS

We noted the following observations that are not considered to be reportable conditions, but are comments to help strengthen internal controls and operating efficiency.

Solid Waste Transfer Station

Currently, the Solid Waste Transfer Station does not deposit money on a daily basis. We encourage the Solid Waste Transfer Station to deposit monies on a daily basis and to continue to maintain all County monies in fully secured bank accounts, while gaining the Board of Commissioner's approval for opening and closing all bank and depository accounts.

Changes in Reporting Requirements

The Governmental Accounting Standards Board recently released a new financial statement reporting requirement commonly referred to as "GASB 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". The intent of GASB 34 is to standardize financial statement reporting across governmental entities and to make them more comparable to statements issued by like-sized profit-seeking companies. Adherence to GASB 34 is a requirement for all local governmental entities, including school districts, and the gradual implementation requirement is as follows:

Entities With Revenues	Fiscal Year Beginning After
Greater than \$100 million	June 15, 2001
\$10 - \$100 million	June 15, 2002
Less than \$10 million	June 15, 2003

GASB 34 will require government-wide financial statements to include a Statement of Activities and a Statement of Net Assets. It will also require as supplemental information a narrative section referred to as "Management Discussion and Analysis" to further communicate the operations and goals of the School District. As management is ultimately responsible for the financial statements, they will likewise be responsible for all statements as reported under GASB 34.

We recommend that the County familiarize itself with GASB 34 and the new reporting requirements prior to your implementation year. We encourage you to reference the GASB Guide to Implementation of GASB 34 Basic Financial Statements. As always, we remind you that the staff of LarsonAllen is available on a year-round basis and will gladly meet with you to plan for your County's implementation objectives. Furthermore, we will continue to update you as your compliance date nears.

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Cooperation

We received complete cooperation from all County officials during the 1999 and 2000 audit. It appears that the overall accounting procedures laid down by the County, are being adhered to by the officials within each office.

We welcome the opportunity to discuss the points mentioned in this letter, or any other accounting and procedural problems in order to coordinate our efforts with you, the mutual objectives being the development of more effective accounting, financial reporting, and business procedures for the County.

We understand that some of the aforementioned points are in the process of implementation or may already have been implemented; however, these points are noted so that effective follow up can be accomplished.

Thank you for the opportunity to be of service to you. We sincerely appreciate all the courtesies and cooperation extended to us by you and your staff and remind you that we are available on a year-round basis. Please do not hesitate to call us whenever you believe we can be of assistance.

This report is intended solely for the information and use of the County Commission and Officeholders of Pemiscot County, and others within the administration.

LARSON, ALLEN, WEISHAIR & CO., LLP

March 2, 2001
St. Louis, Missouri



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Nodaway County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Nodaway County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

Claire C. McCaskill
State Auditor

Report No. 2001-74
August 31, 2001

NODAWAY COUNTY, MISSOURI

AUDIT REPORT

For Each of the Two Years Ended
December 31, 2000 and 1999

NODAWAY COUNTY, MISSOURI
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FINANCIAL SECTION

Independent Auditor's Reports

McBRIDE, LOCK & ASSOCIATES

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the State Auditor of Missouri,
and
The County Commission of
Nodaway County, Missouri

We have audited the special-purpose financial statements of various funds of Nodaway County, Missouri, as of and for the years ended December 31, 2000 and 1999. These special-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Nodaway County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with ***Government Auditing Standards***, we have also issued a report dated June 6, 2001 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, ***Audits of State, Local Governments, and Non-Profit Organizations***, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the special-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the special-purpose financial statements taken as a whole.

Original Signed by Auditor

McBride, Lock and Associates

June 6, 2001

McBRIDE, LOOK & ASSOCIATES

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the State Auditor of Missouri,
and the County Commission of
Nodaway County, Missouri

We have audited the special-purpose financial statements of various funds of Nodaway County, Missouri as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 6, 2001.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Nodaway County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted immaterial instances of noncompliance which we have reported to the management of the County in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Nodaway County, Missouri, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited

may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the County in the accompanying Letter on Other Matters.

This report is intended solely for the information and use of the State Auditor of Missouri; management of Nodaway County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

McBride, Lock & Associates

June 6, 2001

Financial Statements

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH
YEAR ENDED DECEMBER 31, 2000

Fund Title	Cash January 1	Receipts	Disbursements	Cash December 31
General Revenue	\$1,570,484	\$ 2,351,818	\$ 1,744,991	\$ 2,177,311
Special Road and Bridge	1,612,270	2,152,704	2,268,252	1,496,722
Assessment	(5,583)	222,913	249,945	(32,615)
Tax Incentive Payment	8,727	0	312	8,415
Law Enforcement Training	15,410	7,281	3,837	18,854
Prosecuting Attorney Training	3,134	1,093	4,140	87
Emergency 911	(3,821)	83,569	153,649	(73,901)
Adult Abuse	3,680	3,110	3,680	3,110
Nuclear Accident Emergency Prepared	1,033	0	409	624
Local Emergency Planning Comm.	5,209	3,290	1,297	7,202
Senior Citizen Service Fund	0	13,596	29	13,567
Sheriff Crime Cost	20,108	11,140	24,820	6,428
Recorder User Fee	4,077	8,143	1,004	11,216
Probate Division Interest	162	77	0	239
Senate Bill 40	32,562	105,921	106,822	31,661
Circuit Division Interest	8,787	4,509	2,036	11,260
Associate Division Interest	16,037	14,502	2,156	28,383
Law Library	1,143	4,019	1,449	3,713
Health Center	297,472	401,446	387,642	311,276
Total	<u>\$3,590,891</u>	<u>\$ 5,389,131</u>	<u>\$ 4,956,470</u>	<u>\$ 4,023,552</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH
YEAR ENDED DECEMBER 31, 1999

Fund Title	Cash January 1	Receipts	Disbursements	Cash December 31
General Revenue	\$ 1,540,995	\$ 2,219,432	\$ 2,189,943	\$ 1,570,484
Special Road and Bridge	1,514,584	2,433,892	2,336,206	1,612,270
Assessment	49,747	205,281	260,611	(5,583)
Tax Incentive Payment	2,672	6,055	0	8,727
Law Enforcement Training	7,655	10,108	2,353	15,410
Prosecuting Attorney Training	1,331	1,906	103	3,134
Emergency 911	31,125	320,832	355,778	(3,821)
Adult Abuse	0	3,680	0	3,680
Nuclear Accident Emergency Prepared	2,932	0	1,899	1,033
Local Emergency Planning Comm.	3,578	3,324	1,693	5,209
Sheriff Crime Cost	17,575	17,194	14,661	20,108
Recorder User Fee	15,946	9,890	21,759	4,077
Probate Division Interest	101	61	0	162
Senate Bill 40	30,816	97,852	96,106	32,562
Circuit Division Interest	11,341	2,325	4,879	8,787
Associate Division Interest	8,201	7,836	0	16,037
Law Library	340	4,498	3,695	1,143
Health Center	289,600	397,926	390,054	297,472
Total	<u>\$ 3,528,539</u>	<u>\$ 5,742,092</u>	<u>\$ 5,679,740</u>	<u>\$ 3,590,891</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS-VARIOUS FUNDS</u>						
RECEIPTS	\$ 5,476,090	\$ 5,389,131	\$ (86,959)	\$ 5,560,148	\$ 5,742,092	\$ 181,944
DISBURSEMENTS	6,231,736	4,956,470	1,275,266	6,042,786	5,679,740	363,046
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (755,646)	\$ 432,661	\$ 1,188,307	\$ (482,638)	\$ 62,352	\$ 544,990
CASH, JANUARY 1	3,590,891	3,590,891	0	3,528,539	3,528,539	0
CASH, DECEMBER 31	<u>\$ 2,835,245</u>	<u>\$ 4,023,552</u>	<u>\$ 1,188,307</u>	<u>\$ 3,045,901</u>	<u>\$ 3,590,891</u>	<u>\$ 544,990</u>
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	\$ 10,000	\$ 15,296	\$ 5,296	\$ 13,000	\$ 9,289	\$ (3,711)
Sales taxes	1,625,000	1,706,948	81,948	1,500,000	1,571,797	71,797
Intergovernmental	77,938	75,413	(2,525)	90,550	103,403	12,853
Charges for services	246,750	220,395	(26,355)	207,000	265,577	58,577
Interest	55,000	113,327	58,327	75,000	55,525	(19,475)
Other	108,324	220,439	112,115	172,850	171,841	(1,009)
Transfers in	45,000	0	(45,000)	42,000	42,000	0
Total Receipts	<u>\$ 2,168,012</u>	<u>\$ 2,351,818</u>	<u>\$ 183,806</u>	<u>\$ 2,100,400</u>	<u>\$ 2,219,432</u>	<u>\$ 119,032</u>
DISBURSEMENTS						
County Commission	\$ 92,420	\$ 91,487	\$ 933	\$ 89,465	\$ 87,610	\$ 1,855
County Clerk	91,550	85,215	6,335	91,253	87,620	3,633
Elections	72,175	71,995	180	27,800	17,145	10,655
Buildings and grounds	209,637	188,118	21,519	211,800	142,262	69,538
Employee fringe benefits	183,500	149,250	34,250	239,500	151,519	87,981
County Treasurer	68,145	68,369	(224)	67,335	66,628	707
Recorder of Deeds	68,571	68,197	374	66,488	66,560	(72)
Circuit Clerk	42,500	29,931	12,569	38,400	29,261	9,139
Associate Circuit Court	11,600	7,740	3,860	9,900	8,993	907
Court administration	4,184	0	4,184	0	0	0
Public Administrator	40,299	44,361	(4,062)	44,572	46,203	(1,631)
Sheriff	328,468	323,798	4,670	320,081	300,991	19,090
Jail	249,096	230,606	18,490	213,707	216,853	(3,146)
Prosecuting Attorney	134,030	128,151	5,879	128,194	125,631	2,563
Juvenile Officer	56,506	64,897	(8,391)	56,160	108,855	(52,695)
County Coroner	20,570	22,085	(1,515)	20,825	15,654	5,171
Public health and welfare services	2,250	684	1,566	2,250	600	1,650
Other	159,000	169,463	(10,463)	168,685	146,858	21,827
Transfers out	560,000	0	560,000	570,700	570,700	0
Emergency Fund	45,000	644	44,356	40,000	0	40,000
Total Disbursements	<u>\$ 2,439,501</u>	<u>\$ 1,744,991</u>	<u>\$ 694,510</u>	<u>\$ 2,407,115</u>	<u>\$ 2,189,943</u>	<u>\$ 217,172</u>
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (271,489)	\$ 606,827	\$ 878,316	\$ (306,715)	\$ 29,489	\$ 336,204
CASH, JANUARY 1	1,570,484	1,570,484	0	1,540,994	1,540,995	(1)
CASH, DECEMBER 31	<u>\$ 1,298,995</u>	<u>\$ 2,177,311</u>	<u>\$ 878,316</u>	<u>\$ 1,234,279</u>	<u>\$ 1,570,484</u>	<u>\$ 336,203</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	\$ 93,000	\$ 102,425	\$ 9,425	\$ 91,531	\$ 92,635	\$ 1,104
Intergovernmental	1,743,940	1,816,276	72,336	1,736,500	1,755,802	19,302
Charges for services	0	0	0	0	0	0
Interest	85,000	104,805	19,805	50,000	95,065	45,065
Transfers in	340,000	0	(340,000)	340,000	340,000	0
Other	156,000	129,198	(210,802)	174,000	150,390	(23,610)
Total Receipts	\$ 2,261,940	\$ 2,152,704	\$ (449,236)	\$ 2,392,031	\$ 2,433,892	\$ 41,861
DISBURSEMENTS						
Salaries	\$ 190,000	\$ 165,966	\$ 24,034	\$ 175,000	\$ 164,900	\$ 10,100
Employee fringe benefits	41,300	33,903	7,397	37,388	34,939	2,449
Supplies	34,000	35,411	(1,411)	32,500	48,285	(15,785)
Insurance	27,000	14,836	12,164	25,000	24,045	955
Road and bridge materials	1,275,000	1,055,576	219,424	1,240,000	1,120,425	119,575
Equipment repairs	25,000	7,298	17,702	20,000	13,771	6,229
Equipment purchases	150,000	134,577	15,423	100,000	77,268	22,732
Construction, repair and maintenance	950,000	820,685	129,315	800,000	810,573	(10,573)
Other	0	0	0	0	0	0
Transfers out	45,000	0	45,000	42,000	42,000	0
Total Disbursements	\$ 2,737,300	\$ 2,268,252	\$ 469,048	\$ 2,471,888	\$ 2,336,206	\$ 135,682
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (475,360)	\$ (115,548)	\$ 359,812	\$ (79,857)	\$ 97,686	\$ 177,543
CASH, JANUARY 1	1,612,270	1,612,270	0	1,514,584	1,514,584	0
CASH, DECEMBER 31	\$ 1,136,910	\$ 1,496,722	\$ 359,812	\$ 1,434,727	\$ 1,612,270	\$ 177,543
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 202,658	\$ 219,415	\$ 16,757	\$ 216,518	\$ 199,288	\$ (17,230)
Charges for services	0	0	0	0	0	0
Interest	4,000	1,642	(2,358)	5,000	2,858	(2,142)
Other	10,000	1,856	(8,144)	17,000	3,135	(13,865)
Transfers in	85,000	0	(85,000)	0	0	0
Total Receipts	\$ 301,658	\$ 222,913	\$ (78,745)	\$ 238,518	\$ 205,281	\$ (33,237)
DISBURSEMENTS						
Salaries	\$ 144,480	\$ 144,272	\$ 208	\$ 139,853	\$ 136,891	\$ 2,962
Employee fringe benefits	27,688	23,364	4,324	13,029	11,912	1,117
Supplies	18,700	8,222	10,478	18,700	12,770	5,930
Insurance	0	0	0	12,600	11,755	845
Equipment purchases	0	0	0	3,500	1,279	2,221
Postage	5,500	3,300	2,200	5,500	5,610	(110)
Mileage/ Training	7,500	3,696	3,804	7,500	4,881	2,619
Equipment maint/ service	9,000	7,209	1,791	5,500	2,161	3,339
Auto Expense	2,000	1,253	747	2,000	499	1,501
Other	1,350	0	1,350	0	0	0
Legal Fees	13,000	7,624	5,376	13,000	14,234	(1,234)
Utilities	1,350	2,060	(710)	1,350	1,202	148
Mapping	60,000	47,292	12,708	60,000	53,698	6,302
Extra help	5,100	1,653	3,447	5,100	3,719	1,381
Total Disbursements	\$ 295,668	\$ 249,945	\$ 45,723	\$ 287,632	\$ 260,611	\$ 27,021
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ 5,990	\$ (27,032)	\$ (33,022)	\$ (49,114)	\$ (55,330)	\$ (6,216)
CASH, JANUARY 1	(5,583)	(5,583)	0	49,747	49,747	0
CASH, DECEMBER 31	\$ 407	\$ (32,615)	\$ (33,022)	\$ 633	\$ (5,583)	\$ (6,216)

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TAX INCENTIVE PAYMENT FUND</u>						
RECEIPTS						
Charges for services	\$ 0	\$ 0	\$ 0	\$ 10	\$ 6,055	\$ 6,045
Interest	0	0	0	0	0	0
Other	0	0	0	0	0	0
Transfers in	0	0	0	0	0	0
Total Receipts	\$ 0	\$ 0	\$ 0	\$ 10	\$ 6,055	\$ 6,045
DISBURSEMENTS						
Fees and Registration	\$ 1,000	\$ 312	\$ 688	\$ 250	\$ 0	\$ 250
Travel	1,000	0	1,000	250	0	250
Supplies	0	0	0	0	0	0
Insurance	0	0	0	0	0	0
Equipment	0	0	0	0	0	0
Mileage and training	0	0	0	0	0	0
Total Disbursements	\$ 2,000	\$ 312	\$ 1,688	\$ 500	\$ 0	\$ 500
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (2,000)	\$ (312)	\$ 1,688	\$ (490)	\$ 6,055	\$ 6,545
CASH, JANUARY 1	8,727	8,727	0	2,672	2,672	0
CASH, DECEMBER 31	\$ 6,727	\$ 8,415	\$ 1,688	\$ 2,182	\$ 8,727	\$ 6,545
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 10,000	\$ 7,281	\$ (2,719)	\$ 5,000	\$ 10,108	\$ 5,108
Total Receipts	\$ 10,000	\$ 7,281	\$ (2,719)	\$ 5,000	\$ 10,108	\$ 5,108
DISBURSEMENTS						
Tuition	\$ 5,000	\$ 0	\$ 5,000	\$ 1,500	\$ 0	\$ 1,500
Mileage	2,000	0	2,000	800	0	800
Training	5,000	3,837	1,163	3,000	2,353	647
Total Disbursements	\$ 12,000	\$ 3,837	\$ 8,163	\$ 5,300	\$ 2,353	\$ 2,947
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (2,000)	\$ 3,444	\$ 5,444	\$ (300)	\$ 7,755	\$ 8,055
CASH, JANUARY 1	15,410	15,410	0	7,655	7,655	0
CASH, DECEMBER 31	\$ 13,410	\$ 18,854	\$ 5,444	\$ 7,355	\$ 15,410	\$ 8,055
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Intergovernment Revenues	\$ 1,800	\$ 1,093	\$ (707)	\$ 1,430	\$ 1,906	\$ 476
Total Receipts	\$ 1,800	\$ 1,093	\$ (707)	\$ 1,430	\$ 1,906	\$ 476
DISBURSEMENTS						
Tuition	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Mileage/ Training	1,000	1,644	(644)	500	103	397
Other	0	2,496	(2,496)	1,000	0	1,000
Total Disbursements	\$ 1,000	\$ 4,140	\$ (3,140)	\$ 1,500	\$ 103	\$ 1,397
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ 800	\$ (3,047)	\$ (3,847)	\$ (70)	\$ 1,803	\$ 1,873
CASH, JANUARY 1	3,134	3,134	0	1,331	1,331	0
CASH, DECEMBER 31	\$ 3,934	\$ 87	\$ (3,847)	\$ 1,261	\$ 3,134	\$ 1,873

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>911 FUND</u>						
RECEIPTS						
Charges for services	\$ 80,000	\$ 83,569	\$ 3,569	\$ 75,000	\$ 78,764	\$ 3,764
Interest	0	0	0	1,000	4,306	3,306
Other	135,000	0	(135,000)	0	7,062	7,062
Transfers in	0	0	0	230,700	230,700	0
Total Receipts	\$ 215,000	\$ 83,569	\$ (131,431)	\$ 306,700	\$ 320,832	\$ 14,132
DISBURSEMENTS						
Personnel	\$ 90,288	\$ 58,957	\$ 31,331	\$ 95,433	\$ 80,236	\$ 15,197
Equipment	45,000	30,886	14,114	49,500	21,716	27,784
Other	44,800	58,806	(14,006)	71,240	98,968	(27,728)
Signs	29,200	5,000	24,200	120,000	154,858	(34,858)
Total Disbursements	\$ 209,288	\$ 153,649	\$ 55,639	\$ 336,173	\$ 355,778	\$ (19,605)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 5,712	\$ (70,080)	\$ (75,792)	\$ (29,473)	\$ (34,946)	\$ (5,473)
CASH, JANUARY 1	(3,821)	(3,821)	0	31,125	31,125	0
CASH, DECEMBER 31	\$ 1,891	\$ (73,901)	\$ (75,792)	\$ 1,652	\$ (3,821)	\$ (5,473)
<u>ADULT ABUSE</u>						
RECEIPTS						
Other	\$ 0	\$ 3,110	\$ 3,110	\$ 0	\$ 3,680	\$ 3,680
Total Receipts	\$ 0	\$ 3,110	\$ 3,110	\$ 0	\$ 3,680	\$ 3,680
DISBURSEMENTS						
Other	\$ 1,032	\$ 3,680	\$ (2,648)	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ 1,032	\$ 3,680	\$ (2,648)	\$ 0	\$ 0	\$ 0
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,032)	\$ (570)	\$ 462	\$ 0	\$ 3,680	\$ 3,680
CASH, JANUARY 1	3,680	3,680	0	0	0	0
CASH, DECEMBER 31	\$ 2,648	\$ 3,110	\$ 462	\$ 0	\$ 3,680	\$ 3,680
<u>NUCLEAR ACCIDENT EMERGENCY PREPAREDNESS</u>						
RECEIPTS						
Others	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Receipts	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
DISBURSEMENTS						
NAEP Expenses	\$ 1,032	\$ 409	\$ 623	\$ 1,200	\$ 1,899	\$ (699)
Total Disbursements	\$ 1,032	\$ 409	\$ 623	\$ 1,200	\$ 1,899	\$ (699)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,032)	\$ (409)	\$ 623	\$ (1,200)	\$ (1,899)	\$ (699)
CASH, JANUARY 1	1,033	1,033	0	2,932	2,932	0
CASH, DECEMBER 31	\$ 1	\$ 624	\$ 623	\$ 1,732	\$ 1,033	\$ (699)

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL EMERGENCY PLANNING COMM.</u>						
RECEIPTS						
Intergovernmental revenues	\$ 0	\$ 3,290	\$ 3,290	\$ 3,300	\$ 3,324	\$ 24
Total Receipts	\$ 0	\$ 3,290	\$ 3,290	\$ 3,300	\$ 3,324	\$ 24
DISBURSEMENTS						
Local Emergency Planning Commission	5,209	1,297	3,912	2,500	1,693	807
Total Disbursements	\$ 5,209	\$ 1,297	\$ 3,912	\$ 2,500	\$ 1,693	\$ 807
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (5,209)	\$ 1,993	\$ 7,202	\$ 800	\$ 1,631	\$ 831
CASH, JANUARY 1	5,209	5,209	0	3,578	3,578	0
CASH, DECEMBER 31	\$ 0	\$ 7,202	\$ 7,202	\$ 4,378	\$ 5,209	\$ 831
<u>SENIOR CITIZEN SERVICE FUND</u>						
RECEIPTS						
Property Tax Revenues	\$ 0	\$ 13,579	\$ 13,579			
Interest Income	0	17	17			
Total Receipts	\$ 0	\$ 13,596	\$ 17			
DISBURSEMENTS						
Misc. Bank Fees	0	29	(29)			
Total Disbursements	\$ 0	\$ 29	\$ (29)			
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ 0	\$ 13,567	\$ 13,567			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	\$ 0	\$ 13,567	\$ 13,567			
<u>SHERIFF CRIME COST</u>						
RECEIPTS						
Intergovernmental Revenues	\$ 0	\$ 3,055	\$ 3,055	\$ 0	\$ 0	\$ 0
Charges for Services	20,000	8,085	(11,915)	20,500	17,164	(3,336)
Interest Income	0	0	0	0	30	30
Total Receipts	\$ 20,000	\$ 11,140	\$ (8,860)	\$ 20,500	\$ 17,194	\$ (3,306)
DISBURSEMENTS						
Equipment	\$ 20,000	\$ 24,820	\$ (4,820)	\$ 15,000	\$ 14,661	\$ 339
Total Disbursements	\$ 20,000	\$ 24,820	\$ (4,820)	\$ 15,000	\$ 14,661	\$ 339
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ 0	\$ (13,680)	\$ (13,680)	\$ 5,500	\$ 2,533	\$ (2,967)
CASH, JANUARY 1	20,108	20,108	0	17,575	17,575	0
CASH, DECEMBER 31	\$ 20,108	\$ 6,428	\$ (13,680)	\$ 23,075	\$ 20,108	\$ (2,967)

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER USER FEE</u>						
RECEIPTS						
Charges for Services	\$ 9,000	\$ 7,670	\$ (1,330)	\$ 8,500	\$ 8,938	\$ 438
Interest Income	400	473	73	0	952	952
Total Receipts	\$ 9,400	\$ 8,143	\$ (1,257)	\$ 8,500	\$ 9,890	\$ 1,390
DISBURSEMENTS						
Microfilm	\$ 1,000	\$ 1,004	\$ (4)	\$ 0	\$ 865	\$ (865)
Replacement/Maintenance	540	0	540	0	20,894	(20,894)
Repair	460	0	460	0	0	0
Total Disbursements	\$ 2,000	\$ 1,004	\$ 996	\$ 0	\$ 21,759	\$ (21,759)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 7,400	\$ 7,139	\$ (261)	\$ 8,500	\$ (11,869)	\$ (20,369)
CASH, JANUARY 1	4,077	4,077	0	15,946	15,946	0
CASH, DECEMBER 31	\$ 11,477	\$ 11,216	\$ (261)	\$ 24,446	\$ 4,077	\$ (20,369)
<u>PROBATE DIVISION INTEREST</u>						
RECEIPTS						
Other	\$ 0	\$ 77	\$ 77	\$ 0	\$ 61	\$ 61
Total Receipts	\$ 0	\$ 77	\$ 77	\$ 0	\$ 61	\$ 61
DISBURSEMENTS						
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 77	\$ 77	\$ 0	\$ 61	\$ 61
CASH, JANUARY 1	162	162	0	101	101	0
CASH, DECEMBER 31	\$ 162	\$ 239	\$ 77	\$ 101	\$ 162	\$ 61
<u>SENATE BILL 40</u>						
RECEIPTS						
Property Tax Revenues	\$ 100,000	\$ 105,139	\$ 5,139	\$ 90,000	\$ 97,071	\$ 7,071
Interest Income	800	782	(18)	0	781	781
Total Receipts	\$ 100,800	\$ 105,921	\$ 5,121	\$ 90,000	\$ 97,852	\$ 7,852
DISBURSEMENTS						
Office Expenditures	\$ 600	\$ 570	\$ 30	\$ 500	\$ 570	\$ (70)
Payments to Other Qualified Individuals	18,000	17,655	345	14,400	17,879	(3,479)
NOCOMO Ind	80,000	88,597	(8,597)	75,100	77,657	(2,557)
Total Disbursements	\$ 98,600	\$ 106,822	\$ (8,222)	\$ 90,000	\$ 96,106	\$ (6,106)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,200	\$ (901)	\$ (3,101)	\$ 0	\$ 1,746	\$ 1,746
CASH, JANUARY 1	32,562	32,562	0	30,816	30,816	0
CASH, DECEMBER 31	\$ 34,762	\$ 31,661	\$ (3,101)	\$ 30,816	\$ 32,562	\$ 1,746

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT DIVISION INTEREST</u>						
RECEIPTS						
Other	\$ 0	\$ 4,509	\$ 4,509	\$ 0	\$ 2,325	\$ 2,325
Total Receipts	\$ 0	\$ 4,509	\$ 4,509	\$ 0	\$ 2,325	\$ 2,325
DISBURSEMENTS						
Other	\$ 0	\$ 2,036	\$ (2,036)	\$ 0	\$ 4,879	\$ (4,879)
Total Disbursements	\$ 0	\$ 2,036	\$ (2,036)	\$ 0	\$ 4,879	\$ (4,879)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 2,473	\$ 2,473	\$ 0	\$ (2,554)	\$ (2,554)
CASH, JANUARY 1	8,787	8,787	0	11,341	11,341	0
CASH, DECEMBER 31	\$ 8,787	\$ 11,260	\$ 2,473	\$ 11,341	\$ 8,787	\$ (2,554)
<u>ASSOCIATE DIVISION INTEREST</u>						
RECEIPTS						
Other	\$ 0	\$ 14,502	\$ 14,502	\$ 0	\$ 7,836	\$ 7,836
Total Receipts	\$ 0	\$ 14,502	\$ 14,502	\$ 0	\$ 7,836	\$ 7,836
DISBURSEMENTS						
Other	\$ 0	\$ 2,156	\$ (2,156)	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ 0	\$ 2,156	\$ (2,156)	\$ 0	\$ 0	\$ 0
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 12,346	\$ 12,346	\$ 0	\$ 7,836	\$ 7,836
CASH, JANUARY 1	16,037	16,037	0	8,201	8,201	0
CASH, DECEMBER 31	\$ 16,037	\$ 28,383	\$ 12,346	\$ 8,201	\$ 16,037	\$ 7,836
<u>LAW LIBRARY</u>						
RECEIPTS						
Other	\$ 0	\$ 4,019	\$ 4,019	\$ 0	\$ 4,498	\$ 4,498
Total Receipts	\$ 0	\$ 4,019	\$ 4,019	\$ 0	\$ 4,498	\$ 4,498
DISBURSEMENTS						
Other	\$ 0	\$ 1,449	\$ (1,449)	\$ 0	\$ 3,695	\$ (3,695)
Total Disbursements	\$ 0	\$ 1,449	\$ (1,449)	\$ 0	\$ 3,695	\$ (3,695)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 2,570	\$ 2,570	\$ 0	\$ 803	\$ 803
CASH, JANUARY 1	1,143	1,143	0	340	340	0
CASH, DECEMBER 31	\$ 1,143	\$ 3,713	\$ 2,570	\$ 340	\$ 1,143	\$ 803

The accompanying Notes to the Financial Statements are an integral part of this statement.

NODAWAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER						
RECEIPTS						
Property taxes	\$ 98,000	\$ 105,175	\$ 7,175	\$ 93,000	\$ 97,105	\$ 4,105
Intergovernmental	256,480	257,236	756	270,059	264,937	(5,122)
Charges for services	17,500	15,878	(1,622)	14,800	16,843	2,043
Interest	10,000	14,363	4,363	10,000	11,011	1,011
Other	5,500	8,794	3,294	5,900	8,030	2,130
Total Receipts	\$ 387,480	\$ 401,446	\$ 13,966	\$ 393,759	\$ 397,926	\$ 4,167
DISBURSEMENTS						
Salaries	\$ 268,500	\$ 264,173	\$ 4,327	\$ 267,304	\$ 261,716	\$ 5,588
Office expenditures	119,606	108,105	11,501	135,674	113,280	22,394
Equipment	8,000	4,240	3,760	10,000	4,965	5,035
Mileage and training	11,000	11,124	(124)	11,000	10,093	907
Other	0	0	0	0	0	0
Total Disbursements	\$ 407,106	\$ 387,642	\$ 19,464	\$ 423,978	\$ 390,054	\$ 33,924
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (19,626)	\$ 13,804	\$ 33,430	\$ (30,219)	\$ 7,872	\$ 38,091
CASH, JANUARY 1	297,472	297,472	0	289,600	289,600	0
CASH, DECEMBER 31	\$ 277,846	\$ 311,276	\$ 33,430	\$ 259,381	\$ 297,472	\$ 38,091

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

NODAWAY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected official, or the Health Center Board of Trustees. The General Revenue Fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements were prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. The basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Section 50.525 through 50.745 RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the County did not adopt formal budgets for the following funds:

Fund	Years Ended December 31
Probate Division Interest	2000 and 1999
Circuit Division Interest	2000 and 1999
Associate Division Interest	2000 and 1999
Law Library	2000 and 1999
Senior Citizens Fund	2000
Adult Abuse	2000 and 1999

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31
Emergency 911	1999
Prosecuting Attorney Training Fund	2000
Nuclear Accident Emergency Preparedness	1999
Sheriff Crime Cost	2000
Recorder User Fee	1999
Senate Bill 40	2000 and 1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the County. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the County's published financial statements did not include the following funds:

Fund	Years Ended December 31
Adult Abuse	2000 and 1999
Probate Division Interest	2000 and 1999
Circuit Division Interest	2000 and 1999
Associate Division Interest	2000 and 1999
Law Library	2000 and 1999
Senior Citizen Fund	2000

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, ***Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements***, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

To protect the safety of County deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The health center Board of Trustees' deposits at December 31, 2000 and 1999, were entirely covered by federal depository insurance or by collaterals held by the safekeeping department of an affiliate of the same bank holding company.

Of the County's bank balance at December 31, 2000, \$5,161,817 was covered by federal depository insurance or by collateral securities held by the County's custodial bank in the County's name, \$100,000 was covered by collateral pledged by one bank and held in the County's name by an affiliate of the same bank holding company.

Of the County's bank balance at December 31, 1999, \$5,300,137 was covered by federal depository insurance or by collateral securities held by the County's custodial bank in the County's name, \$100,000 was covered by collateral pledged by one bank and held in the County's name by an affiliate of the same bank holding company.

Supplementary Schedule

SCHEDULE A

NODAWAY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2000	1999
	U.S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
10.557	Department of Health- Special Supplemental Nutrition Program for Women, Infants and Children	ER0045-9174	\$ 34,060	\$ 39,464
	U.S. DEPARTMENT OF JUSTICE			
	Direct Program:			
16.710	Public Safety Partnership and Community Policing Grants	MO07400U	22,142	20,791
	Passed through state:			
16.540	Department of Public Safety- Juvenile Justice and Delinquency Prevention	AOC8000269	35,873	31,522
	U.S. DEPARTMENT OF TRANSPORTATION			
	Passed through state:			
20.205	Highway and Transportation Commission- Highway Planning and Construction	BRO - 074	827,790	745,702
20.703	Emergency Management Agency	N/A	2,602	0
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Direct Program:			
93.268	Department of Health - Immunization Grant - Vaccines	N/A	46,142	38,149
	Passed through state:			
	Department of Health-			
93.268	Immunization Grant	PG0064-9174IAP	0	990
93.575	Childcare Health Consultation	PGA067-0174C	1,380	1,205
	Sanitation Inspections for Child Care Facilities	PGA067-0174S	2,025	3,325
93.991	Preventive Health and Health Services Block Grant			
	Multi-County Health Educator Initiative	AOC9000170	26,096	28,522
	Vaccines		549	454
93.994	Maternal and Child Health Services Block Grant	ERS146-0174M	24,677	19,901
	Dental Sealant	C10015053	411	231
	Vaccines	N/A	2,747	2,271
	Total Expenditures of Federal Awards		<u>\$ 1,026,494</u>	<u>\$ 932,527</u>

N/A - Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

NODAWAY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

Summary of Significant Accounting Policies

A. Purpose of Schedule of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with OMB Circular A-133. This Circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The Schedule includes all federal financial awards administered by Nodaway County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

“Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals...”

“Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.” Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Immunization Grant (CFDA Number 93.268) of \$49,438 And \$40,874 represent the estimated value of vaccines, received in 2000 and 1999, respectively.

FEDERAL AWARDS – SINGLE AUDIT SECTION

Independent Auditor's Report

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the State Auditor of Missouri,
and the County Commission of
Nodaway County, Missouri

Compliance

We have audited the compliance of Nodaway County, Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for each of the years ended December 31, 2000 and 1999. The County's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Nodaway County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for each of the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Nodaway County, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relative low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State Auditor of Missouri; management of Nodaway County, Missouri; Federal awarding agencies and pass-through entities; and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

McBride, Lock & Associates

June 6, 2001

Schedule

NODAWAY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR EACH OF THE YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditors' report issued: Unqualified
2. Internal control over financial reporting:

Material weakness(es) identified: Yes X No

Reportable condition(s) identified not
considered to be material weaknesses? Yes X None reported
3. Noncompliance material to financial
statements noted? Yes X No

Federal Awards

4. Internal control over major programs:

Material weakness(es) identified: Yes X No

Reportable condition(s) identified not
considered to be material weaknesses? Yes X None reported
5. Type of auditors' report issued on
Compliance for major programs? Unqualified
6. Any findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? Yes X No
7. Identification of major programs:

CFDA Number
20.205

Name of Federal Program or Cluster
Highway Planning & Construction

NODAWAY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR EACH OF THE YEARS ENDED DECEMBER 31, 2000 AND 1999

8. Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? Yes X No

Section II – Financial Statement Findings:

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III – Federal Award Findings and Questioned Costs:

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of Federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

NODAWAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH ***GOVERNMENT AUDITING STANDARDS***

The prior report issued for the two years ended December 31, 1998 included no audit findings that ***Government Auditing Standards*** requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
In Accordance With OMB Circular A-133

NODAWAY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the audit concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 1998 included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of Federal awards.

SECTION ON OTHER MATTERS

NODAWAY COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Nodaway County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 6, 2001. We also have audited the compliance of Nodaway County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB Circular A-133 Compliance Supplement)* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 6, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the State Auditor's next audit of the County.

This Letter on Other Matters represents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Nodaway County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the County should consider these matters and take appropriate corrective action.

This Letter on Other Matters is intended for the information of the State Auditor of Missouri, management of Nodaway County, Missouri, and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

1. Budgetary Practices and Published Financial Statements

Our review of the County Budgets and published financial statements revealed the following concerns:

- A. Disbursements were made in excess of approved budgeted amounts for the following funds during the two years ended December 31, 2000 as follows:

Fund	Year Ended December 31,	
	2000	1999
Emergency 911	\$ N/A	\$ 19,605
Prosecuting Attorney Training	3,140	N/A
Nuclear Accident	N/A	699
Sheriff Crime Cost	4,820	N/A
Recorder User Fee	N/A	10,369
Senate Bill 40	8,222	6,106

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cum. Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- B. Formal budgets were not prepared and filed with the State Auditor's office for some County funds for the years ended December 31, 2000 and 1999. These funds are used for specific purposes and are held by various County officials outside the County Treasurer's control. No documentation was available to indicate the County Commission obtained financial information regarding these funds prior to preparing the County's consolidated budget.

Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all County funds and activities, the County Commission is able to more efficiently evaluate all County financial resources.

- C. The annual published financial statements of the County did not include the financial activity of some County funds as required. Sections 50.800 and 50.810, RSMo 2000, provide that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

Conditions similar to A-C were noted in the prior report.

Recommendation:

The County Commission:

- A. Should not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.
- B. Ensure that budgets are prepared or obtained for all County funds in accordance with state law.
- C. Ensure financial information for all County funds is properly reported in the annual published financial statements.

Auditee's Response:

- A. The County Commission will keep tighter control of expenditures and make necessary budget amendments, including public hearings and filing amended budget with the State Auditor's office.
- B. The County Commission will take the necessary steps to obtain and prepare budgets for all County funds.
- C. The County Commission will take the necessary steps to properly report all County funds in the annual published financial statements.

Auditor's Comment:

The above actions should alleviate future concerns.

2. General Fixed Assets

Our review of the County's general fixed asset records and procedures indicated the following areas in which improvements are needed:

- A. Not all general fixed asset items were numbered, tagged or otherwise identified as County property. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the County.
- B. The County Clerk maintains a computerized listing of general fixed assets held by county officials. Our review of these records and related procedures indicate improvements are needed to ensure the general fixed asset records are complete.

Additions and dispositions of fixed assets are generally recorded annually when the physical inventory is performed. Although the County Clerk conducts an annual inventory of general fixed assets, inventory procedures consist of providing various offices with the previous year's general fixed asset list and relying on those offices to provide applicable additions and deletions information. The County Clerk does not reconcile general fixed asset purchases to additions to the general fixed asset inventory in order to verify changes to the records. In addition, formal disposition approval and documentation procedures are not in place.

Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over County assets, and provide a basis for determining proper insurance coverage.

Similar conditions were noted in the prior report. However, it should be noted that the County has issued a new procedure to assist in maintenance of the fixed asset inventory.

Recommendation:

The County Clerk:

- A. Ensure all fixed asset items are properly numbered, tagged, or otherwise identified as County property.
- B. Establish procedures to ensure fixed asset purchases and dispositions are properly recorded on the fixed asset records as they occur, periodically reconcile asset purchases to fixed asset record additions, and ensure fixed asset records provide detailed description of each item.

Auditee's Response:

- A. The County Clerk will take the necessary steps to ensure that all County property is properly numbered, tagged and identified.
- B. The County Clerk will establish procedures to record assets as they are purchased with the computerized fixed asset report.

Auditor's Comment:

The above actions should alleviate future concerns.

3. Health Center Financial Controls

- A. Review of internal controls revealed that petty cash was not being reconciled timely.
- B. Review of stale-dated check procedures revealed that checks were not being cancelled when replaced with a new check.

Recommendation:

- A. We recommend that to strengthen controls, the petty cash be reconciled in a timely manner.
- B. We recommend that checks be cancelled before being reissued.

Auditee's Response:

- A. The Administrator of the Health Center will be responsible for reconciling petty cash on a monthly basis. This practice began on June 11, 2001 and will continue monthly. The reconciliation will be documented in the Petty Cash book on the date it occurs.
- B. The Administrator of the Health Center will be responsible for cancelling stale-dated checks when replaced with a new check. This will be documented on the Board of Trustee's monthly Treasurer's Report on the month the check was cancelled and reissued.

Auditor's Comment:

The above actions should alleviate future concerns.

NODAWAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Nodaway County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit issued for the three years ended December 31, 1998. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the County should consider implementing these recommendations:

1. Personnel Policy and Procedures

- A. Requirements for earning compensatory time are not clear.
- B. Centralized leave and compensatory records are not maintained by County Clerk.
- C. Personnel files do not always have signed current authorizations for payroll deductions.
- D. Timesheets were not reviewed and approved by supervisors.
- E. Inconsistencies in holiday pay for part-time employees.

Recommendation:

- A. Develop written policies that provide clear guidance as to when compensatory time can be earning.
- B. Require the County Clerk maintain centralized records of vacation leave, sick leave and compensatory time earned, taken, and paid for all county employees.
- C. Maintain complete personnel files for each county employees, including current authorizations for payroll deductions and payments.
- D. Ensure employee time sheets are signed by applicable supervisors indicating their approval.
- E. Ensure part-time employees are compensated for holiday pay in accordance with county policy.

Status:

Implemented.

2. Budgetary Practices and Published Financial Statements

- A. Warrants were issued in excess of approved budgeted expenditures.
- B. Formal budgets were not prepared for various County funds for the years ended December 31, 1998 and 1997.
- C. The annual published financial statements of the County did not include the financial activity of some County funds as required.

Recommendation:

The County Commission:

- A. Not authorize warrants in excess of budgeted expenditures.
- B. Ensure budgets are prepared or obtained for all County funds.
- C. Ensure financial information for all County funds is properly reported in the annual published financial statements.

Status:

A, B & C. Not implemented. See Letter on Other Matters No. 1.

3. Collateral Securities

The amount of collateral securities pledged by the County's depository banks in December 1998 and 1997 were sufficient, however, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

Recommendation:

The County Treasurer and Ex Officio Collector should ensure collateral securities pledged by the depository banks are sufficient at all times.

Status:

Implemented.

4. General Fixed Assets

A. Adequate fixed assets records and procedures are not developed.

Recommendation:

The County Clerk:

A. Establish procedures to ensure fixed assets purchases and dispositions are properly recorded.

Status:

Not implemented. See Letter on Other Matters No. 2.



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Henry County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Henry County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by McBride, Lock & Associates, Certified Public Accountants, is attached.

A handwritten signature in black ink, reading "Claire McCaskill", is positioned above the printed name and title.

Claire C. McCaskill
State Auditor

Report No. 2001-73
August 31, 2001

HENRY COUNTY, MISSOURI

AUDIT REPORT

For Each of the Two Years Ended
December 31, 2000 and 1999

HENRY COUNTY, MISSOURI
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FINANCIAL SECTION

Independent Auditor's Reports

McBRIDE, LOCK & ASSOCIATES

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the State Auditor of Missouri,
and
The County Commission of
Henry County, Missouri

We have audited the special-purpose financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 2000 and 1999. These special-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Henry County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with ***Government Auditing Standards***, we have also issued a report dated May 14, 2001 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, ***Audits of State, Local Governments, and Non-Profit Organizations***, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the special-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the special-purpose financial statements taken as a whole.

Original Signed by Auditor

McBride, Lock and Associates

May 14, 2001

McBRIDE, LOCK & ASSOCIATES

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the State Auditor of Missouri,
and the County Commission of
Henry County, Missouri

We have audited the special-purpose financial statements of various funds of Henry County, Missouri as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 14, 2001.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Henry County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted immaterial instances of noncompliance which we have reported to the management of the County in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Henry County, Missouri, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited

may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the County in the accompanying Letter on Other Matters.

This report is intended solely for the information and use of the State Auditor of Missouri; management of Henry County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

McBride, Lock & Associates

May 14, 2001

Financial Statements

HENRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH
YEAR ENDED DECEMBER 31, 2000

Fund Title	Cash January 1	Receipts	Disbursements	Cash December 31
General Revenue	\$ 434,601	\$ 2,153,952	\$ 2,185,620	\$ 402,933
Special Road and Bridge	1,082,582	1,006,442	1,187,336	901,688
Assessment	4,940	219,644	219,655	4,929
Central Emergency Communications	6,376	271,848	274,286	3,938
Law Enforcement Training	401	11,968	8,073	4,296
Prosecuting Attorney Training	351	2,027	1,739	639
Prosecuting Attorney's Bad Check	2,228	43,808	36,239	9,797
Prosecuting Attorney Delinquent Tax	3,754	924	0	4,678
Tri-County Child Support	364	89,725	84,820	5,269
Emergency 911	143,476	205,345	181,292	167,529
Victims of Domestic Violence	98	4,400	4,498	0
Local Use Tax	104,715	81,077	40,850	144,942
Federal Drug Forfeiture Program	23	0	0	23
Sheriff's Special Project Fund	6,225	75,962	77,145	5,042
Local Emergency Planning Comm.	2,046	5,762	3,679	4,129
Sheriff's Civil Fund	4,827	24,507	25,783	3,551
DARE	2,017	3,647	1,945	3,719
Corps of Engineers	7,503	46,661	39,677	14,487
Recorder's Records Storage Pres.	3,726	9,766	9,220	4,272
Federal Grant	4,109	12,293	15,846	556
Election Services	0	4,428	2,988	1,440
Health Center	67,202	476,051	432,846	110,407
Juvenile Officer DYS Grant Fund	11,773	21,281	28,030	5,024
Circuit Clerk Interest	4,286	1,493	762	5,017
Associate Circuit Division Interest	6,436	1,933	1,733	6,636
Law Library	3,850	12,323	14,063	2,110
Total	<u>\$1,907,909</u>	<u>\$ 4,787,267</u>	<u>\$ 4,878,125</u>	<u>\$ 1,817,051</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
STATEMENT OF RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH
YEAR ENDED DECEMBER 31, 1999

Fund Title	Cash January 1	Receipts	Disbursements	Cash December 31
General Revenue	\$ 343,931	\$ 2,018,346	\$ 1,927,676	\$ 434,601
Special Road and Bridge	1,009,947	1,316,703	1,244,068	1,082,582
Assessment	760	205,652	201,472	4,940
Central Emergency Communications	4,049	253,274	250,947	6,376
Law Enforcement Training	6	12,301	11,906	401
Prosecuting Attorney Training	421	2,023	2,093	351
Prosecuting Attorney's Bad Check	20,215	33,292	51,279	2,228
Prosecuting Attorney Delinquent Tax	1,052	2,702	0	3,754
Tri-County Child Support	2,585	74,561	76,782	364
Emergency 911	153,806	173,517	183,847	143,476
Victims of Domestic Violence	190	21,815	21,907	98
Local Use Tax	78,336	84,067	57,688	104,715
Federal Drug Forfeiture Program	23	0	0	23
Sheriff's Special Project Fund	4,205	31,911	29,891	6,225
Local Emergency Planning Comm.	1,446	4,190	3,590	2,046
Sheriff's Civil Fund	1,476	19,864	16,513	4,827
DARE	3,119	2,423	3,525	2,017
Corps of Engineers	8,540	42,983	44,020	7,503
Recorder's Records Storage Pres.	15,207	11,322	22,803	3,726
Federal Grant	1	55,937	51,829	4,109
Health Center	52,657	414,183	399,638	67,202
Juvenile Officer DYS Grant Fund	8,007	28,691	24,925	11,773
Circuit Clerk Interest	8,792	2,264	6,770	4,286
Associate Circuit Division Interest	5,277	1,856	697	6,436
Law Library	5,817	9,324	11,291	3,850
Total	<u>\$ 1,729,865</u>	<u>\$ 4,823,201</u>	<u>\$ 4,645,157</u>	<u>\$ 1,907,909</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS-VARIOUS FUNDS</u>						
RECEIPTS	\$ 5,260,427	\$ 4,787,267	\$ (473,160)	\$ 4,607,082	\$ 4,823,201	\$ 216,119
DISBURSEMENTS	6,789,785	4,878,125	1,911,660	5,329,246	4,645,157	684,089
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (1,529,358)	\$ (90,858)	\$ 1,438,500	\$ (722,164)	\$ 178,044	\$ 900,208
CASH, JANUARY 1	1,907,909	1,907,909	0	1,729,865	1,729,865	0
CASH, DECEMBER 31	<u>\$ 378,551</u>	<u>\$ 1,817,051</u>	<u>\$ 1,438,500</u>	<u>\$ 1,007,701</u>	<u>\$ 1,907,909</u>	<u>\$ 900,208</u>
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	\$ 39,500	\$ 48,381	\$ 8,881	\$ 66,000	\$ 80,096	\$ 14,096
Sales taxes	970,000	1,043,274	73,274	900,000	943,049	43,049
Intergovernmental	469,720	475,433	5,713	538,800	410,660	(128,140)
Charges for services	395,950	440,450	44,500	393,800	420,752	26,952
Interest	17,000	21,123	4,123	20,000	17,904	(2,096)
Other	64,510	76,126	11,616	26,850	52,563	25,713
Transfers in	49,165	49,165	0	100,422	93,322	(7,100)
Total Receipts	<u>\$ 2,005,845</u>	<u>\$ 2,153,952</u>	<u>\$ 148,107</u>	<u>\$ 2,045,872</u>	<u>\$ 2,018,346</u>	<u>\$ (27,526)</u>
DISBURSEMENTS						
County Commission	\$ 81,420	\$ 79,694	\$ 1,726	\$ 78,300	\$ 77,352	\$ 948
County Clerk	92,387	89,802	2,585	92,847	84,517	8,330
Elections	131,831	127,005	4,826	63,076	60,654	2,422
Buildings and grounds	114,110	116,563	(2,453)	110,600	82,057	28,543
Employee fringe benefits	170,950	158,521	12,429	142,000	135,163	6,837
County Treasurer	77,409	76,068	1,341	72,945	71,886	1,059
County Collector	4,000	5,012	(1,012)	4,000	2,980	1,020
Recorder of Deeds	82,071	81,810	261	100,000	90,534	9,466
Circuit Clerk	15,750	13,358	2,392	18,750	15,591	3,159
Associate Circuit Court	17,260	15,200	2,060	15,410	14,740	670
Court administration	54,957	44,038	10,919	43,859	36,660	7,199
Public Administrator	1,108	1,798	(690)	1,228	1,216	12
Sheriff	308,907	315,542	(6,635)	282,938	283,289	(351)
Jail	174,652	199,085	(24,433)	169,648	168,275	1,373
Prosecuting Attorney	146,617	138,257	8,360	136,497	131,677	4,820
Juvenile Officer	449,509	409,936	39,573	556,611	382,034	174,577
County Coroner	12,796	15,024	(2,228)	12,580	13,724	(1,144)
Public health and welfare services	5,600	3,500	2,100	5,600	4,210	1,390
Other	218,062	193,020	25,042	178,085	149,150	28,935
Transfers out	119,687	102,387	17,300	134,900	121,967	12,933
Emergency Fund	73,814	0	73,814	61,376	0	61,376
Total Disbursements	<u>\$ 2,352,897</u>	<u>\$ 2,185,620</u>	<u>\$ 167,277</u>	<u>\$ 2,281,250</u>	<u>\$ 1,927,676</u>	<u>\$ 353,574</u>
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (347,052)	\$ (31,668)	\$ 315,384	\$ (235,378)	\$ 90,670	\$ 326,048
CASH, JANUARY 1	434,601	434,601	0	343,931	343,931	0
CASH, DECEMBER 31	<u>\$ 87,549</u>	<u>\$ 402,933</u>	<u>\$ 315,384</u>	<u>\$ 108,553</u>	<u>\$ 434,601</u>	<u>\$ 326,048</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	\$ 76,881	\$ 76,975	\$ 94	\$ 70,000	\$ 72,119	\$ 2,119
Intergovernmental	1,573,500	770,795	(802,705)	989,500	1,097,076	107,576
Charges for services	20,000	9,372	(10,628)	30,000	15,816	(14,184)
Interest	30,000	45,937	15,937	40,000	41,238	1,238
Other	35,000	103,363	68,363	39,700	90,454	50,754
Total Receipts	\$ 1,735,381	\$ 1,006,442	\$ (728,939)	\$ 1,169,200	\$ 1,316,703	\$ 147,503
DISBURSEMENTS						
Salaries	\$ 146,000	\$ 140,191	\$ 5,809	\$ 130,000	\$ 128,591	\$ 1,409
Employee fringe benefits	40,590	32,359	8,231	24,850	21,539	3,311
Supplies	30,400	25,557	4,843	28,700	19,779	8,921
Insurance	5,500	5,427	73	4,700	4,979	(279)
Road and bridge materials	110,000	79,429	30,571	135,000	93,112	41,888
Equipment repairs	12,000	10,632	1,368	12,000	7,291	4,709
Equipment purchases	55,000	24,304	30,696	150,000	81,222	68,778
Construction, repair and maintenance	2,296,165	807,098	1,489,067	884,165	791,205	92,960
Other	30,000	21,454	8,546	78,000	52,928	25,072
Transfers out	40,885	40,885	0	43,422	43,422	0
Total Disbursements	\$ 2,766,540	\$ 1,187,336	\$ 1,579,204	\$ 1,490,837	\$ 1,244,068	\$ 246,769
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (1,031,159)	\$ (180,894)	\$ 850,265	\$ (321,637)	\$ 72,635	\$ 394,272
CASH, JANUARY 1	1,082,582	1,082,582	0	1,009,947	1,009,947	0
CASH, DECEMBER 31	\$ 51,423	\$ 901,688	\$ 850,265	\$ 688,310	\$ 1,082,582	\$ 394,272
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	\$ 206,250	\$ 211,013	\$ 4,763	\$ 186,022	\$ 196,303	\$ 10,281
Charges for services	0	1,103	1,103	0	1,128	1,128
Interest	800	1,645	845	0	920	920
Other	1,123	5,231	4,108	1,500	301	(1,199)
Transfers in	4,652	652	(4,000)	14,956	7,000	(7,956)
Total Receipts	\$ 212,825	\$ 219,644	\$ 6,819	\$ 202,478	\$ 205,652	\$ 3,174
DISBURSEMENTS						
Salaries	\$ 137,314	\$ 132,503	\$ 4,811	\$ 124,131	\$ 124,922	\$ (791)
Employee fringe benefits	13,211	12,274	937	11,226	10,117	1,109
Supplies	13,100	4,639	8,461	12,700	11,894	806
Insurance	14,300	15,274	(974)	6,500	11,420	(4,920)
Equipment purchases	5,500	12,008	(6,508)	4,500	3,982	518
Postage	7,300	6,019	1,281	7,300	5,734	1,566
Mileage/ Training	4,500	5,516	(1,016)	4,500	3,732	768
Equipment maint/ service	4,750	8,344	(3,594)	7,250	7,102	148
Aerial Photos	2,000	0	2,000	0	0	0
Other	0	0	0	1,761	1,416	345
Extra help	15,750	23,078	(7,328)	22,610	21,153	1,457
Total Disbursements	\$ 217,725	\$ 219,655	\$ (1,930)	\$ 202,478	\$ 201,472	\$ 1,006
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (4,900)	\$ (11)	\$ 4,889	\$ 0	\$ 4,180	\$ 4,180
CASH, JANUARY 1	4,940	4,940	0	760	760	0
CASH, DECEMBER 31	\$ 40	\$ 4,929	\$ 4,889	\$ 760	\$ 4,940	\$ 4,180

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CENTRAL EMERGENCY COMMUNICATION FUND</u>						
RECEIPTS						
Charges for services	\$ 143,960	\$ 143,210	\$ (750)	\$ 102,460	\$ 121,460	\$ 19,000
Interest	375	387	12	340	314	(26)
Other	41,500	38,251	(3,249)	41,650	41,500	(150)
Transfers in	90,000	90,000	0	90,000	90,000	0
Total Receipts	\$ 275,835	\$ 271,848	\$ (3,987)	\$ 234,450	\$ 253,274	\$ 18,824
DISBURSEMENTS						
Salaries	\$ 203,247	\$ 204,733	\$ (1,486)	\$ 178,365	\$ 183,107	\$ (4,742)
Employee fringe benefits	17,150	15,853	1,297	14,245	15,049	(804)
Supplies	21,867	24,094	(2,227)	19,200	22,281	(3,081)
Insurance	15,000	10,493	4,507	9,000	12,043	(3,043)
Equipment	16,565	12,727	3,838	12,262	13,758	(1,496)
Mileage and training	5,000	6,386	(1,386)	3,700	4,709	(1,009)
Total Disbursements	\$ 278,829	\$ 274,286	\$ 4,543	\$ 236,772	\$ 250,947	\$ (14,175)
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (2,994)	\$ (2,438)	\$ 556	\$ (2,322)	\$ 2,327	\$ 4,649
CASH, JANUARY 1	6,376	6,376	0	4,049	4,049	0
CASH, DECEMBER 31	\$ 3,382	\$ 3,938	\$ 556	\$ 1,727	\$ 6,376	\$ 4,649
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 13,600	\$ 11,968	\$ (1,632)	\$ 9,000	\$ 12,301	\$ 3,301
Total Receipts	\$ 13,600	\$ 11,968	\$ (1,632)	\$ 9,000	\$ 12,301	\$ 3,301
DISBURSEMENTS						
Tuition	\$ 8,000	\$ 6,238	\$ 1,762	\$ 6,000	\$ 9,164	\$ (3,164)
Mileage	1,000	1,020	(20)	1,000	912	88
Other	5,000	815	4,185	2,000	1,830	170
Total Disbursements	\$ 14,000	\$ 8,073	\$ 5,927	\$ 9,000	\$ 11,906	\$ (2,906)
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ (400)	\$ 3,895	\$ 4,295	\$ 0	\$ 395	\$ 395
CASH, JANUARY 1	401	401	0	6	6	0
CASH, DECEMBER 31	\$ 1	\$ 4,296	\$ 4,295	\$ 6	\$ 401	\$ 395
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	\$ 2,000	\$ 2,027	\$ 27	\$ 1,900	\$ 2,023	\$ 123
Total Receipts	\$ 2,000	\$ 2,027	\$ 27	\$ 1,900	\$ 2,023	\$ 123
DISBURSEMENTS						
Tuition	\$ 0	\$ 240	\$ (240)	\$ 0	\$ 550	\$ (550)
Mileage/ Training	1,000	499	501	400	50	350
Other	1,000	1,000	0	1,500	1,493	7
Total Disbursements	\$ 2,000	\$ 1,739	\$ 261	\$ 1,900	\$ 2,093	\$ (193)
RECEIPTS OVER (UNDER)						
DISBURSEMENTS	\$ 0	\$ 288	\$ 288	\$ 0	\$ (70)	\$ (70)
CASH, JANUARY 1	351	351	0	421	421	0
CASH, DECEMBER 31	\$ 351	\$ 639	\$ 288	\$ 421	\$ 351	\$ (70)

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	\$ 25,000	\$ 43,808	\$ 18,808	\$ 33,584	\$ 33,292	\$ (292)
Total Receipts	\$ 25,000	\$ 43,808	\$ 18,808	\$ 33,584	\$ 33,292	\$ (292)
DISBURSEMENTS						
Supplies/ Equipment	\$ 6,000	\$ 2,424	\$ 3,576	\$ 20,000	\$ 18,277	\$ 1,723
Meetings	5,000	3,842	1,158	5,000	2,658	2,342
Other	9,000	28,973	(19,973)	10,000	14,639	(4,639)
Transfers	5,000	1,000	4,000	16,383	15,705	678
Total Disbursements	\$ 25,000	\$ 36,239	\$ (11,239)	\$ 51,383	\$ 51,279	\$ 104
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 7,569	\$ 7,569	\$ (17,799)	\$ (17,987)	\$ (188)
CASH, JANUARY 1	2,228	2,228	0	20,215	20,215	0
CASH, DECEMBER 31	\$ 2,228	\$ 9,797	\$ 7,569	\$ 2,416	\$ 2,228	\$ (188)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Charges for services	\$ 2,000	\$ 924	\$ (1,076)	\$ 1,300	\$ 2,702	\$ 1,402
Total Receipts	\$ 2,000	\$ 924	\$ (1,076)	\$ 1,300	\$ 2,702	\$ 1,402
DISBURSEMENTS						
Tuition	\$ 0	\$ 0	\$ 0	\$ 1,750	\$ 0	\$ 1,750
Mileage	0	0	0	600	0	600
Total Disbursements	\$ 0	\$ 0	\$ 0	\$ 2,350	\$ 0	\$ 2,350
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 2,000	\$ 924	\$ (1,076)	\$ (1,050)	\$ 2,702	\$ 3,752
CASH, JANUARY 1	3,754	3,754	0	1,052	1,052	0
CASH, DECEMBER 31	\$ 5,754	\$ 4,678	\$ (1,076)	\$ 2	\$ 3,754	\$ 3,752
<u>TRI-COUNTY CHILD SUPPORT FUND</u>						
RECEIPTS						
Intergovernmental revenues	\$ 77,174	\$ 89,725	\$ 12,551	\$ 76,842	\$ 74,561	\$ (2,281)
Total Receipts	\$ 77,174	\$ 89,725	\$ 12,551	\$ 76,842	\$ 74,561	\$ (2,281)
DISBURSEMENTS						
Salaries	\$ 54,160	\$ 54,160	\$ 0	\$ 52,200	\$ 52,200	\$ 0
Employee fringe benefits	4,143	3,839	304	3,992	3,779	213
Insurance	3,084	3,198	(114)	2,200	2,240	(40)
Office expenditures	14,600	23,613	(9,013)	11,750	14,506	(2,756)
Meeting expense	1,000	0	1,000	0	0	0
Other	500	10	490	700	57	643
Transfer out	0	0	0	8,584	4,000	4,584
Total Disbursements	\$ 77,487	\$ 84,820	\$ (7,333)	\$ 79,426	\$ 76,782	\$ 2,644
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (313)	\$ 4,905	\$ 5,218	\$ (2,584)	\$ (2,221)	\$ 363
CASH, JANUARY 1	364	364	0	2,585	2,585	0
CASH, DECEMBER 31	\$ 51	\$ 5,269	\$ 5,218	\$ 1	\$ 364	\$ 363

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>E-911 FUND</u>						
RECEIPTS						
Charges for services	\$ 165,000	\$ 198,696	\$ 33,696	\$ 155,000	\$ 167,157	\$ 12,157
Interest	5,000	6,649	1,649	4,000	6,360	2,360
Total Receipts	\$ 170,000	\$ 205,345	\$ 35,345	\$ 159,000	\$ 173,517	\$ 14,517
DISBURSEMENTS						
Monthly Service Charges	\$ 90,000	\$ 67,882	\$ 22,118	\$ 95,000	\$ 84,234	\$ 10,766
Equipment	75,000	75,282	(282)	70,000	54,789	15,211
Other	50,000	38,128	11,872	40,000	40,475	(475)
Training/ Building expense	3,500	0	3,500	3,500	4,349	(849)
Total Disbursements	\$ 218,500	\$ 181,292	\$ 37,208	\$ 208,500	\$ 183,847	\$ 24,653
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (48,500)	\$ 24,053	\$ 72,553	\$ (49,500)	\$ (10,330)	\$ 39,170
CASH, JANUARY 1	143,476	143,476	0	153,806	153,806	0
CASH, DECEMBER 31	\$ 94,976	\$ 167,529	\$ 72,553	\$ 104,306	\$ 143,476	\$ 39,170
<u>VICTIMS OF DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Intergovernmental revenues	\$ 21,400	\$ 4,400	\$ (17,000)	\$ 17,400	\$ 21,815	\$ 4,415
Total Receipts	\$ 21,400	\$ 4,400	\$ (17,000)	\$ 17,400	\$ 21,815	\$ 4,415
DISBURSEMENTS						
Distribution as per RSMo 595.105	\$ 2,400	\$ 1,699	\$ 701	\$ 2,200	\$ 2,682	\$ (482)
Grant expenses	19,000	2,799	16,201	15,200	19,225	(4,025)
Total Disbursements	\$ 21,400	\$ 4,498	\$ 16,902	\$ 17,400	\$ 21,907	\$ (4,507)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ (98)	\$ (98)	\$ 0	\$ (92)	\$ (92)
CASH, JANUARY 1	98	98	0	190	190	0
CASH, DECEMBER 31	\$ 98	\$ 0	\$ (98)	\$ 190	\$ 98	\$ (92)
<u>LOCAL USE TAX FUND</u>						
RECEIPTS						
Sales tax	\$ 0	\$ 0	\$ 0	\$ 55,000	\$ 71,089	\$ 16,089
Interest	1,000	4,531	3,531	800	2,494	1,694
Other	70,000	76,546	6,546	0	10,484	10,484
Total Receipts	\$ 71,000	\$ 81,077	\$ 10,077	\$ 55,800	\$ 84,067	\$ 28,267
DISBURSEMENTS						
Capital Expenditures	\$ 140,000	\$ 40,850	\$ 99,150	\$ 70,000	\$ 10,260	\$ 59,740
Other Expenses	35,000	0	35,000	34,000	17,428	16,572
Transfer to G.R.	0	0	0	30,000	30,000	0
Total Disbursements	\$ 175,000	\$ 40,850	\$ 134,150	\$ 134,000	\$ 57,688	\$ 76,312
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (104,000)	\$ 40,227	\$ 144,227	\$ (78,200)	\$ 26,379	\$ 104,579
CASH, JANUARY 1	104,715	104,715	0	78,336	78,336	0
CASH, DECEMBER 31	\$ 715	\$ 144,942	\$ 144,227	\$ 136	\$ 104,715	\$ 104,579

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FEDERAL DRUG FOREITURE PROGRAM FUND</u>						
RECEIPTS						
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Receipts	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
DISBURSEMENTS						
Other	\$ 0	\$ 0	\$ 0	\$ 0		\$ 0
Total Disbursements	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
CASH, JANUARY 1	23	23	0	23	23	0
CASH, DECEMBER 31	\$ 23	\$ 23	\$ 0	\$ 23	\$ 23	\$ 0
<u>SHERIFF'S SPECIAL PROJECT FUND</u>						
RECEIPTS						
Intergovernmental revenues	\$ 63,588	\$ 75,947	\$ 12,359	\$ 51,034	\$ 31,911	\$ (19,123)
Other	2,500	15	(2,485)	1,000	0	(1,000)
Total Receipts	\$ 66,088	\$ 75,962	\$ 9,874	\$ 52,034	\$ 31,911	\$ (20,123)
DISBURSEMENTS						
Deputy Salary	\$ 20,328	\$ 22,873	\$ (2,545)	\$ 20,020	\$ 3,338	\$ 16,682
STOP Salary	20,328	16,454	3,874	19,207	19,973	(766)
Benefits	8,258	6,497	1,761	5,952	5,005	947
Uniform	1,320	0	1,320	1,320	0	1,320
Other	15,751	31,321	(15,570)	5,982	1,575	4,407
Total Disbursements	\$ 65,985	\$ 77,145	\$ (11,160)	\$ 52,481	\$ 29,891	\$ 22,590
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 103	\$ (1,183)	\$ (1,286)	\$ (447)	\$ 2,020	\$ 2,467
CASH, JANUARY 1	6,225	6,225	0	4,205	4,205	0
CASH, DECEMBER 31	\$ 6,328	\$ 5,042	\$ (1,286)	\$ 3,758	\$ 6,225	\$ 2,467
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental revenues	\$ 4,500	\$ 5,762	\$ 1,262	\$ 4,500	\$ 4,190	\$ (310)
Total Receipts	\$ 4,500	\$ 5,762	\$ 1,262	\$ 4,500	\$ 4,190	\$ (310)
DISBURSEMENTS						
Salaries	\$ 1,615	\$ 2,127	\$ (512)	\$ 1,615	\$ 1,615	\$ 0
Office Expenditures	150	0	150	250	120	130
Equipment	100	773	(673)	50	0	50
Mileage and Training	500	297	203	800	397	403
Other	4,180	482	3,698	3,230	1,458	1,772
Total Disbursements	\$ 6,545	\$ 3,679	\$ 2,866	\$ 5,945	\$ 3,590	\$ 2,355
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,045)	\$ 2,083	\$ 4,128	\$ (1,445)	\$ 600	\$ 2,045
CASH, JANUARY 1	2,046	2,046	0	1,446	1,446	0
CASH, DECEMBER 31	\$ 1	\$ 4,129	\$ 4,128	\$ 1	\$ 2,046	\$ 2,045
<u>SHERIFF'S CIVIL FUND</u>						
RECEIPTS						
Charge for services	\$ 20,000	\$ 24,507	\$ 4,507	\$ 23,000	\$ 19,864	\$ (3,136)
Total Receipts	\$ 20,000	\$ 24,507	\$ 4,507	\$ 23,000	\$ 19,864	\$ (3,136)
DISBURSEMENTS						
Mileage and Training	\$ 19,004	\$ 25,783	\$ (6,779)	\$ 22,492	\$ 16,513	\$ 5,979
Total Disbursements	\$ 19,004	\$ 25,783	\$ (6,779)	\$ 22,492	\$ 16,513	\$ 5,979
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 996	\$ (1,276)	\$ (2,272)	\$ 508	\$ 3,351	\$ 2,843
CASH, JANUARY 1	4,827	4,827	0	1,476	1,476	0
CASH, DECEMBER 31	\$ 5,823	\$ 3,551	\$ (2,272)	\$ 1,984	\$ 4,827	\$ 2,843

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DRUG ABUSE RESISTANCE EDUCATION FUND</u>						
RECEIPTS						
Intergovernmental revenues	\$ 2,500	\$ 3,647	\$ 1,147	\$ 2,500	\$ 2,423	\$ (77)
Total Receipts	\$ 2,500	\$ 3,647	\$ 1,147	\$ 2,500	\$ 2,423	\$ (77)
DISBURSEMENTS						
Office Expenditures	\$ 3,500	\$ 1,945	\$ 1,555	\$ 4,500	\$ 3,525	\$ 975
Total Disbursements	\$ 3,500	\$ 1,945	\$ 1,555	\$ 4,500	\$ 3,525	\$ 975
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,000)	\$ 1,702	\$ 2,702	\$ (2,000)	\$ (1,102)	\$ 898
CASH, JANUARY 1	2,017	2,017	0	3,119	3,119	0
CASH, DECEMBER 31	\$ 1,017	\$ 3,719	\$ 2,702	\$ 1,119	\$ 2,017	\$ 898
<u>CORP OF ENGINEERS FUND</u>						
RECEIPTS						
Intergovernmental revenues	\$ 43,000	\$ 46,661	\$ 3,661	\$ 41,000	\$ 42,983	\$ 1,983
Total Receipts	\$ 43,000	\$ 46,661	\$ 3,661	\$ 41,000	\$ 42,983	\$ 1,983
DISBURSEMENTS						
Salaries	\$ 20,000	\$ 17,616	\$ 2,384	\$ 18,000	\$ 20,134	\$ (2,134)
Benefits	1,821	1,348	473	1,877	1,435	442
Office expenditures	250	2,469	(2,219)	250	511	(261)
Equipment	20,000	17,035	2,965	22,000	20,860	1,140
Uniform	1,100	1,209	(109)	1,100	1,080	20
Total Disbursements	\$ 43,171	\$ 39,677	\$ 3,494	\$ 43,227	\$ 44,020	\$ (793)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (171)	\$ 6,984	\$ 7,155	\$ (2,227)	\$ (1,037)	\$ 1,190
CASH, JANUARY 1	7,503	7,503	0	8,540	8,540	0
CASH, DECEMBER 31	\$ 7,332	\$ 14,487	\$ 7,155	\$ 6,313	\$ 7,503	\$ 1,190
<u>RECORDERS RECORDS STORAGE PRESERVATION FUNDS</u>						
RECEIPTS						
Charges for services	\$ 10,100	\$ 9,565	\$ (535)	\$ 10,500	\$ 10,830	\$ 330
Interest income	0	201	201	0	492	492
Total Receipts	\$ 10,100	\$ 9,766	\$ (334)	\$ 10,500	\$ 11,322	\$ 822
DISBURSEMENTS						
Salary	\$ 8,280	\$ 8,280	\$ 0	\$ 12,000	\$ 4,900	\$ 7,100
Supplies	3,000	940	2,060	12,500	17,903	(5,403)
Total Disbursements	\$ 11,280	\$ 9,220	\$ 2,060	\$ 24,500	\$ 22,803	\$ 1,697
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,180)	\$ 546	\$ 1,726	\$ (14,000)	\$ (11,481)	\$ 2,519
CASH, JANUARY 1	3,726	3,726	0	15,207	15,207	0
CASH, DECEMBER 31	\$ 2,546	\$ 4,272	\$ 1,726	\$ 1,207	\$ 3,726	\$ 2,519

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FEDERAL GRANT FUND</u>						
RECEIPTS						
Intergovernmental revenues	\$ 0	\$ 0	\$ 0	\$ 8,676	\$ 25,411	\$ 16,735
Other	0	2,592	2,592	0	0	0
Transfers in	9,701	9,701	0	55,012	30,526	(24,486)
Total Receipts	\$ 9,701	\$ 12,293	\$ 2,592	\$ 63,688	\$ 55,937	\$ (7,751)
DISBURSEMENTS						
CAD Hardware/ Software	\$ 13,282	\$ 15,846	\$ (2,564)	\$ 40,900	\$ 28,274	\$ 12,626
Salaries	0	0	0	19,368	20,028	(660)
Benefits	0	0	0	2,732	3,527	(795)
Other Expenses	0	0	0	660	0	660
Total Disbursements	\$ 13,282	\$ 15,846	\$ (2,564)	\$ 63,660	\$ 51,829	\$ 11,831
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (3,581)	\$ (3,553)	\$ 28	\$ 28	\$ 4,108	\$ 4,080
CASH, JANUARY 1	4,109	4,109	0	1	1	0
CASH, DECEMBER 31	\$ 528	\$ 556	\$ 28	\$ 29	\$ 4,109	\$ 4,080
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Other	\$ 4,895	\$ 4,428	\$ (467)	\$ 0	\$ 0	\$ 0
Transfers in	1,500	0	(1,500)	0	0	0
Total Receipts	\$ 6,395	\$ 4,428	\$ (1,967)	\$ 0	\$ 0	\$ 0
DISBURSEMENTS						
Other Expenses	\$ 4,500	\$ 2,988	\$ 1,512	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ 4,500	\$ 2,988	\$ 1,512	\$ 0	\$ 0	\$ 0
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,895	\$ 1,440	\$ (455)	\$ 0	\$ 0	\$ 0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	\$ 1,895	\$ 1,440	\$ (455)	\$ 0	\$ 0	\$ 0
<u>HEALTH CENTER</u>						
RECEIPTS						
Property taxes	\$ 213,378	\$ 210,715	\$ (2,663)	\$ 200,000	\$ 201,525	\$ 1,525
Intergovernmental	182,735	201,761	19,026	130,284	145,996	15,712
Charges for services	54,000	56,066	2,066	59,350	56,790	(2,560)
Interest	3,500	3,718	218	2,000	3,685	1,685
Other	0	3,791	3,791	2,000	6,187	4,187
Total Receipts	\$ 453,613	\$ 476,051	\$ 22,438	\$ 393,634	\$ 414,183	\$ 20,549
DISBURSEMENTS						
Salaries	\$ 323,910	\$ 312,861	\$ 11,049	\$ 294,841	\$ 290,162	\$ 4,679
Office expenditures	11,365	17,837	(6,472)	12,300	13,341	(1,041)
Equipment	15,400	6,068	9,332	7,211	8,237	(1,026)
Mileage and training	14,275	17,942	(3,667)	11,000	13,134	(2,134)
Other	69,051	78,138	(9,087)	64,293	74,764	(10,471)
Total Disbursements	\$ 434,001	\$ 432,846	\$ 1,155	\$ 389,645	\$ 399,638	\$ (9,993)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 19,612	\$ 43,205	\$ 23,593	\$ 3,989	\$ 14,545	\$ 10,556
CASH, JANUARY 1	67,202	67,202	0	52,657	52,657	0
CASH, DECEMBER 31	\$ 86,814	\$ 110,407	\$ 23,593	\$ 56,646	\$ 67,202	\$ 10,556

The accompanying Notes to the Financial Statements are an integral part of this statement.

HENRY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH-BUDGET AND ACTUAL-VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>JUVENILE OFFICER DYS GRANT FUND</u>						
RECEIPTS						
Interest	\$ 120	\$ 133	\$ 13	\$ 0	\$ 154	\$ 154
Other	19,870	21,148	1,278	0	28,537	28,537
Total Receipts	\$ 19,990	\$ 21,281	\$ 1,291	\$ 0	\$ 28,691	\$ 28,691
DISBURSEMENTS						
Other Expenses	\$ 26,399	\$ 28,030	\$ (1,631)	\$ 0	\$ 24,925	\$ (24,925)
Total Disbursements	\$ 26,399	\$ 28,030	\$ (1,631)	\$ 0	\$ 24,925	\$ (24,925)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (6,409)	\$ (6,749)	\$ (340)	\$ 0	\$ 3,766	\$ 3,766
CASH, JANUARY 1	11,773	11,773	0	8,007	8,007	0
CASH, DECEMBER 31	<u>\$ 5,364</u>	<u>\$ 5,024</u>	<u>\$ (340)</u>	<u>\$ 8,007</u>	<u>\$ 11,773</u>	<u>\$ 3,766</u>
<u>CIRCUIT CLERK INTEREST</u>						
RECEIPTS						
Interest	\$ 1,020	\$ 1,493	\$ 473	\$ 0	\$ 2,264	\$ 2,264
Total Receipts	\$ 1,020	\$ 1,493	\$ 473	\$ 0	\$ 2,264	\$ 2,264
DISBURSEMENTS						
Other Expenses	\$ 0	\$ 762	\$ (762)	\$ 0	\$ 6,770	\$ (6,770)
Total Disbursements	\$ 0	\$ 762	\$ (762)	\$ 0	\$ 6,770	\$ (6,770)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 1,020	\$ 731	\$ (289)	\$ 0	\$ (4,506)	\$ (4,506)
CASH, JANUARY 1	4,286	4,286	0	8,792	8,792	0
CASH, DECEMBER 31	<u>\$ 5,306</u>	<u>\$ 5,017</u>	<u>\$ (289)</u>	<u>\$ 8,792</u>	<u>\$ 4,286</u>	<u>\$ (4,506)</u>
<u>ASSOCIATE CIRCUIT CLERK INTEREST</u>						
RECEIPTS						
Other	\$ 1,500	\$ 1,933	\$ 433	\$ 0	\$ 1,856	\$ 1,856
Total Receipts	\$ 1,500	\$ 1,933	\$ 433	\$ 0	\$ 1,856	\$ 1,856
DISBURSEMENTS						
Other	\$ 1,625	\$ 1,733	\$ (108)	\$ 0	\$ 697	\$ (697)
Total Disbursements	\$ 1,625	\$ 1,733	\$ (108)	\$ 0	\$ 697	\$ (697)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (125)	\$ 200	\$ 325	\$ 0	\$ 1,159	\$ 1,159
CASH, JANUARY 1	6,436	6,436	0	5,277	5,277	0
CASH, DECEMBER 31	<u>\$ 6,311</u>	<u>\$ 6,636</u>	<u>\$ 325</u>	<u>\$ 5,277</u>	<u>\$ 6,436</u>	<u>\$ 1,159</u>
<u>LAW LIBRARY</u>						
RECEIPTS						
Charges	\$ 9,000	\$ 9,243	\$ 243	\$ 9,400	\$ 9,166	\$ (234)
Interest	120	82	(38)	0	137	137
Other	840	2,998	2,158	0	21	21
Total Receipts	\$ 9,960	\$ 12,323	\$ 2,363	\$ 9,400	\$ 9,324	\$ (76)
DISBURSEMENTS						
Other Expenses	\$ 11,115	\$ 14,063	\$ (2,948)	\$ 7,500	\$ 11,291	\$ (3,791)
Total Disbursements	\$ 11,115	\$ 14,063	\$ (2,948)	\$ 7,500	\$ 11,291	\$ (3,791)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (1,155)	\$ (1,740)	\$ (585)	\$ 1,900	\$ (1,967)	\$ (3,867)
CASH, JANUARY 1	3,850	3,850	0	5,817	5,817	0
CASH, DECEMBER 31	<u>\$ 2,695</u>	<u>\$ 2,110</u>	<u>\$ (585)</u>	<u>\$ 7,717</u>	<u>\$ 3,850</u>	<u>\$ (3,867)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

HENRY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements and changes in cash of various funds of Henry County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected official, or the Health Center Board of Trustees. The General Revenue Fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements were prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. The basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Section 50.525 through 50.745 RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the County did not adopt formal budgets for the following funds for the year ended December 31, 1999:

Juvenile Officer DYS Grant
Circuit Clerk Interest
Associate Circuit Clerk Interest

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Years Ended December 31
Assessment Fund	2000
Central Emergency Communication Fund	1999
Law Enforcement Training Fund	1999
Prosecuting Attorney Training Fund	1999
Prosecuting Attorney Bad Check Fund	2000
Tri-County Child Support Fund	2000
Victims of Domestic Violence Fund	1999
Sheriff's Special Project Fund	2000
Sheriff's Civil Fund	2000
Corp of Engineers Fund	1999
Federal Grant Fund	2000
Health Center	1999
Juvenile Officer DYS Grant Fund	2000
Circuit Clerk Interest	2000
Associate Circuit Clerk Interest	2000
Law Library	2000 and 1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the County. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the County's published financial statements did not include the following funds:

Fund	Years Ended December 31
Juvenile Officer DYS Grant Fund	2000 and 1999
Circuit Clerk Interest Fund	2000 and 1999
Associate Circuit Clerk Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999
Health Center	2000

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, ***Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements***, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific county officials.

To protect the safety of County deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The health center Board of Trustees' deposits at December 31, 2000 and 1999, were entirely covered by federal depository insurance or by collaterals held by the safekeeping department of an affiliate of the same bank holding company.

Of the County's bank balance at December 31, 2000, \$2,462,795 was covered by federal depository insurance or by collateral securities held by the County's custodial bank in the County's name, \$100,000 was covered by collateral pledged by one bank and held in the County's name by an affiliate of the same bank holding company.

Of the County's bank balance at December 31, 1999, \$3,152,553 was covered by federal depository insurance or by collateral securities held by the County's custodial bank in the County's name, \$100,000 was covered by collateral pledged by one bank and held in the County's name by an affiliate of the same bank holding company.

Supplementary Schedule

SCHEDULE A

HENRY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
	U.S. DEPARTMENT OF AGRICULTURE			
	Passed through state:			
10.557	Department of Health- Special Supplemental Nutrition Program for Women, Infants and Children	ER0045-0141	\$ 37,354	\$ 45,758
	U.S. DEPARTMENT OF DEFENSE			
	Passed through state:			
12.112	Office of Administration- Payments to States in Lieu of Real Estate Taxes	N/A	29,426	40,599
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
14.231	Department of Social Services- Emergency Shelter Grants Program	ERO1640337	2,799	11,801
14.231	Emergency Shelter Grants Program	ERO1640299	0	5,347
			<u>\$ 2,799</u>	<u>\$ 17,148</u>
	U.S. DEPARTMENT OF JUSTICE			
	Direct Program:			
16.710	Public Safety Partnership and Community Policing Grants	MO04200	\$ 5,466	\$ 31,136
	Passed through state:			
16.554	Department of Public Safety- Criminal History	N/A	3,258	0
16.588	Violence Against Women Formula Grants	99-VAWA-0022	13,063	0
		99-VAWA-0030	0	17,904
16.592	Local Law Enforcement Block Grants Program	99-LBG-046	2,592	0
16.Unknown	Missouri Sheriff's Association- Domestic Cannabis Eradication/Suppression	N/A	1,100	700
	U.S DEPARTMENT OF TRANSPORTATION			
	Passed through state:			
20.205	Highway and Transportation Commission- Highway Planning and Construction	BRO-042	7,484	342,522
20.600	State and Community Highway Safety	01-UDL-03-4	1,384	0
20.703	Emergency Management Agency- Hazardous Material Emergency Preparedness	N/A	2,058	0
	GENERAL SERVICES ADMINISTRATION			
	Passed through state:			
39.003	Office of Administration- Donation of Federal Surplus Personal Property	N/A	0	550

SCHEDULE A
(Continued)

HENRY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
	FEDERAL EMERGENCY MANAGEMENT AGENCY			
	Passed through state:			
83.534	Department of Public Safety- Emergency Management-State and Local Assistance	SLA-PL81-920/L	4,844	4,521
	CORP OF ENGINEERS			
	Direct Program:			
Unknown	Unknown	DACW41-97-H-0003	17,571	19,275
	U.S.DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Direct Program:			
93.268	Department of Health - Immunization Grant - Vaccines	N/A	37,047	29,633
	Passed through state:			
	Department of Health-			
93.197	Childhood Lead Poisoning Prevention Projects	ERS146-1141	2,639	0
93.268	Immunization Grant	N/A	0	722
93.575	Childcare Development Block Grant	PGA067-0141	3,190	1,898
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERS046-0141	111	0
93.991	Preventive Health and Health Services Block Grant			
	Vaccines	N/A	441	353
93.994	Maternal and Child Health Services Block Grant	ERS146-0141	17,619	7,208
	Family Planning	N/A	15,331	3,245
	Dental Sealant	ERS046-0141	60	210
	Vaccines	N/A	2,205	1,764
			<u>\$ 35,215</u>	<u>\$ 12,427</u>
	Department of Social Services-			
93.563	Child Support Enforcement	N/A	\$ 81,365	\$ 74,060
93.667	Social Services Block Grant	ERO172059	10,767	25,219
		ERO172060	13,516	34,480
		ERO172061	8,235	14,575
		ERO172122	40,033	95,498
			<u>\$ 72,551</u>	<u>\$ 169,772</u>
	Total Expenditures of Federal Awards		<u>\$ 360,958</u>	<u>\$ 808,978</u>

N/A - Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

HENRY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

Summary of Significant Accounting Policies

A. Purpose of Schedule of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with OMB Circular A-133. This Circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The Schedule includes all federal financial awards administered by Henry County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

“Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals...”

“Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.” Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property Program (CFDA Number 39.003) represents the estimated fair market value of property at the time of receipt. Additionally, amounts for the Immunization Grant (CFDA Number 93.268) of \$722 represent the estimated value of vaccines.

FEDERAL AWARDS – SINGLE AUDIT SECTION

Independent Auditor's Report

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the State Auditor of Missouri,
and the County Commission of
Henry County, Missouri

Compliance

We have audited the compliance of Henry County, Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for each of the years ended December 31, 2000 and 1999. The County's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Henry County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for each of the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Henry County, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relative low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State Auditor of Missouri; management of Henry County, Missouri; Federal awarding agencies and pass-through entities; and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

McBride, Lock & Associates

May 14, 2001

Schedule

HENRY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR EACH OF THE YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditors' report issued: Unqualified
2. Internal control over financial reporting:

Material weakness(es) identified: Yes X No

Reportable condition(s) identified not
considered to be material weaknesses? Yes X None reported
3. Noncompliance material to financial
statements noted? Yes X No

Federal Awards

4. Internal control over major programs:

Material weakness(es) identified: Yes X No

Reportable condition(s) identified not
considered to be material weaknesses? Yes X None reported
5. Type of auditors' report issued on
Compliance for major programs? Unqualified
6. Any findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? Yes X No
7. Identification of major programs:

CFDA Number
20.205
93.667

Name of Federal Program or Cluster
Highway Planning & Construction
Social Services Block Grant

HENRY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR EACH OF THE YEARS ENDED DECEMBER 31, 2000 AND 1999

8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? Yes X No

Section II – Financial Statement Findings:

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III – Federal Award Findings and Questioned Costs:

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of Federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HENRY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH ***GOVERNMENT AUDITING STANDARDS***

The prior report issued for the two years ended December 31, 1998 included no audit findings that ***Government Auditing Standards*** requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
In Accordance With OMB Circular A-133

HENRY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the audit concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 1998 included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of Federal awards.

SECTION ON OTHER MATTERS

HENRY COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Henry County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 14, 2001. We also have audited the compliance of Henry County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB Circular A-133 Compliance Supplement)* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 14, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the State Auditor's next audit of the County.

This Letter on Other Matters represents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Henry County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the County should consider these matters and take appropriate corrective action.

This Letter on Other Matters is intended for the information of the State Auditor of Missouri, management of Henry County, Missouri, and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

1. County Sales Tax

The County has not sufficiently reduced its property tax revenues by 50 percent of the sales tax revenues as provided in the ballot issue passed by the Henry County voters under provisions of Section 67.505, RSMo 2000.

Following are calculations used in determining excess property tax revenues collected for the two years ended December 31, 2000:

	Year Ended December 31,	
	2000	1999
Actual sales tax revenues	\$ 1,043,274	\$ 943,049
Required percentage of revenue reduction	x 50%	x 50%
Required property tax revenue reduction	\$ 521,637	\$ 471,525
Assessed valuation	\$ 218,002,022	\$ 212,377,884
General Revenue Fund tax levy reduction (per \$100 of assessed valuation)	x 0.2318%	x 0.23%
Actual property tax revenue reduction	\$ 505,239	\$ 488,469
Excess property tax revenues collected	\$ 16,308	\$ (16,944)
Excess property tax revenue collections from prior years	92,788	109,732
Excess at December 31,	\$ 109,096	\$ 92,788

Although the County Commission rolled the General Revenue Fund tax levy back to \$.00 for the 1993, 1994, 1995, 1996, and 1997 tax years, the amount of property tax revenue reduction was less than the required 50 percent of the actual sales tax revenues. As of December 31, 1999, the County was still required to reduce property taxes by \$92,788. However, the County did not consider this cumulative liability when establishing the 2000 General Revenue Fund levy. The County Clerk indicated he considered only the 1999 required and actual property tax reductions when determining the General Revenue Fund levy allowed for 2000. As a result, the County Commission set the 2000 General Revenue Fund tax levy at \$.02. The County Commission should have left the General Revenue Fund tax levy at \$.00 until property taxes had been reduced as required by statute.

The County Commission needs to continue reducing its tax levies to offset the \$100,000 accumulation of excess property taxes over a reasonable period of time.

Recommendation:

The County Commission should reduce the County property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

Auditee's Response:

Henry County questions the audit findings that excess property tax revenue collections from years 1982, 1983, 1984, 1985 and 1986 should still be required to be paid back. We also question the auditor's definition of a reasonable period of time. These excessive

tax revenues were levied over 19 years ago and since that time the county has made an effort to pay back these monies by levying a zero levy for 1987, 1988, 1989, 1990, 1991, 1993, 1994, 1995, 1996, 1997. The tax monies in question were levied within the first three years after the passage of the county sales tax. As stated in the previous audit, we consider the past 16 years to be more than a reasonable amount of time.

Auditor's Comment:

Although the County Commission significantly reduced the property tax levy for several years, as of December 31, 2000, the county was still required to reduce property tax revenue by \$109,096. The County Commission should levy a \$.00 property tax levy for 2001. This should significantly reduce the amount of required property tax reduction.

2. Budgetary Practices and Published Financial Statements

Our review of the County Budgets and published financial statements revealed the following concerns:

- A. Disbursements were made in excess of approved budgeted amounts for the following funds during the two years ended December 31, 2000 as follows:

Fund	Year Ended December 31,	
	2000	1999
Assessment	\$ 1,930	\$ N/A
Central Emergency Communication	N/A	14,175
Law Enforcement Training	N/A	2,906
Prosecuting Attorney Training	N/A	193
Prosecuting Attorney Bad Check	11,239	N/A
Tri-County Child Support	7,333	N/A
Victims of Domestic Violence	N/A	4,507
Sheriff's Special Project	11,160	N/A
Sheriff's Civil	6,779	N/A
Corps of Engineers	N/A	793
Federal Grant	2,564	N/A
Health Center	N/A	9,993
Juvenile Officer DYS Grant	1,631	N/A
Circuit Clerk Interest	762	N/A
Associate Circuit Clerk Interest	108	N/A
Law Library	2,948	3,791

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W.2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget

amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo Cum. Supp. 1998, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- B. Formal budgets were not prepared and filed with the State Auditor's office for some County funds for the years ended December 31, 2000 and 1999. These funds are used for specific purposes and are held by various County officials outside the County Treasurer's control. No documentation was available to indicate the County Commission obtained financial information regarding these funds prior to preparing the County's consolidated budget.

Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all County funds and activities, the County Commission is able to more efficiently evaluate all County financial resources.

- C. The annual published financial statements of the County did not include the financial activity of some County funds as required. Sections 50.800 and 50.810, RSMo 2000, provide that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.
- D. The County has been significantly overestimating the amounts budgeted for Road and Bridge Fund expenditures for several years as follows:

Year Ended December 31,	Expenditures		Difference
	Actual	Budget	
2000	\$ 1,187,336	\$ 2,766,540	\$ 1,579,204
1999	1,244,068	1,490,837	246,769
1998	950,290	1,435,717	485,427
1997	740,155	1,376,080	635,925
1996	1,240,604	1,696,150	455,546
1995	695,115	1,400,027	704,912

As the chart indicates, during the last six years, actual expenditures have been only 43 to 83 percent of budgeted expenditures, so it is apparent the County could have prepared a more reasonable estimate of Road and Bridge Fund expenditures, or amended the budget in consideration of changing circumstances.

In addition, as noted in the prior report, \$105,000 was due from the General Revenue Fund to the Special Road and Bridge Fund at December 31, 1996 for excess administrative transfers. This amount was not repaid and at December 31, 2000, a balance of \$136,000 is due from the General Revenue Fund to the Special Road and Bridge Fund.

Conditions similar to A-D were noted in the prior report.

Recommendation:

The County Commission:

- A. And the Health Center Board of Trustees should not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.
- B. Ensure that budgets are prepared or obtained for all County funds in accordance with state law.
- C. And the Health Center Board of Trustees ensure financial information for all County funds is properly reported in the annual published financial statements.
- D. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of \$136,000 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

Auditee's Response:

County Commission:

- A. Every effort will be made to authorize only those expenses budgeted within each department and in the case of extenuating circumstances the procedure required for amending the budget will be followed.
- B. This has been implemented as of the 2001 budget.
- C. N/A from the County Commission.
- D. This audit finding was taken into consideration when the 2001 budget was prepared.

Health Center:

- A. The Health Center will more closely watch the expenditures by continuing the practices put in place in 2000 that resulted in no excess expenditures.
- C. The new Administrator was unaware of the need to public in 2000. However, it will be done in future years and the requirement will be passed to any new staff.

Auditor's Comment:

The above actions should alleviate future concerns.

3. General Fixed Assets

Our review of the County's general fixed asset records and procedures indicated the following areas in which improvements are needed:

- A. General fixed asset items are not numbered, tagged or otherwise identified as County property. Property control tags should be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the County.
- B. An annual inventory of all general fixed assets is not conducted. During the audit period, each officeholder was asked to prepare a listing of general fixed assets. However, there was no documentation that personnel in the County Clerk's Office reviewed or verified the listings prepared by the officeholders. The listings prepared appeared to be primarily for insurance purposes and included computer equipment, vehicles, and road and bridge equipment. The County Clerk does not reconcile general fixed asset purchases to additions to the general fixed asset inventory, and thus there is no assurance the listings are complete.

Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over County property, and provide a basis for determining proper insurance coverage of County property. Annual inventories of County property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Similar conditions were noted in the prior report. However, it should be noted that the County has obtained software to assist in maintenance of the fixed asset inventory.

Recommendation:

The County Clerk:

- A. Ensure all fixed asset items are properly numbered, tagged, or otherwise identified as County property.
- B. Perform and document annual inventories of County-owned property and update the fixed asset records for unrecorded property additions and dispositions.

Auditee's Response:

A&B: This inventory problem has been addressed in Henry County with the acquisition of a new computer inventory program. As of last Friday, all departments of Henry County have been issued worksheets and inventory numbers and shall report their offices property within the month.

Auditor's Comment:

We expect the use of the inventory program will alleviate this concern in future audits.

4. Health Center Financial Controls

- A. Review of the cash disbursement cycle revealed that the authorized check signers compare checks to a listing of disbursements rather than the actual invoices. Also, once authorized, the disbursement checks are returned to the preparer for mailing.
- B. Tests of reconciliation controls revealed the savings account reconciliation did not agree with the general ledger at December 31, 2000. The circumstance was partly caused by the account being reconciled to the general ledger balance as of the day the bank statement was received rather than at month end. However, incorrect and untimely postings to the general ledger also contributed.

Recommendation:

- A. To strengthen controls, we recommend the authorized check signers review the actual invoices supporting the disbursement to ensure they are proper expenses. We also recommend the authorized disbursement checks not be returned to the preparer after signature. They should be mailed by an employee who does not have access to the general ledger.
- B. We recommend the savings account be reconciled to the general ledger end of month balance to ensure a clean month-end accounting as well as the timely correction of incorrect general ledger postings.

Auditee's Response:

- A. The Health Center Board of Trustees is now reviewing invoices prior to signing via voucher/invoice envelopes. After signing the checks are given to the Administrator and Office Manager for stamping and mailing.
- B. The Administrator has requested the bank send the statement at the end of the month for reconciliation. This practice is now in place.

Auditor's Comment:

The Health Center's actions are expected to alleviate these concerns on future audits.

HENRY COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Henry County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit issued for the three years ended December 31, 1998. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the County should consider implementing these recommendations:

1. County Sales Tax

The County has not sufficiently reduced its property tax revenues by 50% as provided in the ballot issue passed by the Henry County voters under the provisions of Section 67.505, RSMo 1994.

Recommendation:

The County Commission reduce the County property tax levy adequately to meet the sales tax reduction requirements, including reductions for excess property taxes collected in prior years.

Status:

No change. See Letter on Other Matters No. 1.

2. Budgetary Practices and Published Financial Statements

- A. Warrants were issued in excess of approved budgeted expenditures.
- B. Formal budgets were not prepared for various County funds for the years ended December 31, 1998 and 1997.
- C. The annual published financial statements of the County did not include the financial activity of some County funds as required.
- D. At December 31, 1998, \$136,000 in excess administrative transfers was due from the General Revenue Fund to the Special Road and Bridge Fund.

Recommendation:

The County Commission:

- A. And the Health Center not authorize warrants in excess of budgeted expenditures.
- B. Ensure budgets are prepared or obtained for all County funds.
- C. Ensure financial information for all County funds is properly reported in the annual published financial statements.
- D. Base administrative transfers on actual or reasonable budgeted expenditures of the Special Road and Bridge Fund. In addition, a transfer of \$136,000 should be made from the General Revenue Fund to the Special Road and Bridge Fund.

Status:

A, B, C & D. Not implemented. See Letter on Other Matters No. 2.

3. County Expenditures

- A. Bids were not always solicited and bid documentation was not always retained.
- B. The County's policy for meal reimbursements was not being followed.
- C. IRS Forms 1099-MISC were not issued for services rendered by two special prosecutors.

Recommendation:

- A. The County solicit bids and retain appropriate supporting documentation.
- B. The County ensure the policy is followed and supporting documentation is retained.
- C. IRS Forms 1099-MISC be issued as appropriate.

Status:

A, B and C. Implemented.

4. Collateral Securities

The amount of collateral securities pledged by the County's depository banks in December 1998 and 1997 were insufficient by approximately \$228,000 and \$24,000, respectively.

Recommendation:

The County Treasurer and Ex Officio Collector should ensure collateral securities pledged by the depository banks are sufficient at all times.

Status:

Implemented.

5. General Fixed Assets

- A. Some fixed asset items were not numbered, tagged, or otherwise identified and the source of acquisition by fund was not recorded in the fixed asset records for any of the fixed assets.
- B. No documentation existed that an annual inventory of general fixed assets had been performed and the general fixed asset records had not been updated to reflect additions and dispositions of assets which occurred during 1997 and 1998.

Recommendation:

The County Clerk:

- A. Ensure all fixed asset items are properly numbered, tagged, or otherwise identified and ensure the source of acquisition by fund is recorded in the fixed asset records.
- B. Perform and document inventories of County-owned property and update the fixed asset records for unrecorded property additions and dispositions.

Status:

A & B. Not implemented. See Letter on Other Matters No. 3.



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Dunklin County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Dunklin County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by Charles Buchanan, P.C., Certified Public Accountant, is attached.

Claire C. McCaskill
State Auditor

Report No. 2001-72
August 31, 2001

DUNKLIN COUNTY, MISSOURI
AUDIT REPORT
TWO YEARS ENDED DECEMBER 31, 2000

Prepared by:
Charles Buchanan, CPA, P. C.
Certified Public Accountants
8733 Riverview Blvd, Suite 2N
St. Louis, MO 63136
(314)-869-2720 (Office)
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Dunklin County, Missouri

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FINANCIAL SECTION

Independent Auditor's Reports

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Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Dunklin County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Dunklin County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on the special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Dunklin County, Missouri, and comparisons of such information with corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Dunklin County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Dunklin County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2001, on our consideration of Dunklin County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis as required by the U. S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in

the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

Original Signed By Auditor
Charles Buchanan, CPA, P.C.
June 8, 2001

July 30, 2001 (Revised)

Charles Buchanan, CPA, P.C.
Certified Public Accountants
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission
and
Officeholders of Dunklin County, Missouri

We have audited the special-purpose financial statements of various funds of Dunklin County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 8, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Dunklin County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of the management of Dunklin County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Original Signed By Auditor
Charles Buchanan, CPA, P.C.
June 8, 2001

July 30, 2001 (Revised)

Financial Statements

DUNKLIN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS

<u>Fund</u>	<u>Cash</u>			<u>Cash</u>	
	<u>January 1</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>1999</u>	<u>December 31,</u>
	<u>1999</u>				
General Revenue	\$ 923,668	\$ 2,531,777	\$ 2,056,963	\$ 1,398,482	
Special Road and Bridge	847,782	921,020	852,483	916,319	
Assessment	15,396	374,744	373,827	16,313	
Law Enforcement Training	19,806	5,196	4,044	20,958	
Prosecuting Attorney Training	857	1,629	1,108	1,378	
Health Center	375,855	699,897	772,540	303,212	
Sheltered Workshop (SB-40)	358,274	144,760	258,209	244,825	
Johnson Grass	77,507	6,093	9,912	73,688	
Recorder's User Fees	39,089	2,074	8,195	32,968	
Victims of Domestic Violence	1,445	1,357	1,400	1,402	
Domestic Violence Shelters	-	-	-	-	
Prosecuting Attorney Bad Check	30,374	34,798	17,875	47,297	
Hazardous Training	1,264	1,113	1,235	1,142	
Criminal Investigation	12,835	26,784	15,046	24,573	
Local Records	(13)	80	4,377	(4,310)	
Juvenile Diversion Grant I	23,203	54,216	56,954	20,465	
Juvenile Diversion Grant II	2,156	59,705	58,677	3,184	
Juvenile Pilot Program	-	47,726	53,679	(5,953)	
Guardian Ad Litem-Division of Family Services	-	9,311	13,298	(3,987)	
Dunklin County 911 - North & South	104,373	118,167	69,276	153,264	
Drainage Districts	81,779	43,868	21,670	103,977	
Crime Victims Compensation	19,142	2,211	-	21,353	
Circuit Clerk Division I Salary	18	1	19	-	
Circuit Clerk Division II Salary	4	-	4	-	
Prosecuting Attorney Delinquent Tax	2,176	8,034	3,620	6,590	
Sheriff's Civil Fees	40,325	36,755	20,934	56,146	
Law Library	10,919	9,308	7,786	12,441	
Associate Circuit Division Interest	860	-	-	860	
Circuit Division Interest	2,869	-	-	2,869	
Probate Division Interest	301	37	-	338	
Sheriff's Equipment Grant	19	1	-	20	
Homeless Challenge Grant	-	11,225	11,225	-	
Home Study	-	7,628	7,628	-	
Chemical Emergency	-	4,253	17	4,236	
Department of Transportation-Off System Bridge	610	119,134	119,744	-	
Capital Improvement	104,378	5,509	-	109,887	
COPS Grant	-	-	-	-	
County Clerk Discretionary	-	-	-	-	
Total	\$ 3,097,271	\$ 5,288,411	\$ 4,821,745	\$ 3,563,937	

<u>Fund</u>	<u>Cash</u>			<u>Cash</u>	
	<u>January 1</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>2000</u>	<u>December 31,</u>
	<u>2000</u>				
General Revenue	1,398,482	2,904,200	2,312,935	1,989,747	
Special Road and Bridge	916,319	886,726	898,062	904,983	
Assessment	16,313	246,450	242,626	20,137	
Law Enforcement Training	20,958	4,467	6,718	18,707	
Prosecuting Attorney Training	1,378	1,191	3,290	(721)	
Health Center	303,212	723,704	825,213	201,703	
Sheltered Workshop (SB-40)	244,825	232,150	476,975	-	
Johnson Grass	73,688	6,308	6,767	73,229	
Recorder's User Fees	32,968	28,873	14,850	46,991	
Victims of Domestic Violence	1,402	1,308	1,400	1,310	
Domestic Violence Shelters	-	143	-	143	
Prosecuting Attorney Bad Check	47,297	36,487	34,050	49,734	
Hazardous Training	1,142	1,041	-	2,183	
Criminal Investigation	24,573	6,381	4,911	26,043	
Local Records	(4,310)	23	1,553	(5,840)	
Juvenile Diversion Grant I	20,465	67,940	67,863	20,542	
Juvenile Diversion Grant II	3,184	72,044	71,531	3,697	
Juvenile Pilot Program	(5,953)	70,979	76,607	(11,581)	
Guardian Ad Litem-Division of Family Services	(3,987)	18,263	19,443	(5,167)	
Dunklin County 911	153,264	226,604	144,303	235,565	
Drainage Districts	103,977	21,326	25,432	99,871	
Crime Victims Compensation	21,353	2,137	-	23,490	
Circuit Clerk Division I Salary	-	-	-	-	
Circuit Clerk Division II Salary	-	-	-	-	
Prosecuting Attorney Delinquent Tax	6,590	3,252	1,037	8,805	
Sheriff's Civil Fees	56,146	39,574	35,937	59,783	
Law Library	12,441	11,371	2,960	20,852	
Associate Circuit Division Interest	860	-	-	860	
Circuit Division Interest	2,869	-	-	2,869	
Probate Division Interest	338	-	-	338	
Sheriff's Equipment Grant	20	9,914	10,008	(74)	
Homeless Challenge Grant	-	11,216	11,216	-	
Home Study	-	5,050	5,300	(250)	
Chemical Emergency	4,236	31,611	30,863	4,984	
Department of Transportation-Off System Bridge	-	-	-	-	
Capital Improvement	109,887	6,548	-	116,435	
COPS Grant	-	31,365	31,365	-	
County Clerk Discretionary	-	4,519	501	4,018	
Total	\$ 3,563,937	\$ 5,713,165	\$ 5,363,716	\$ 3,913,386	

The accompany Notes to these Financial Reports are an integral part of this statement.

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DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 275,000	281,310	6,310	330,000	248,370	(81,630)
Sales taxes	1,260,000	1,270,602	10,602	1,115,000	1,226,457	111,457
Intergovernmental	270,582	335,236	64,654	534,290	330,323	(203,967)
Charges for services	417,000	428,716	11,716	386,000	395,121	9,121
Interest	65,000	90,343	25,343	1,500	63,286	61,786
Other	210,524	264,763	54,239	188,396	213,091	24,695
Transfers in	70,060	233,230	163,170	103,500	55,129	(48,371)
Total Receipts	2,568,166	2,904,200	336,034	2,658,686	2,531,777	(126,909)
DISBURSEMENTS						
County Clerk	142,750	135,270	7,480	134,840	130,215	4,625
County Commission	259,021	259,608	(587)	242,519	230,025	12,494
Elections	84,000	94,735	(10,735)	51,950	35,136	16,814
Buildings and grounds	208,014	110,355	97,659	186,845	119,023	67,822
Employee fringe benefits	304,000	286,770	17,230	266,700	222,049	44,651
County Treasurer	78,389	83,088	(4,699)	73,170	75,739	(2,569)
County Collector	0	0	0	0	0	0
Ex Officio Recorder of Deeds	85,957	78,166	7,791	86,383	84,552	1,831
Circuit Clerk	36,115	24,367	11,748	24,462	29,212	(4,750)
Associate Circuit Court	9,500	8,916	584	9,687	8,434	1,253
Associate Circuit (Probate)	30,100	37,858	(7,758)	29,902	26,612	3,290
Court administration	26,705	15,628	11,077	15,419	8,266	7,153
Public Administrator	13,800	40,539	(26,739)	3,800	12,466	(8,666)
Sheriff	445,702	458,060	(12,358)	386,984	391,369	(4,385)
Jail	295,236	308,517	(13,281)	292,905	278,683	14,222
Prosecuting Attorney	165,466	169,927	(4,461)	157,372	161,899	(4,527)
Juvenile Officer	100,711	82,758	17,953	153,215	129,394	23,821
County Coroner	25,760	24,212	1,548	25,493	17,985	7,508
Public health and welfare services	12,924	7,257	5,667	13,287	9,273	4,014
Other	99,600	76,849	22,751	91,595	86,631	4,964
Local records	72,352	1,555	70,797	69,000	0	69,000
Emergency Fund	0	8,500	(8,500)	79,761	0	79,761
Total Disbursements	2,496,102	2,312,935	183,167	2,395,289	2,056,963	338,326
RECEIPTS OVER (UNDER) DISBURSEMENTS	72,064	591,265	519,201	263,397	474,814	211,417
CASH, JANUARY 1	1,283,904	1,398,482	114,578	134,422	923,668	789,246
CASH, DECEMBER 31	\$ 1,355,968	1,989,747	633,779	397,819	1,398,482	1,000,663

The accompanying Notes to the Financial Statements are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 0	0	0	0	0	0
Sales taxes	133,980	129,008	(4,972)	120,000	129,718	9,718
Intergovernmental-Cart	580,580	637,849	57,269	590,000	600,473	10,473
Charges for services	10,095	0	(10,095)	0	0	0
Interest	20,557	31,858	11,301	25,000	101,190	76,190
Other	90,090	88,011	(2,079)	85,000	89,639	4,639
Transfers in			0			0
Total Receipts	835,302	886,726	51,424	820,000	921,020	101,020
DISBURSEMENTS						
Salaries	0	0	0	0	0	0
Employee fringe benefits	0	0	0	0	0	0
Supplies	0	0	0	0	200	(200)
Insurance	0	0	0	0	0	0
Road and bridge materials	10,000	22	9,978	10,000	0	10,000
Equipment repairs	0	0	0	0	0	0
Rentals	0	0	0	0	0	0
Equipment purchases	0	0	0	0	0	0
Construction, repair, and maintenance	776,000	790,905	(14,905)	796,834	796,834	0
Operating Transfers	0	107,135	(107,135)	25,165	0	25,165
Debt service	0	0	0	0	0	0
Other	23,870	0	23,870	32,000	30,284	1,716
Transfers out	25,060	0	25,060	0	25,165	(25,165)
Total Disbursements	834,930	898,062	(63,132)	863,999	852,483	11,516
RECEIPTS OVER (UNDER) DISBURSEMENTS	372	(11,336)	(11,708)	(43,999)	68,537	112,536
CASH, JANUARY 1	915,941	916,319	378	847,782	847,782	0
CASH, DECEMBER 31	\$ 916,313	904,983	(11,330)	803,783	916,319	112,536

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSESSMENT FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 97,714	241,259	143,545	187,000	364,532	177,532
Charges for services	0	0	0	0	0	0
Interest	8,500	3,687	(4,813)	0	8,511	8,511
Other	625	1,504	879	500	1,701	1,201
Transfers in	0	0	0	69,000	0	(69,000)
Total Receipts	106,839	246,450	139,611	256,500	374,744	118,244
DISBURSEMENTS						
Assessor	283,737	242,626	41,111	246,440	373,827	(127,387)
			0			0
			0			0
			0			0
Total Disbursements	283,737	242,626	41,111	246,440	373,827	(127,387)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(176,898)	3,824	180,722	10,060	917	(9,143)
CASH, JANUARY 1	158,440	16,313	(142,127)	6,269	15,396	9,127
CASH, DECEMBER 31	\$ (18,458)	20,137	38,595	16,329	16,313	(16)

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 4,000	3,456	(544)	16,200	4,161	(12,039)
Intergovernment	0	0	0	0	0	0
Interest	1,100	1,011	(89)	500	1,035	535
Other	0	0	0	0	0	0
Total Receipts	5,100	4,467	(633)	16,700	5,196	(11,504)
DISBURSEMENTS						
Mileage	2,000	2,747	(747)	2,000	666	1,334
Weapons certifications	3,000	54	2,946	3,000	980	2,020
Rentals	600	0	600	600	64	536
Targets	200	0	200	200	0	200
Supplies	1,000	0	1,000	1,000	0	1,000
Training certifications	0	0	0	0	0	0
Travel & tuition	5,400	3,917	1,483	2,400	2,334	66
			0			0
Total Disbursements	12,200	6,718	5,482	9,200	4,044	5,156
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,100)	(2,251)	4,849	7,500	1,152	(6,348)
CASH, JANUARY 1	20,949	20,958	9	19,806	19,806	0
CASH, DECEMBER 31	\$ 13,849	18,707	4,858	27,306	20,958	(6,348)

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY TRAINING FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 4,000	1,157	(2,843)	2,000	1,559	(441)
Sales tax revenue						
Intergovernmental revenues						
Operation transfers						
Interest	70	34	(36)	50	70	20
Other			0			0
Total Receipts	4,070	1,191	(2,879)	2,050	1,629	(421)
DISBURSEMENTS						
Mileage	500	3,290	(2,790)	500	205	295
Tuition	1,500	0	1,500	500	50	450
Travel	2,000	0	2,000	1,000	853	147
Transfer to state			0	750	0	750
			0			0
			0			0
			0			0
Total Disbursements	4,000	3,290	710	2,750	1,108	1,642
RECEIPTS OVER (UNDER) DISBURSEMENTS	70	(2,099)	(2,169)	(700)	521	1,221
CASH, JANUARY 1	1,820	1,378	(442)	857	857	0
CASH, DECEMBER 31	\$ 1,890	(721)	(2,611)	157	1,378	1,221

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 232,000	278,989	46,989	225,000	230,983	5,983
Intergovernmental revenues	405,000	380,304	(24,696)	420,310	416,182	(4,128)
Charges for services	40,000	42,403	2,403	38,000	33,659	(4,341)
Interest	15,000	15,079	79	25,000	18,585	(6,415)
Other	500	6,929	6,429	3,000	488	(2,512)
Total Receipts	692,500	723,704	31,204	711,310	699,897	(11,413)
DISBURSEMENTS						
Salaries	412,000	392,040	19,960	448,000	417,670	30,330
Benefits	136,000	152,430	(16,430)	135,000	138,724	(3,724)
Office expenses	20,000	26,506	(6,506)	20,000	21,901	(1,901)
Equipment	60,000	77,040	(17,040)	45,000	84,102	(39,102)
Travel	20,000	16,937	3,063	20,000	14,483	5,517
Contractual	3,500	2,172	1,328	8,000	9,453	(1,453)
Janitorial	12,000	10,577	1,423	12,000	26,632	(14,632)
Rent	9,000	6,175	2,825	9,000	8,700	300
Utilities	9,000	8,805	195	9,000	7,715	1,285
Other	200,000	132,531	67,469	250,000	43,160	206,840
Total Disbursements	881,500	825,213	56,287	956,000	772,540	183,460
RECEIPTS OVER (UNDER) DISBURSEMENTS	(189,000)	(101,509)	87,491	(244,690)	(72,643)	172,047
CASH, JANUARY 1	303,222	303,212	(10)	362,550	375,855	13,305
CASH, DECEMBER 31	\$ 114,222	201,703	87,481	117,860	303,212	185,352

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHELTERED WORKSHOP - SB-40

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	204,500	221,199	16,699	158,000	132,675	(25,325)
Intergovernmental revenues			0			0
Charges for services			0			0
Interest	12,500	10,951	(1,549)	12,000	12,085	85
Other		0	0			0
Total Receipts	217,000	232,150	15,150	170,000	144,760	(25,240)
DISBURSEMENTS						
Cotton Boll Sheltered Workshop	108,180	108,180	0	128,632	128,630	2
Dunklin Day Activity Center	180,130	180,130	0	59,670	59,672	(2)
Cotton Boll Sheltered Group Homes	41,041	41,042	(1)	69,907	69,907	0
SB-40 Start up expense	10,000	3,811	6,189			0
Transfer		143,812	(143,812)			0
			0			0
Total Disbursements	339,351	476,975	(137,624)	258,209	258,209	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(122,351)	(244,825)	(122,474)	(88,209)	(113,449)	(25,240)
CASH, JANUARY 1	291,471	244,825	(46,646)	361,854	358,274	(3,580)
CASH, DECEMBER 31	\$ 169,120	0	(169,120)	273,645	244,825	(28,820)

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 JOHNSON GRASS FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax revenues	\$ 0	2,582	2,582	2,000	2,229	229
Intergovernmental revenues			0	11,200	1,323	(9,877)
Interest	2,500	3,726	1,226	3,000	2,541	(459)
Other			0			0
Total Receipts	2,500	6,308	3,808	16,200	6,093	(10,107)
DISBURSEMENTS						
Chemicals	4,000	6,767	(2,767)	4,000	2,033	1,967
Spraying	12,000	0	12,000	12,000	7,711	4,289
Office expense	700	0	700	200	168	32
			0			0
			0			0
			0			0
Total Disbursements	16,700	6,767	9,933	16,200	9,912	6,288
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,200)	(459)	13,741	0	(3,819)	(16,395)
CASH, JANUARY 1	73,658	73,688	30	77,325	77,507	182
CASH, DECEMBER 31	\$ 59,458	73,229	13,771	77,325	73,688	(16,213)

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEE FUND

		Year Ended December 31,					
		2000			1999		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Charges for services	\$	12,500	12,409	(91)	12,500	2,074	(10,426)
Interest		1,500	2,249	749	1,500	0	(1,500)
Operation transfers in		0	14,215	14,215	0	0	0
Total Receipts		14,000	28,873	14,873	14,000	2,074	(11,926)
DISBURSEMENTS							
Maintenance		9,015	8,475	540	8,500	8,195	305
Record preservation		16,985	0	16,985	20,000	0	20,000
Equipment		4,000	6,375	(2,375)	3,000	0	3,000
				0			0
				0			0
				0			0
Total Disbursements		30,000	14,850	15,150	31,500	8,195	23,305
RECEIPTS OVER (UNDER) DISBURSEMENTS		(16,000)	14,023	30,023	(17,500)	(6,121)	11,379
CASH, JANUARY 1		32,954	32,968	14	38,966	39,089	123
CASH, DECEMBER 31	\$	16,954	46,991	30,037	21,466	32,968	11,502

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
VICTIMS OF DOMESTIC VIOLENCE FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 1,400	1,265	(135)	1,475	1,310	(165)
Interest	50	43	(7)	25	47	22
Other			0			0
Total Receipts	1,450	1,308	(142)	1,500	1,357	(143)
DISBURSEMENTS						
Children's Place	700	700	0	700	700	0
Delta Children's Home	700	700	0	700	700	0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	1,400	1,400	0	1,400	1,400	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	(92)	(142)	100	(43)	(143)
CASH, JANUARY 1	1,402	1,402	0	1,445	1,445	0
CASH, DECEMBER 31	\$ 1,452	1,310	(142)	1,545	1,402	(143)

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 DOMESTIC VIOLENCE SHELTERS

Year Ended December 31,					
2000			1999		
		Variance Favorable (Unfavorable)			Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
RECEIPTS					
Interest		143			0
					0
					0
					0
Other		0			0
Total Receipts	0	143	0	0	0
DISBURSEMENTS					
Salaries					0
					0
					0
					0
					0
					0
Total Disbursements	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	143	0	0	0
CASH, JANUARY 1		0		0	0
CASH, DECEMBER 31	\$ 0	143	0	0	0

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 34,000	33,209	(791)	25,000	32,754	7,754
Interest	2,000	2,339	339	50	2,044	1,994
Other		939	939		0	0
Total Receipts	36,000	36,487	487	25,050	34,798	9,748
DISBURSEMENTS						
Salaries	8,750	16,112	(7,362)	8,000	8,370	(370)
Office expense	1,000	3,060	(2,060)	500	1,527	(1,027)
Supplies	4,818	0	4,818	3,660	318	3,342
Computer expense	2,000	4,643	(2,643)	3,000	6,134	(3,134)
Training	0	125	(125)	1,000	770	230
Mileage	1,000	1,071	(71)	1,000	756	244
Expert witness	2,000	0	2,000			0
Furniture	0	2,099	(2,099)			0
Drug court expenses	0	6,940	(6,940)			
Telephone						
Total Disbursements	19,568	34,050	(14,482)	17,160	17,875	(715)
RECEIPTS OVER (UNDER) DISBURSEMENTS	16,432	2,437	(13,995)	7,890	16,923	9,033
CASH, JANUARY 1	48,700	47,297	(1,403)	28,828	30,374	1,546
CASH, DECEMBER 31	\$ 65,132	49,734	(15,398)	36,718	47,297	10,579

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HAZARDOUS TRAINING FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenues	\$ 2,000	1,041	(959)	0	1,048	1,048
Interest	50	0	(50)	15	65	50
Other		0	0		0	0
Total Receipts	2,050	1,041	(1,009)	15	1,113	1,098
DISBURSEMENTS						
Miscellaneous	1,000		1,000	1,000	1,235	(235)
	0	0	0	0		0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	1,000	0	1,000	1,000	1,235	(235)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,050	1,041	(9)	(985)	(122)	863
CASH, JANUARY 1	1,141	1,142	1	1,264	1,264	0
CASH, DECEMBER 31	\$ 2,191	2,183	(8)	279	1,142	863

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CRIMINAL INVESTIGATION FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenues	\$ 20,000	5,157	(14,843)	35,000	25,840	(9,160)
Interest	500	1,224	724	500	944	444
Other		0	0		0	0
Total Receipts	20,500	6,381	(14,119)	35,500	26,784	(8,716)
DISBURSEMENTS						
Office expense	1,000	10	990	250	1,157	(907)
Equipment repair	2,000	100	1,900	2,000	0	2,000
Supplies	1,500	735	765	300	1,804	(1,504)
Mileage	1,600	1,011	589	2,500	751	1,749
Tuition	3,000	668	2,332	3,000	3,975	(975)
Other			0	0		0
Travel	2,800	1,532	1,268	7,000	1,455	5,545
Equipment	2,000	855	1,145	10,000	347	9,653
Salary			0	1,250	0	1,250
Buy money	500		500	1,500	0	1,500
Crime lab	1,000		1,000	3,000	508	2,492
Expert witness	1,000		1,000	0	0	0
Insurance	750		750	760	752	8
			0		4,297	(4,297)
Total Disbursements	17,150	4,911	12,239	31,560	15,046	16,514
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,350	1,470	(1,880)	3,940	11,738	7,798
CASH, JANUARY 1	24,525	24,573	48	10,053	12,835	2,782
CASH, DECEMBER 31	\$ 27,875	26,043	(1,832)	13,993	24,573	10,580

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL RECORDS FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 1,000	23	(977)	6,900	80	(6,820)
Interest			0			0
Other			0			0
Total Receipts	1,000	23	(977)	6,900	80	(6,820)
DISBURSEMENTS						
Salaries			0	0	896	(896)
Office expense	300	551	(251)	275	1,176	(901)
Postage	35	0	35	33	0	33
Telephone	400	543	(143)	500	484	16
Equipment			0	500	0	500
Repairs	0	459	(459)	500	0	500
Utilities	200	0	200	100	21	79
Mileage	65	0	65	1,200	0	1,200
Rent				1,800	1,800	0
			0			0
Total Disbursements	1,000	1,553	(553)	4,908	4,377	531
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(1,530)	(1,530)	1,992	(4,297)	(6,289)
CASH, JANUARY 1	(2,901)	(4,310)	(1,409)	(13)	(13)	0
CASH, DECEMBER 31	\$ (2,901)	(5,840)	(2,939)	1,979	(4,310)	(6,289)

The accompanying Notes to the Financial Reports are an integral part of this statement.

DUNKLIN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DUNKLIN COUNTY - 911 - NORTH & SOUTH FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Telephone tax	\$ 55,000	220,544	165,544	55,000	112,219	57,219
Interest	6,000	6,045	45	1,000	5,948	4,948
Other		15	15		0	0
Total Receipts	61,000	226,604	165,604	56,000	118,167	62,167
DISBURSEMENTS						
Salaries	6,916	6,916	0	3,465	5,413	(1,948)
Office expense	500	500	0	950	12,829	(11,879)
Postage	33	0	33	33	333	(300)
Telephone	8,500	9,500	(1,000)	8,000	8,258	(258)
Equipment & rental	6,300	1,350	4,950	15,500	2,500	13,000
Mileage	250	0	250	500	0	500
Tuition	200	578	(378)	200	65	135
Fringe benefits	5,000	2,165	2,835	600	3,878	(3,278)
County dispatch	36,000	36,000	0	3,600	36,000	(32,400)
Unpaid accounts	0	0	0	671	0	671
Travel	0	0	0	0	0	0
Transfer		87,294	(87,294)			0
Total Disbursements	63,699	144,303	(80,604)	33,519	69,276	(35,757)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,699)	82,301	85,000	22,481	48,891	26,410
CASH, JANUARY 1	149,741	153,264	3,523	83,980	104,373	20,393
CASH, DECEMBER 31	\$ 147,042	235,565	88,523	106,461	153,264	46,803

The accompanying Notes to the Financial Reports are an integral part of this statement.

Notes to the Financial Statements

DUNKLIN COUNTY, MISSOURI

NOTES TO THE FINANCIAL STATEMENTS

314 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

314 Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present receipts, disbursements, and changes in cash of various funds of Dunklin County, Missouri, and comparison of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, Senate Bill 40 Board, or the Senior Citizen's Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

314 Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

314 Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Section 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting. Although required by law, the county did not adopt formal budgets for the following funds:

<u>Funds</u>	<u>Years Ended December 31,</u>
Juvenile Diversion Grants No.'s I & II	2000 and 1999
Juvenile Pilot Program	2000 and 1999
Guardian Ad Li-tem	2000 and 1999
Dunklin County 911 South	2000
Drainage Districts	2000 and 1999
Crime Victims Compensation	2000 and 1999
Prosecuting Attorney Delinquent Tax	1999
Sheriff's Civil Fees	2000 and 1999
Law Library	2000 and 1999
Associate Circuit Division Interest	2000 and 1999
Circuit Division Interest	2000 and 1999
Probate Division Interest	2000 and 1999
Homeless Challenge Grant	2000 and 1999
Home Study	2000 and 1999
Chemical Emergency	2000 and 1999
DOT-Off System Bridge Replacement	1999
Capital Improvement	2000 and 1999
DOJ-COP's Grant	2000
County Clerk Discretionary	2000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Funds</u>	<u>Year Ended December 31,</u>
Special Road & Bridge	2000
Prosecuting Attorney Bad Check	2000

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets. Although section 50.740, RSMo 1994, requires a balanced budget, a deficit balance was budgeted in the following fund:

<u>Funds</u>	<u>Year Ended December 31,</u>
Assessment	2000

Fund Disclosures

We were unable to obtain receipts and disbursements for December 31, 2000 and 1999, for the Associates Circuit Division and Circuit Division Interest Funds. The balances shown are December 31, 1998 amounts.

314 Published Financial Statements

Under Section 50.800 and 50.810 RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. However, the county's published financial statement did not include the Law Library Fund at December 31, 2000 and 1999.

314 Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28 1997, requires political subdivisions with existing authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreement or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and saving accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The County and Health Center Board's deposits at December 31, 2000 and 1999 were entirely covered by federal depository insurance or by collateral securities held by the county or the Health Center Board's custodial bank in the County Treasurer or Health Center Board's name.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depository insurance are pledged to the county rather than to specific

county officials.

Of the bank balances at December 31, 2000 and 1999, \$100,000 (for each year) was covered by federal depositary insurance. The balance of the county funds was fully covered by collateral securities held by the depositary bank's agent in an account in the name of the depositary bank and the Butler County Treasurer.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

DUNKLIN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal		Pass-Through	Expenditures	
CFDA		Entity	Year Ended	December 31,
Number	Federal Grantor/ Pass- Through Grantor/Program Title	Identifying Number	1999	2000
	U.S DEPARTMENT OF AGRICULTURE			
	Passed through state:			
	Department of Social Sevice-Food Distribution			
10.550	Food Distribution (Summer Food)	ER0146-98-134SFSP	\$ 1,710	\$ 1,539
	Department of Health			
10.557	Special Supplemental Nutrition Progam for Women, Infants,and Children	ER0045-9134	168,291	171,836
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
	Passed through state:			
	Department of Economic Development-			
14.228	Community Development Block Grant/State's Program		299,912	-
14.Unknown	Micro Lending		4,700	
	U.S. DEPARTMENT OF JUSTICE			
	Direct programs:	N/A	-	-
	Public Safety Partnership and Community Policing			
16.710	("Cops) Grants		31,365	4,297
	Passed Through:	N/A	-	-
	State Department of Public Safety-			
16.592	Local Law Enforcement Block Grants Program		10,008	
16.unknown	Missouri Sheriffs' Association - Domestic Cannabis		-	-
	Eradication/Suppression Program	N/A	937	800
	U.S. DEPARTMENT OF TRANSPORTATION			
	Passed through state Highway and Transportation Commission			
20.205	Off-System Bridge Replacement and Rehabilitation Program	BRO-035-(16)	-	119,134
	FEDERAL EMERGENCY MANGEMENT AGENCY			
	Passed through state Department of Public Safety:			
83.534	Emergency Management - State and Local Assistance		7,257	4,637
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed through state:			
	Department of Social Services - Division of Aging			
93.563	Child Support Enforcement	N/A	3,513	9,712
93.575	Child Care and Development Block Grant Nursing			
	Consultation to Child Care Facility	N/A	-	2,910
	Department of Health -			
93.994	Maternal & Child Health Services Block Grant to States		65,622	106,189
93.197	Childhood Lead Poisoning Projects-States		18	778
93.043	Area Agency on Aging		1,328	1,599
93.569	Homeless Challenge Program		4,675	5,575
	Department of Social Services, Division of Youth Service-			
93.667	Juvenile Court Diversion Program		67,797	56,954
93.667	Juvenile Court Diversion Program		70,657	58,677
93.667	Home Study		5,300	7,628
93.667	Juvenile Pilot Program		76,133	53,679
93.667	Guardian Ad Litem (DFS)		16,841	13,298
	Total Expenditures of Federal Awards		\$ 836,064	\$ 619,242

N/A-Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**DUNKLIN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE**

314 Summary of Significant Accounting Policies

314 Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. The schedule includes all federal awards administered by Dunklin County, Missouri.

314 Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Accordingly, the schedule includes expenditures of both cash and non-cash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash. Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

314 Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$299,912 to Subrecipients under the Community Development Block Grants/State's Program (CFDA number 14.228) during the year ended December 31, 1999.

FEDERAL AWARDS –
SINGLE AUDIT SECTION

Independent Auditor's Compliance Report

**Charles Buchanan, CPA, P.C.
Certified Public Accountants
8733 Riverview # 2 North
St. Louis, MO 63147
(314)-869-2720 (OFC)
(314)-869-5955 (Fax)**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Dunklin County, Missouri

Compliance

We have audited the compliance of Dunklin County, Missouri with the types of compliance requirement described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirement referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the county's compliance with those requirements.

In our opinion, Dunklin County, Missouri, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2000-1 and 1999-1 through 1999-3.

Internal Control Over Compliance

The management of Dunklin County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to

significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2000-1, 1999-1 through 3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Dunklin County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Original Signed By Auditor
Charles Buchanan, CPA, P.C.
June 8, 2001

July 30, 2001 (Revised)

Schedule

**DUNKLIN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
TWO YEARS ENDED DECEMBER 2000**

Section I - Summary Of Auditor's Results

Financial Statement

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ☐yes ☒no

Reportable conditions identified that are not considered to be material weaknesses? ☐yes ☒none reported

Noncompliance Material to the Financial Statements noted? ☐yes ☒no

Federal Award

Internal control over major programs:

Material weakness identified? ☐yes ☒no

Reportable conditions identified that are not considered to be material weaknesses? ☒yes ☐no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? ☒yes ☐no

Identification of major programs:

<u>CFDA or Other Identification Number</u>	<u>Program Title</u>
93.667	Social Services Block Grant-Juvenile Court Diversion Program
10.557	Special Supplemental Nutrition for Women, infants Children
14.228	Community Development Block Grants/ State's Program
20.205	Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee ☐yes ☒no

Section II - Financial Statement Findings

This section includes no audit findings that Government Auditing Standards require to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section. 510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

2000-1	Schedule of Expenditures of Federal Awards
Federal Grantor:	U. S. Department of Transportation
Pass – Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass – Through Entity	
Identifying Number:	BRO-035 (16)
Award Years:	1999
Questioned Costs:	Not Applicable
Federal Grantor:	U. S. Department of Health & Human Services
Pass – Through Grantor:	Department of Social Services
Federal CFDA Number:	93.667
Program Title:	Juvenile Diversion Grants #1 & #2
Pass – Through Entity	
Identifying Number:	Not Applicable
Award Years:	2000 & 1999
Questioned Costs:	Not Applicable
Federal Grantor:	U. S. Department of Defense
Pass – Through Grantor:	Office of Administration
Federal CFDA Number:	12.112
Program Title:	Payments to States in Lieu of Taxes
Pass – Through Entity	
Identifying Number:	Not Applicable
Award Years:	2000
Questioned Costs:	Not Applicable
Federal Grantor:	U. S. Department of Housing & Urban Development
Pass – Through Grantor:	Department of Economic Development
Federal CFDA Number:	14. Unknown
Program Title:	Micro Lending
Pass – Through Entity	
Identifying Number:	Not Applicable
Award Years:	2000
Questioned Costs:	Not Applicable

Condition: The county's procedures used to track federal awards for the preparation of the SEFA is inadequate. For the two years ended December 31, 2000, the county's SEFA contained several errors and omissions. For example, Micro Lending (USHUD-2000) was omitted from the schedule; payments to states in-lieu of taxes were included (USDOD-2000) and are not federal awards; Juvenile Diversion grants No. 1 and 2 amounts were incorrectly reported, Juvenile Pilot and Home Study grants were omitted (USDHHS-2000); COPS expenditures were reported incorrectly (USDOJ-1999); OFF-System Bridge expenditures were reported incorrectly (USDOT-1999); Juvenile Diversion grants No. 1 and 2 amounts were duplicated and misreported as Missouri Division of Youth Services in-lieu of the Federal Agency; Juvenile Pilot and Home Study grants were omitted (USDHHS-1999).

Criteria: Section .310(b) of Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

Effect: Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds. This is a repeat finding from the 1998 audit report.

Auditor's Recommendation: We recommend the County Clerk obtain technical assistance from the state or another County that has resolved this problem to determine how to coordinate the reporting of federal awards. A training session in this area may be appropriate.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION: The County Clerk noted that the organization of county, state, Subrecipients, and other office holders put the County Clerk in the position of having to rely on other offices, most of which are not under his control or direction, for information relevant to the SEFA. Some of these offices maintain their own bank accounts and may not flow through the Treasurer or the County Clerk's offices. The County Clerk and/or Commission is responsible for the reporting but do not have control of the information. We will study this issue and determine how best to address it.

1999-1 Schedule of Expenditures of Federal Awards	
Federal Grantor:	U. S. Department of Transportation
Pass – Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass – Through Entity	
Identifying Number:	BRO-035 (16)
Award Years:	1999
Questioned Costs:	Not Applicable

Condition: The county obtained advance payments of expenses.

Criteria : The Local Public Agency Manual published by the Missouri Department of Transportation (MoDOT) in Section I, General, states that ...the federal – aid transportation program operates on a reimbursement basis as work progresses. The Manual also states that ...this is not a “GRANT” program. It is a federal reimbursement program in which the local agency is reimbursed minus their matching percentage after MoDOT receives proper proof of payment by the local agency to the contractor for work performed.

Effect : The county did not comply with the reimbursement requirements of the program.

Auditor's Recommendation: We recommend that the county comply with the requirements to pay expenses prior to submitting a request for reimbursement and discontinue the practice of obtaining advances on this program. We further recommend that the county discuss the erroneous statement in the MoDOT Agency Manual referring to the program as not being a grant program.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk provided the following response:

We will discontinue the practice of requesting advances on this program. We evidently confused the method of payment (advances versus reimbursements) with the program type as we believed that this was not a grant program. We have advised MoDOT's regional personnel about the issue of the type of program (grant) and requested that it be addressed in the next revision of the Agency Manual.

1999-2	Schedule of Expenditures of Federal Awards
--------	--

Federal Grantor:	U. S. Department of Housing & Urban Development
Pass – Through Grantor:	Department of Economic Development
Federal CFDA Number:	14. 228
Program Title:	Community Development Block Grant/State's
Pass – Through Entity	
Identifying Number:	98-PF-945
Award Years:	2000
Questioned Costs:	Under the statutory limitation.

Condition:

- A. The County did not adequately monitor the third-party administrator's procedures for cash draws. Four of nine draw down were one to ten days past the five-day limit.
- B. The County does not maintain copies of grant correspondence, files, invoices, remittance advices, ect., in regards to the CDBG grant program, however, the third-party administrator does.

Criteria:

- A. The state guidelines allow five days to expend funds drawn down from the cash management system.
- B. Maintenance of grant files, invoices, and correspondence is a grant condition.

Effect: The County did not comply with state and federal guidelines.

Auditor's Recommendation:

- A. We recommend the County review the third-party administrator's payment policies and monitor their procedures to determine whether controls are adequate.
- B. We recommend the County obtain duplicate copies of all correspondence, files, contracts, invoices and other documentation from the third-party administrator.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION: The County Clerk agrees with the auditor's recommendation and will discuss this issue with the third-party administrator.

1999-3	Procurement
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Federal Grantor:	U. S. Department of Health & Human Services
Pass – Through Grantor:	Division of Social Services/Division of Youth Services
Federal CFDA Number:	93.667
Program Title:	Juvenile Diversion
Pass – Through Entity	
Identifying Number:	Not Applicable
Award Years:	2000
Questioned Costs:	Not Applicable

Condition: The Juvenile Diversion program procured contractual services from a sole-source provider to provide services to at-risk youths. The Juvenile Diversion contract requires a background check on subcontractor's employees. In addition, the contract requires the Juvenile department to provide the subcontractor with a copy of the Governor's Executive Order requiring background checks.

Effect: We were unable to determine whether the program obtained background checks or whether it

provided the subcontractor with a copy of the Governor's Order.

Criteria: The County follows the state guidelines in procuring services.

Auditor's Recommendation: We recommended the Juvenile Program document the procurement files when a sole-source provider is utilized. In addition, the Program should obtain background checks as required by the contract.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION: Judge Beaton provided the following response. This was a continuation program from a year prior to our taking over this contract. In any future procurement we will document the sole source decision and insist that background checks are provided.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

**DUNKLIN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by Dunklin County, Missouri, on the applicable findings in the State Auditor's prior audit report issued for the two years ended December 31, 1998.

98-1	Reconciliation of County Records
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Condition: The County Clerk's records were not properly reconciled to the County Treasurer's records.

Auditor's Recommendation: The County Clerk should maintain an accurate and up-to-date account book.

Auditee's Response: This recommendation has been implemented.

98-2	Budgetary Practices
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Condition: The County's budget documents contained inaccurate beginning cash balances; receipts and disbursements were misclassified and actual receipts and disbursements did not agree with the Treasurer's fund ledger. The 1999, 1998 and 1997 budgets contained the same inaccuracies, as did the previous audit.

Auditor's Recommendation: The County Commission and Health Center Board should ensure the budget documents contain complete, accurate, and reasonable information about the county's finances.

Auditee's Response: We were unable to address this issue fully for 1999 and 2000 but feel that great strides were made during 2001 to rectify this situation. We are preparing monthly reconciliations now.

Auditor's Follow-Up: It appears that significant improvements were made during the 2001 budget submission but additional effort should be directed toward this area for 2002.

98-3	County Treasurer's Accounting Records and Procedures
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Condition:

- A. The County Treasurer did not perform reconciliations between the total fund ledger balances and the reconciled bank balances.
- B. The County Treasurer's semi-annual settlements are not delivered to the Commission in a timely manner and indicated unreconciled shortages.
- C. Funds were deposited in incorrect bank accounts; interest income was not recorded/posted; disbursements were not recorded as written and were recorded to the incorrect fund.

Auditor's Recommendation: The County Treasurer should prepare monthly bank reconciliation; file complete, timely, and accurate semi-annual settlements, and transfer certain funds from the Collector's account and correct certain errors noted.

Auditee's Response: The County's Treasurer noted that the former Treasurer has resigned. We are now preparing monthly bank reconciliations (A); we are posting interest income (C) each month and disbursements and revenues are recorded monthly; in addition we have made the funds transfer and corrections as recommended. The 1999 and 2000 semi-annual settlement reports (C) were not delivered to the Commission in a timely manner.

Summary Schedule of Prior Audit Findings
in Accordance with OMB Circular A-133

**DUNKLIN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, prepared by the county.

98-4 Subrecipient Monitoring

Federal Grantor:	U.S. Department of Agriculture
Pass – Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grant/State's Program

Pass – Through Entity	
Identifying Number:	95-PF-012
Award Years:	1997
Questioned Costs:	Not Applicable

Condition : The county did not properly monitor Public Water Supply District No. 1's expenditures of federal awards.

Status : The county hired a third-party administrator to monitor the activity of all grants and received and reviewed the PWSD's annual audit to ensure that grant funds were expended in accordance with federal requirements.

98-5 Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass – Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children

Pass – Through Entity	
Identifying Number:	ER0045-9134
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass – Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass – Through Entity	
Identifying Number:	95-PF-012
Award Years:	1997

Questioned Costs: Not Applicable

Condition : The Schedule of Expenditures of Federal Awards was incomplete and inaccurate.

Status : This condition has not improved significantly (see finding 2000-1).



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Clark County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Clark County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by Arthur White & Associates, L.L.C., Certified Public Accountants, is attached.

Claire C. McCaskill
State Auditor

Report No. 2001-71
August 31, 2001



CLAIRE C. McCASKILL
Missouri State Auditor

Arthur White & Associates, L.L.C., Certified Public Accountants, performed the audit of Clark County for the two years ended December 31, 2000 (Report No. 2001-71). On October 8, 2001, he issued a correction to page 42 of the audit report. The attached reflects the correction.

ARTHUR WHITE & ASSOCIATES, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

May 16, 2001

Missouri State Auditor's Office
Jefferson City, Missouri

Compliance

We have audited the compliance of Clark County, Missouri, (County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Clark County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1999 and 2000.

Internal Control Over Compliance

The management of Clark County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Clark County, Missouri; the Missouri State Auditor's office; federal awarding agencies and pass-through entities; and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed By Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

CLARK COUNTY, MISSOURI
DECEMBER 31, 2000 AND 1999

CLARK COUNTY, MISSOURI

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FINANCIAL SECTION

Independent Auditors' Report

ARTHUR WHITE & ASSOCIATES, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

May 16, 2001

Missouri State Auditor's Office
Jefferson City, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Clark County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of Clark County, Missouri's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Clark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of Clark County, Missouri and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Clark County, Missouri.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Clark County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the County as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 16, 2001, on our consideration of Clark County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedules of Expenditures of Federal Awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

ARTHUR WHITE & ASSOCIATES, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

May 16, 2001

Missouri State Auditor's Office
Jefferson City, Missouri

We have audited the special-purpose financial statements of various funds of Clark County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 16, 2001. That report expressed a qualified opinion on the special-purpose financial statements because Clark County, Missouri, prepares financial statements using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Clark County, Missouri, are free of material misstatement, we performed tests of Clark County, Missouri's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of findings and Questioned Costs as finding number 00-3.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Clark County, Missouri, we considered Clark County, Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clark County, Missouri's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned costs as finding numbers 00-1 and 00-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding number 1 to be a material weakness.

This report is intended for the information of the management of Clark County, Missouri; the Missouri State Auditor's office; federal awarding agencies and pass-through entities; and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

Financial Statements

Exhibit A-1

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue Fund	\$ 43,149	\$ 759,164	\$ 766,418	\$ 35,895
Special Road and Bridge Fund	102,891	1,387,146	1,416,920	73,117
Assessment Fund	21,945	70,016	64,716	27,245
Law Enforcement Training Fund	1,362	2,934	3,828	468
Prosecuting Attorney Training Fund	395	1,227	1,064	558
Health Center Fund	455,287	383,692	455,731	383,248
1/2 Cent Sales Tax Road and Bridge Fund	(2,830)	188,566	183,871	1,865
Prosecuting Attorney Retirement Fund	3,941	643	4,875	(291)
Recorder User Fee Fund	2,421	3,328	5,272	477
Prosecuting Attorney Bad Check Fund	4,918	5,008	4,305	5,621
Domestic Violence Fund	445	780	845	380
Community Service Fund	11,190	15,680	11,262	15,608
Child Support Fund	189	105	343	(49)
Local Emergency Planning Commission Fund	7,745	4,121	3,494	8,372
1/2 Cent Sales Tax Jail-Building Fund	155,578	195,063	126,768	223,873
1/2 Cent Sales Tax Operating Fund	39,041	214,895	224,258	29,678
Community Development Block Grant Fund	-	16,731	16,453	278
Peace Officer Standards and Training Fund	-	1,352	1,014	338
Law Enforcement Support (Canine) Fund	1,115	-	690	425
Clark County Youth Fund	4,309	19,677	23,423	563
Clark County Victims Assistance Program Fund	75	10,760	10,235	600
Drug and Abuse Resistance Effort (DARE) Fund	224	17,150	14,908	2,466
Sheriff's Civil Process Fund	1,233	5,687	8,022	(1,102)
Election Service Fund	-	1,825	-	1,825
S.T.E.P.	-	995	991	4
Demolition Fund	19	-	-	19
Total	\$ 854,642	\$ 3,306,545	\$ 3,349,706	\$ 811,481

The accompanying Notes to the Financial Statements are an internal part of this statement.

Exhibit A-2

CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue Fund	\$ 3,664	\$ 820,146	\$ 780,661	\$ 43,149
Special Road and Bridge Fund	475	1,500,098	1,397,682	102,891
Assessment Fund	16,449	69,591	64,095	21,945
Law Enforcement Training Fund	270	3,825	2,733	1,362
Prosecuting Attorney Training Fund	419	964	988	395
Health Center Fund	551,178	407,504	503,395	455,287
1/2 Cent Sales Tax Road and Bridge Fund	729	181,796	185,355	(2,830)
Prosecuting Attorney Retirement Fund	228	8,213	4,500	3,941
Recorder User Fee Fund	1,027	3,680	2,286	2,421
Prosecuting Attorney Bad Check Fund	4,037	4,192	3,311	4,918
Domestic Violence Fund	280	700	535	445
Community Service Fund	7,736	15,467	12,013	11,190
Child Support Fund	543	-	354	189
Local Emergency Planning Commission Fund	7,740	3,097	3,092	7,745
1/2 Cent Sales Tax Jail-Building Fund	88,818	187,064	120,304	155,578
1/2 Cent Sales Tax Jail Operating Fund	3,589	207,422	171,970	39,041
Peace Officer Standards and Training Fund	-	1,791	1,791	-
FY 98 (Local Records) Fund	500	-	500	-
Law Enforcement Support (Canine) Fund	2,024	666	1,575	1,115
Clark County Youth Fund	1,754	29,244	26,689	4,309
Clark County Victims Assistance Program Fund	(591)	10,362	9,696	75
Drug and Abuse Resistance Effort (DARE) Fund	-	7,650	7,426	224
Sheriff's Civil Process Fund	4,758	5,975	9,500	1,233
COPS More 98 Fund	-	20,762	20,762	-
Clark County Buy-Out Fund	16,400	-	16,400	-
Demolition Fund	19	-	-	19
	<u>\$ 712,046</u>	<u>\$ 3,490,209</u>	<u>\$ 3,347,613</u>	<u>\$ 854,642</u>

The accompanying Notes to the Financial Statements are an internal part of this statement.

Exhibit B

CLARK COUNTY, MISSOURI
 COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 281,475	\$ 255,380	\$ (26,095)	\$ 242,308	\$ 242,604	\$ 296
Sales taxes	189,000	188,215	(785)	180,000	181,705	1,705
Intergovernmental	225,046	65,577	(159,469)	64,625	121,366	56,741
Charges for services	158,200	153,153	(5,047)	130,980	150,311	19,331
Interest	8,000	8,105	105	9,600	6,886	(2,714)
Other	69,660	88,734	19,074	119,359	97,274	(22,085)
Transfers in	42,452	-	(42,452)	54,016	20,000	(34,016)
Total Receipts	973,833	759,164	(214,669)	800,888	820,146	19,258
DISBURSEMENTS						
County Commission	50,056	48,845	1,211	47,880	46,221	1,659
County Clerk and Ex Officio Recorder of Deeds	56,317	53,014	3,303	52,679	51,921	758
Elections	24,981	27,908	(2,927)	6,500	2,845	3,655
Buildings and grounds	49,152	36,823	12,329	42,400	29,998	12,402
Employee fringe benefits	1,952	494	1,458	5,245	1,929	3,316
County Treasurer	22,535	20,900	1,635	22,000	20,177	1,823
County Collector	63,427	61,805	1,622	64,570	63,205	1,365
Circuit Clerk	29,122	25,483	3,639	34,735	26,985	7,750
Associate Circuit Court	8,600	7,239	1,361	5,785	5,418	367
Associate Circuit (Probate)	-	-	-	-	-	-
Court Administration	5,386	4,128	1,258	5,386	4,353	1,033
Public Administrator	7,293	6,071	1,222	8,645	9,157	(512)
Sheriff	329,539	284,816	44,723	195,269	280,739	(85,470)
Prosecuting Attorney	55,562	48,956	6,606	52,204	49,515	2,689
Juvenile Officer	15,899	6,338	9,561	32,988	22,800	10,188
Coroner	6,359	6,182	177	4,249	5,026	(777)
Other	85,410	51,596	33,814	65,662	65,250	412
Court Reporter	1,200	322	878	950	100	850
DWI Countermeasures	6,000	-	6,000	-	-	-
COPS	88,425	60,746	27,679	87,979	89,122	(1,143)
Transfers out	44,767	5,004	39,763	7,257	5,000	2,257
Emergency	65,000	9,748	55,252	58,505	900	57,605
Total Disbursements	1,016,982	766,418	250,564	800,888	780,661	20,227
RECEIPTS OVER (UNDER) DISBURSEMENTS	(43,149)	(7,254)	35,895	-	39,485	39,485
CASH, JANUARY 1	43,149	43,149	-	3,664	3,664	-
CASH, DECEMBER 31	\$ -	\$ 35,895	\$ 35,895	\$ 3,664	\$ 43,149	\$ 39,485

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit C

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 460,788	\$ 420,785	\$ (40,003)	\$ 402,600	\$ 401,946	\$ (654)
Intergovernmental	937,680	912,144	(25,536)	1,456,050	1,058,398	(397,652)
Charges for services	42,000	33,436	(8,564)	-	-	-
Interest	4,200	4,843	643	7,000	3,860	(3,140)
Other	25,000	10,573	(14,427)	22,500	24,924	2,424
Transfers in	6,000	5,365	(635)	6,000	10,970	4,970
Total Receipts	1,475,668	1,387,146	(88,522)	1,894,150	1,500,098	(394,052)
DISBURSEMENTS						
Salaries	370,000	354,644	15,356	375,000	350,402	24,598
Employee fringe benefits	112,000	103,366	8,634	103,250	105,838	(2,588)
Supplies	108,020	103,891	4,129	82,040	87,117	(5,077)
Insurance	24,000	21,081	2,919	17,800	22,190	(4,390)
Road and bridge materials	227,706	208,405	19,301	203,000	173,495	29,505
Equipment repairs	60,000	84,882	(24,882)	76,000	43,724	32,276
Construction, repair, and maintenance	475,000	460,093	14,907	972,750	525,676	447,074
Equipment purchases	145,000	64,526	80,474	3,000	61,116	(58,116)
Other	14,400	16,032	(1,632)	7,048	13,124	(6,076)
Transfers out	42,433	-	42,433	53,997	15,000	38,997
Total Disbursements	1,578,559	1,416,920	161,639	1,893,885	1,397,682	496,203
RECEIPTS OVER (UNDER) DISBURSEMENTS	(102,891)	(29,774)	73,117	265	102,416	102,151
CASH, JANUARY 1	102,891	102,891	-	475	475	-
CASH, DECEMBER 31	\$ -	\$ 73,117	\$ 73,117	\$ 740	\$ 102,891	\$ 102,151

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit D

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 70,000	\$ 68,576	\$ (1,424)	\$ 68,000	\$ 68,045	\$ 45
Interest	850	785	(65)	1,800	747	(1,053)
Other	850	655	(195)	900	799	(101)
Total Receipts	71,700	70,016	(1,684)	70,700	69,591	(1,109)
DISBURSEMENTS						
Assessor	67,089	64,716	2,373	65,934	64,095	1,839
Total Disbursements	67,089	64,716	2,373	65,934	64,095	1,839
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,611	5,300	689	4,766	5,496	730
CASH, JANUARY 1	21,945	21,945	-	16,449	16,449	-
CASH, DECEMBER 31	\$ 26,556	\$ 27,245	\$ 689	\$ 21,215	\$ 21,945	\$ 730

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit E

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 6,000	\$ 2,934	\$ (3,066)	\$ 5,730	\$ 3,825	\$ (1,905)
Other	1,350	-	(1,350)	-	-	-
Total Receipts	7,350	2,934	(4,416)	5,730	3,825	(1,905)
DISBURSEMENTS						
Miscellaneous	8,712	3,828	4,884	6,000	2,733	3,267
Total Disbursements	8,712	3,828	4,884	6,000	2,733	3,267
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,362)	(894)	468	(270)	1,092	1,362
CASH, JANUARY 1	1,362	1,362	-	270	270	-
CASH, DECEMBER 31	\$ -	\$ 468	\$ 468	\$ -	\$ 1,362	\$ 1,362

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit F

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 1,000	\$ 1,227	\$ 227	\$ 1,100	\$ 964	\$ (136)
Total Receipts	1,000	1,227	227	1,100	964	(136)
DISBURSEMENTS						
Prosecuting Attorney	1,395	1,064	331	1,519	988	531
Total Disbursements	1,395	1,064	331	1,519	988	531
RECEIPTS OVER (UNDER) DISBURSEMENTS	(395)	163	558	(419)	(24)	395
CASH, JANUARY 1	395	395	-	419	419	-
CASH, DECEMBER 31	\$ -	\$ 558	\$ 558	\$ -	\$ 395	\$ 395

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit G
CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax	\$ 65,000	\$ 69,448	\$ 4,448	\$ 65,000	\$ 66,521	\$ 1,521
Intergovernmental	111,789	102,125	(9,664)	100,498	99,916	(582)
Charges for services	170,500	185,320	14,820	258,500	215,457	(43,043)
Interest	15,000	19,708	4,708	20,000	19,915	(85)
Other	28,000	7,091	(20,909)	6,400	5,695	(705)
Operating transfers in	95,200	-	(95,200)	10,000	-	(10,000)
Total Receipts	485,489	383,692	(101,797)	460,398	407,504	(52,894)
DISBURSEMENTS						
Salaries	317,167	292,674	24,493	292,500	274,706	17,794
Office expenditures	34,190	67,481	(33,291)	41,100	121,706	(80,606)
Equipment	9,000	7,262	1,738	15,000	18,455	(3,455)
Mileage and training	21,000	20,448	552	22,500	21,302	1,198
Program costs	53,500	57,254	(3,754)	75,698	53,940	21,758
Other	50,600	10,612	39,988	13,600	13,286	314
Total Disbursements	485,457	455,731	29,726	460,398	503,395	(42,997)
RECEIPTS OVER (UNDER) DISBURSEMENTS	32	(72,039)	(72,071)	-	(95,891)	(95,891)
CASH, JANUARY 1	455,287	455,287	-	551,178	551,178	-
CASH, DECEMBER 31	\$ 455,319	\$ 383,248	\$ (72,071)	\$ 551,178	\$ 455,287	\$ (95,891)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit H

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

1/2 CENT SALES TAX ROAD AND BRIDGE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax revenues	\$ 190,000	\$ 188,566	\$ (1,434)	\$ 185,000	\$ 181,796	\$ (3,204)
Total Receipts	190,000	188,566	(1,434)	185,000	181,796	(3,204)
DISBURSEMENTS						
Lease equipment	60,000	65,500	(5,500)	90,000	133,882	(43,882)
Rock	105,000	118,371	(13,371)	95,729	51,473	44,256
Purchase rock trailer	22,170	-	22,170	-	-	-
Total Disbursements	187,170	183,871	3,299	185,729	185,355	374
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,830	4,695	1,865	(729)	(3,559)	(2,830)
CASH, JANUARY 1	(2,830)	(2,830)	-	729	729	-
CASH, DECEMBER 31	\$ -	\$ 1,865	\$ 1,865	\$ -	\$ (2,830)	\$ (2,830)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit I

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY RETIREMENT FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 559	\$ 643	\$ 84	\$ 4,500	\$ 8,213	\$ 3,713
Total Receipts	559	643	84	4,500	8,213	3,713
DISBURSEMENTS						
Transfers out	4,500	4,875	(375)	4,500	4,500	-
Total Disbursements	4,500	4,875	(375)	4,500	4,500	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,941)	(4,232)	(291)	-	3,713	3,713
CASH, JANUARY 1	3,941	3,941	-	228	228	-
CASH, DECEMBER 31	\$ -	\$ (291)	\$ (291)	\$ 228	\$ 3,941	\$ 3,713

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit J

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charge for services	\$ 3,900	\$ 3,292	\$ (608)	\$ 3,500	\$ 3,618	\$ 118
Interest	65	36	(29)	25	62	37
Total Receipts	3,965	3,328	(637)	3,525	3,680	155
DISBURSEMENTS						
Equipment	6,386	5,272	1,114	4,552	2,286	2,266
Total Disbursements	6,386	5,272	1,114	4,552	2,286	2,266
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,421)	(1,944)	477	(1,027)	1,394	2,421
CASH, JANUARY 1	2,421	2,421	-	1,027	1,027	-
CASH, DECEMBER 31	\$ -	\$ 477	\$ 477	\$ -	\$ 2,421	\$ 2,421

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit K

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 5,000	\$ 4,890	\$ (110)	\$ 3,000	\$ 4,108	\$ 1,108
Interest income	-	118	118	-	84	84
Transfers in	320	-	(320)	-	-	-
Total Receipts	5,320	5,008	(312)	3,000	4,192	1,192
DISBURSEMENTS						
Salaries	3,000	2,024	976	-	2,009	(2,009)
Office expenditures	-	-	-	2,500	901	1,599
Mileage	1,000	-	1,000	750	-	750
Miscellaneous	3,000	2,281	719	250	401	(151)
Total Disbursements	7,000	4,305	2,695	3,500	3,311	189
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,680)	703	2,383	(500)	881	1,381
CASH, JANUARY 1	4,918	4,918	-	4,037	4,037	-
CASH, DECEMBER 31	\$ 3,238	\$ 5,621	\$ 2,383	\$ 3,537	4,918	\$ 1,381

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit L
CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 700	\$ 780	\$ 80	\$ 450	\$ 700	\$ 250
Total Receipts	700	780	80	450	700	250
DISBURSEMENTS						
Domestic violence	1,145	845	300	730	535	195
Total Disbursements	1,145	845	300	730	535	195
RECEIPTS OVER (UNDER) DISBURSEMENTS	(445)	(65)	380	(280)	165	445
CASH, JANUARY 1	445	445	-	280	280	-
CASH, DECEMBER 31	\$ -	\$ 380	\$ 80	\$ -	\$ 445	\$ 250

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit M
CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMUNITY SERVICE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for service	\$ 15,000	\$ 15,680	\$ 680	\$ 13,000	\$ 15,467	\$ 2,467
Total Receipts	15,000	15,680	680	13,000	15,467	2,467
DISBURSEMENTS						
Salaries	14,400	8,846	5,554	17,636	11,300	6,336
Equipment	2,200	-	2,200	300	-	300
Supplies	-	-	-	300	-	300
Miscellaneous	9,590	2,416	7,174	2,500	713	1,787
Total Disbursements	26,190	11,262	14,928	20,736	12,013	8,723
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,190)	4,418	15,608	(7,736)	3,454	11,190
CASH, JANUARY 1	11,190	11,190	-	7,736	7,736	-
CASH, DECEMBER 31	\$ -	\$ 15,608	\$ 15,608	\$ -	\$ 11,190	\$ 11,190

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit N

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILD SUPPORT FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Transfers in	\$ 285	\$ 105	\$ (180)	\$ 257	\$ -	\$ (257)
Total Receipts	285	105	(180)	257	-	(257)
DISBURSEMENTS						
Miscellaneous	474	343	131	800	354	446
Total Disbursements	474	343	131	800	354	446
RECEIPTS OVER (UNDER) DISBURSEMENTS	(189)	(238)	(49)	(543)	(354)	189
CASH, JANUARY 1	189	189	-	543	543	-
CASH, DECEMBER 31	\$ -	\$ (49)	\$ (49)	\$ -	\$ 189	\$ 189

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit O

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMISSION FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 4,000	\$ -	\$ (4,000)	\$ 3,800	\$ 2,279	\$ (1,521)
Other	-	4,121	4,121	-	818	818
Total Receipts	4,000	4,121	121	3,800	3,097	(703)
DISBURSEMENTS						
Other	11,745	3,494	8,251	11,540	3,092	8,448
Total Disbursements	11,745	3,494	8,251	11,540	3,092	8,448
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,745)	627	8,372	(7,740)	5	7,745
CASH, JANUARY 1	7,745	7,745	-	7,740	7,740	-
CASH, DECEMBER 31	\$ -	\$ 8,372	\$ 8,372	\$ -	\$ 7,745	\$ 7,745

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit P

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

1/2 CENT SALES TAX JAIL BUILDING FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax revenues	\$ 166,400	\$ 188,539	\$ 22,139	\$ 185,000	\$ 181,802	\$ (3,198)
Interest income	5,700	6,524	824	-	5,262	5,262
Total Receipts	172,100	195,063	22,963	185,000	187,064	2,064
DISBURSEMENTS						
Miscellaneous	142,900	126,768	16,132	145,340	120,304	25,036
Total Disbursements	142,900	126,768	16,132	145,340	120,304	25,036
RECEIPTS OVER (UNDER) DISBURSEMENTS	29,200	68,295	39,095	39,660	66,760	27,100
CASH, JANUARY 1	155,578	155,578	-	88,818	88,818	-
CASH, DECEMBER 31	\$ 184,778	\$ 223,873	\$ 39,095	\$ 128,478	155,578	\$ 27,100

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit Q

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL LAW ENFORCEMENT GRANT FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 9,000	\$ -	\$ (9,000)	\$ 10,000	\$ -	\$ (10,000)
Transfers in	1,000	-	(1,000)	2,000	-	(2,000)
Total Receipts	10,000	-	(10,000)	12,000	-	(12,000)
DISBURSEMENTS						
Equipment	10,000	-	10,000	12,000	-	12,000
Total Disbursements	10,000	-	10,000	12,000	-	12,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit R

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

1/2 CENT SALES TAX JAIL OPERATING FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax	\$ 166,400	\$ 188,745	\$ 22,345	\$ 180,000	\$ 186,872	\$ 6,872
Other	24,600	26,150	1,550	24,600	20,550	(4,050)
Total Receipts	191,000	214,895	23,895	204,600	207,422	2,822
DISBURSEMENTS						
Salary	137,849	138,795	(946)	111,705	79,906	31,799
Office	30,200	34,121	(3,921)	18,000	32,905	(14,905)
Equipment	1,500	-	1,500	23,000	34,970	(11,970)
Other	49,650	36,096	13,554	3,600	15,420	(11,820)
Miscellaneous	8,500	15,246	(6,746)	22,850	8,769	14,081
Total Disbursements	227,699	224,258	3,441	179,155	171,970	7,185
RECEIPTS OVER (UNDER) DISBURSEMENTS	(36,699)	(9,363)	27,336	25,445	35,452	10,007
CASH, JANUARY 1	39,041	39,041	-	3,589	3,589	-
CASH, DECEMBER 31	\$ 2,342	\$ 29,678	\$ 27,336	\$ 29,034	\$ 39,041	\$ 10,007

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit S

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 190,000	\$ 16,731	\$ (173,269)	\$ 180,000	\$ -	\$ (180,000)
Transfers in	10,000	-	(10,000)	5,000	-	(5,000)
Total Receipts	200,000	16,731	(183,269)	185,000	-	(185,000)
DISBURSEMENTS						
Building improvements	200,000	16,453	183,547	185,000	-	185,000
Total Disbursements	200,000	16,453	183,547	185,000	-	185,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	278	278	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ 278	\$ 278	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit T
CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PEACE OFFICER STANDARDS AND TRAINING FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 3,000	\$ 1,352	\$ (1,648)	\$ -	\$ 1,791	\$ 1,791
Other	-	-	-	1,200	-	(1,200)
Total Receipts	3,000	1,352	(1,648)	1,200	1,791	591
DISBURSEMENTS						
Miscellaneous	3,000	1,014	1,986	1,200	1,791	(591)
Total Disbursements	3,000	1,014	1,986	1,200	1,791	(591)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	338	338	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ 338	\$ 338	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit U
CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FY 98 (LOCAL RECORDS) FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 4,500	\$ -	\$ (4,500)	\$ -	\$ -	\$ -
Total Receipts	4,500	-	(4,500)	-	-	-
DISBURSEMENTS						
Miscellaneous	4,500	-	4,500	500	500	-
Total Disbursements	4,500	-	4,500	500	500	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	(500)	(500)	-
CASH, JANUARY 1	-	-	-	500	500	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit V

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SUPPORT (CANINE) FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	\$ 1,700	\$ -	\$ (1,700)	\$ 2,670	\$ 666	\$ (2,004)
Total Receipts	1,700	-	(1,700)	2,670	666	(2,004)
DISBURSEMENTS						
Equipment		-	-	5,000	-	5,000
Other	2,400	535	1,865	-	1,318	(1,318)
Miscellaneous	415	155	260	-	257	(257)
Total Disbursements	2,815	690	2,125	5,000	1,575	3,425
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,115)	(690)	425	(2,330)	(909)	1,421
CASH, JANUARY 1	1,115	1,115	-	2,024	2,024	-
CASH, DECEMBER 31	\$ -	\$ 425	\$ 425	\$ (306)	\$ 1,115	\$ 1,421

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit W

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

CLARK COUNTY YOUTH FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	\$ 35,000	\$ 19,677	\$ (15,323)	\$ 30,000	\$ 29,244	\$ (756)
Total Receipts	35,000	19,677	(15,323)	30,000	29,244	(756)
DISBURSEMENTS						
Miscellaneous	39,309	23,423	15,886	31,754	26,689	5,065
Total Disbursements	39,309	23,423	15,886	31,754	26,689	5,065
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,309)	(3,746)	563	(1,754)	2,555	4,309
CASH, JANUARY 1	4,309	4,309	-	1,754	1,754	-
CASH, DECEMBER 31	\$ -	\$ 563	\$ 563	\$ -	\$ 4,309	\$ 4,309

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit X

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

CLARK COUNTY VICTIMS ASSISTANCE PROGRAM FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 9,802	\$ 9,915	\$ 113	\$ 11,086	\$ 9,792	\$ (1,294)
Other	-	-	-	-	35	35
Transfer in	3,192	845	(2,347)	730	535	(195)
Total Receipts	12,994	10,760	(2,234)	11,816	10,362	(1,454)
DISBURSEMENTS						
Salary	9,894	7,999	1,895	7,308	8,813	(1,505)
Miscellaneous	2,575	414	2,161	1,940	613	1,327
Equipment	600	156	444	395	270	125
Other	-	1,666	(1,666)	730	-	730
Total Disbursements	13,069	10,235	2,834	10,373	9,696	677
RECEIPTS OVER (UNDER) DISBURSEMENTS	(75)	525	600	1,443	666	(777)
CASH, JANUARY 1	75	75	-	(591)	(591)	-
CASH, DECEMBER 31	\$ -	\$ 600	\$ 600	\$ 852	\$ 75	\$ (777)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit Y

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG AND ABUSE RESISTANCE EFFORT (DARE) FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	\$ 15,350	\$ 17,150	\$ 1,800	\$ 4,000	\$ 7,650	\$ 3,650
Total Receipts	15,350	17,150	1,800	4,000	7,650	3,650
DISBURSEMENTS						
Salaries	14,350	13,876	474	2,500	-	2,500
Supplies	1,000		1,000	1,000	-	1,000
Mileage	-	-	-	500	-	500
Miscellaneous	224	1,032	(808)	-	7,426	(7,426)
Total Disbursements	15,574	14,908	666	4,000	7,426	(3,426)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(224)	2,242	2,466	-	224	224
CASH, JANUARY 1	224	224	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ 2,466	\$ 2,466	\$ -	\$ 224	\$ 224

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit Z

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S CIVIL PROCESS FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 10,000	\$ 5,687	\$ (4,313)	\$ 10,000	\$ 5,975	\$ (4,025)
Total Receipts	10,000	5,687	(4,313)	10,000	5,975	(4,025)
DISBURSEMENTS						
Miscellaneous	11,233	8,022	3,211	10,000	9,500	500
Total Disbursements	11,233	8,022	3,211	10,000	9,500	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,233)	(2,335)	(1,102)	-	(3,525)	(3,525)
CASH, JANUARY 1	1,233	1,233	-	4,758	4,758	-
CASH, DECEMBER 31	\$ -	\$ (1,102)	\$ (1,102)	\$ 4,758	\$ 1,233	\$ (3,525)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit AA
CLARK COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COPS MORE 98 FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 28,600	\$ -	\$ (28,600)	\$ 44,169	\$ 15,528	\$ (28,641)
Transfers in	12,100	-	(12,100)	14,724	5,234	(9,490)
Total Receipts	40,700	-	(40,700)	58,893	20,762	(38,131)
DISBURSEMENTS						
Salaries	40,700	-	40,700	38,120	-	38,120
Equipment	-	-	-	20,773	20,762	11
Total Disbursements	40,700	-	40,700	58,893	20,762	38,131
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-	-	-
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit BB
CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ELECTION SERVICE FUND

	Year ended December 31,		
	2000		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	\$ -	\$ 1,825	\$ 1,825
Total Receipts	-	1,825	1,825
DISBURSEMENTS			
Total Disbursements	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	1,825	1,825
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	\$ 1,825	\$ 1,825

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit CC

CLARK COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SELECTIVE TRAFFIC ENFORCEMENT PROGRAM (S.T.E.P.) FUND

	Year Ended December 31,		
	2000		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 1,500	\$ 995	\$ (505)
Total Receipts	1,500	995	(505)
DISBURSEMENTS			
Overtime salaries	1,500	991	509
Total Disbursements	1,500	991	509
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	4	4
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	\$ 4	\$ 4

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit DD
CLARK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CLARK COUNTY BUY-OUT FUND

	Year ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	\$ -	\$ -	\$ -
Total Receipts	-	-	-
DISBURSEMENTS			
Miscellaneous	16,400	16,400	-
Total Disbursements	16,400	16,400	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,400)	(16,400)	-
CASH, JANUARY 1	16,400	16,400	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit EE

CLARK COUNTY, MISSOURI

COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DEMOLITION FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Receipts	-	-	-	-	-	-
DISBURSEMENTS						
Miscellaneous	19	-	19	19	-	19
Total Disbursements	19	-	19	19	-	19
RECEIPTS OVER (UNDER) DISBURSEMENTS	(19)	-	19	(19)	-	19
CASH, JANUARY 1	19	19	-	19	19	-
CASH, DECEMBER 31	\$ -	\$ 19	\$ 19	\$ -	\$ 19	\$ 19

The accompanying Notes to the Financial Statements are an integral part of these statements.

Exhibit FF

CLARK COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JUVENILE JUSTICE GRANT FUND

	Year Ended December 31, 2000		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 37,500	\$ -	\$ (37,500)
Transfers in	12,500	-	(12,500)
Total Receipts	50,000	-	(50,000)
DISBURSEMENTS			
Miscellaneous	50,000	-	50,000
Total Disbursements	50,000	-	50,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit GG

CLARK COUNTY, MISSOURI

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NARCOTIC CONTROL ASSISTANCE PROGRAM (NCAP) FUND

	Year Ended December 31,		
	2000		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 12,560	\$ -	\$ (12,560)
Transfers in	4,190	-	(4,190)
Total Receipts	16,750	-	(16,750)
DISBURSEMENTS			
Miscellaneous	16,750	-	16,750
Total Disbursements	16,750	-	16,750
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-
CASH, JANUARY 1	-	-	-
CASH, DECEMBER 31	\$ -	\$ -	\$ -

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

CLARK COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2000 AND 1999

1. Summary of Significant Accounting Policies

A. Reporting Entity Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Clark County, Missouri (County), and comparisons of such information for various funds of the County. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the County's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various County funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	1999
Prosecuting Attorney Retirement Fund	2000
Child Support Fund	1999
Peace Officer Standards and Training Fund	1999
Drug and Abuse Resistance Effort (DARE) Fund	1999

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the County. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the County's published financial statements for the years ending December 31, 2000 and 1999, did not include the Health Center Fund.

CLARK COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF AND FOR THE YEARS ENDING DECEMBER 31, 2000 AND 1999

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The County has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purpose of the disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments.

The County's and Health Center's deposits at December 31, 1999 and 2000, were entirely covered by federal depository insurance or by collateral securities held by the County's or Health Center's custodial banks, respectively, in the County's or Health Center's name.

Supplementary Schedules

Schedule 1

CLARK COUNTY, MISSOURI
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U.S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special supplemental Nutrition Program for Women, Infants, and Children	ER0045-9122		\$ 19,555
		ER0045-0122	\$ 17,707	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	N/A 93-DR-69	16,453	182,283
U.S. DEPARTMENT OF JUSTICE				
Direct Programs:				
16.710	Public Safety Partnership and Community Policing ("Cops") Grants Equitable Sharing of Seized and Forfeited Property	1999-WXZ903	54,590	106,115
Passed through state:				
Department of Public Safety -				
16.575	Byrne Formula Grant Program (Crime Victims Assistance)	97-ZOCA-0179 99-ZOCA-0018	10,235	9,696
16.592	Local Law Enforcement Block Grants Program Missouri Sheriffs' Association - Domestic Cannabis Eradication/Suppression Program	N/A	6,156	3,768
	Program Total		70,981	119,579
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.268	Immunization Grants	PG00649122IAP		2,320
93.197	Childhood lead poisoning Prevention Projects - State and and Community-Based Childhood Lead Poisoning Prevention Prevention and Surveillance of Blood Lead Levels in Children	ERO146-0122CLPP	187	
	Child Care and Development Block Grant	N/A	51,115	
93.919	Cooperative Agreements for State-Based Comprehensive and Cervical Cancer Early Detection Programs			
93.991	Preventive Health and Health Services Block Grant	N/A		29,550
93.994	Maternal and Child Health Services	ERO146-9122MCH ERS146-0122M	7,222	12,857
	Program Total		58,524	44,727
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Off-System Bridge Replacement and Rehabilitation Program	BRO-023(13) BRO-023(14) BRO-223(15)	60,150 373,591 16,674	325,298 18,094
			450,415	343,392
Total Expenditures of Federal Awards			\$ 614,080	\$ 709,536

The accompanying Notes to the Schedules of Expenditures of Federal Awards are an integral part of these schedules.

Notes to the Supplementary Schedules

CLARK COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULES
AS OF AND FOR THE YEAR ENDING DECEMBER 31, 2000 AND 1999

1. Summary of Significant Accounting Policies

A. Purpose of Schedules and Reporting Entity

The accompanying Schedules of Expenditures of Federal Awards have been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The Schedules of Expenditures of Federal Awards include all federal awards administered by Clark County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

C. Basis of Accounting

The Schedules of Expenditures of Federal Awards are presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The County provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS-
SINGLE AUDIT SECTION

Independent Auditors' Report

ARTHUR WHITE & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

302 Main Street
Tarkio, Missouri 64491
Telephone (660) 736-5811
Fax (660) 736-4364

Offices also located in:
St. Joseph, Missouri
Rock Port, Missouri

DEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

May 16, 2001

Missouri State Auditor's Office
Jefferson City, Missouri

Compliance

We have audited the compliance of Clark County, Missouri, (County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

Internal Control Over Compliance

The management of Clark County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

This report is intended for the information of the management of Clark County, Missouri; the Missouri State Auditor's office; federal awarding agencies and pass-through entities; and other applicable government officials, and is not intended to be and should not be used by anyone other than these specified parties.

Original Signed by Auditor

ARTHUR WHITE & ASSOCIATES, L.L.C.

Schedule

CLARK COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Qualified

Internal control over financial reporting:

Material weakness identified?

 X yes no

Reportable condition identified that is
not considered to be a material weakness?

 X yes no

Noncompliance material to the financial statements
noted?

 yes X no

Federal Awards

Internal control over major program:

Material weakness identified?

 yes X no

Reportable condition identified that is
not considered to be a material weakness?

 yes X no

Type of auditors' report issued on compliance for
major program:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133?

 yes X no

Identification of major program:

CFDA or
Other Identifying
Number
20.205

Program Title
Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

 yes X no

CLARK COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

REPORTABLE CONDITIONS

- 00 – 1. Condition: At December 31, 2000, the Circuit Clerk had open items on deposit with a balance of \$90,494. This balance included 234 items with negative balances (indicating amounts due to the Circuit Clerk) in amounts ranging from \$.01 to \$356 and having a total negative balance of \$7,819. The oldest of these items appears to be in excess of twenty years old. Of the \$7,819 due to the Circuit Clerk there were subsequent payments received on thirteen items with \$447 received. Of the \$98,312 in items with positive balances (amounts to be disbursed by the Circuit Clerk), the oldest item appears to be a \$2,451 item on deposit since 1964. The positive balance also includes \$2,402 in interest and an entry for \$16,092 for items, which have not yet been identified.

Effect: Money has not been collected from those who owe money and money has not been distributed to those whom it should be distributed. The collectability of the old negative items is doubtful and the County could experience financial loss in the event these items are not collected.

Recommendation: We recommend that the Circuit Clerk obtain the necessary court orders to disburse funds on old open items with positive balances, and pursue collection of the open items with negative balances.

Auditee Response: The Circuit Clerk's office is now working very diligently to identify all remaining items, to obtain court orders on items to be disbursed, and to collect items due the Circuit Clerk.

- 00 – 2. Condition: Copies of bank reconciliations for the period under audit were not available.

Criteria: Good internal control procedures would require that bank accounts be reconciled to the accounting records in a timely manner so that errors can be detected and corrected.

Effect: There is no documentation that bank accounts have been reconciled to the accounting records.

Recommendation: We recommend the County Treasurer prepare and document on all bank reconciliations the date prepared and reconciled to the County Clerk's accounting records. We further recommend that copies of these reconciliations be retained in the County Treasurer's office.

Auditee Response: A new Treasurer assumed office in January, 2001, and is performing and documenting monthly reconciliations.

CLARK COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

- 00 – 3. Condition: At the 1999 and 2000 meetings, the Salary Commission voted to increase the salaries of the County officials. These increases resulted in salaries ranging from 62% to 89% of the maximum allowable compensation for 1999 and 46% to 74% of maximum allowable compensation for 2000.

Criteria: The Clark County Salary Commission has the statutory authority to set salaries of the County's elected officials. County officials' salaries are based upon the County's assessed valuation, population, training attendance, or a combination of these factors. Section 50.337.7 RSMo Supp. 1997, states, "if the salary commission votes to increase the compensation, all officers or offices whose compensation is being considered by the commission at that time, shall receive the same percentage of the maximum allowable compensation."

Effect: The salary commission has set salaries which are not in compliance with state statute.

Recommendation: We recommend that the salary commission set salaries based upon a percentage of the maximum allowable compensation, for those County officials being considered at that point in time for compensation increases.

Auditee Response: We will pursue methods of equalizing these percentages over time if that is acceptable.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

CLARK COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance with OMB Circular A-133

CLARK COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Carroll County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Carroll County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by Larson, Allen, Weishair & Co., LLP, Certified Public Accountants, is attached.

Claire C. McCaskill
State Auditor

Report No. 2001-70
August 31, 2001

**CARROLL COUNTY, MISSOURI
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2000 AND 1999

**CARROLL COUNTY, MISSOURI
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Business Consultants > Certified Pub

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the County Commission
and Officeholders of Carroll County, Missouri

We have audited the special-purpose financial statements, identified in the table of contents, of various funds of Carroll County, Missouri, as of and for the years ended December 31, 2000 and 1999. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Carroll County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Carroll County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Carroll County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Page Two

In accordance with Government Auditing Standards, we have also issued a report dated March 22, 2001, on our consideration of Carroll County, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Our audit was performed for the purpose of forming an opinion on the special purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special purpose financial statements of Carroll County, Missouri. Such information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the special purpose financial statements taken as a whole.

Original Signed by Auditor

LARSON, ALLEN, WEISHAIR & CO., LLP

March 22, 2001
St. Louis, Missouri

EXHIBIT A-1

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 221,371	\$ 1,421,557	\$ 1,368,342	\$ 274,586
Special Road and Bridge	793,982	1,231,245	1,326,989	698,238
Assessment	15,970	127,970	126,825	17,115
Law Enforcement Training	9,970	6,502	7,003	9,469
Prosecuting Attorney Training	82	1,798	1,817	63
Health Center	56,168	265,665	250,106	71,727
Drainage III	108,988	27,240	118,281	17,947
Sheriff's Inmate	2,874	3,406	2,486	3,794
Special Sheriff's	7,799	10,462	12,392	5,869
Johnson Grass	5,244	24,106	3,041	26,309
Law Library	145	1,110	435	820
Recorder's Preservation	9,670	4,173	3,571	10,272
Prosecuting Attorney Bad Check	12,091	9,292	5,609	15,774
Prosecuting Attorney Delinquent Tax	703	23	0	726
Senate Bill 40 Board	21,315	123,362	142,808	1,869
Associate Division Interest	947	363	83	1,227
Probate Division Interest	42	20	0	62
Circuit Clerk Interest	3,392	1,561	1,299	3,654
Federal Emergency Management Assistance	0	99,282	99,282	0
Election Services	451	2,411	1,702	1,160
Courthouse Restoration	551	417,475	371,598	46,428
Subtotal	1,271,755	3,779,023	3,843,669	1,207,109
Children's Trust	2,747	552	0	3,299
Focus on Kids	292	356	0	648
Total	\$ 1,274,794	\$ 3,779,931	\$ 3,843,669	\$ 1,211,056

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT A-2

CARROLL COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 109,770	\$ 1,217,218	\$ 1,105,617	\$ 221,371
Special Road and Bridge	631,027	1,463,845	1,300,890	793,982
Assessment	18,300	134,884	137,214	15,970
Law Enforcement Training	13,150	8,364	11,544	9,970
Prosecuting Attorney Training	305	1,224	1,447	82
Health Center	74,895	234,062	252,789	56,168
Drainage III	101,852	28,462	21,326	108,988
Sheriff's Inmate	2,712	2,889	2,727	2,874
Special Sheriff's	3,176	10,529	5,906	7,799
Johnson Grass	7,130	515	2,401	5,244
Law Library	138	1,482	1,475	145
Recorder's Preservation	6,776	4,654	1,760	9,670
Prosecuting Attorney Bad Check	9,444	7,456	4,809	12,091
Prosecuting Attorney Delinquent Tax	671	32	-	703
Senate Bill 40 Board	7,784	116,221	102,690	21,315
Associate Division Interest	1,136	311	500	947
Probate Division Interest	28	14	-	42
Circuit Clerk Interest	4,146	1,954	2,708	3,392
Federal Emergency Management Assistance	-	620,644	620,644	-
Election Services	-	451	-	451
Courthouse Restoration	100	1,195	744	551
Subtotal	992,540	3,856,406	3,577,191	1,271,755
Children's Trust	2,258	489	-	2,747
Focus on Kids	-	292	-	292
Total	\$ 994,798	\$ 3,857,187	\$ 3,577,191	\$ 1,274,794

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT B

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 305,000	\$ 324,755	\$ 19,755	\$ 295,650	\$ 300,942	\$ 5,292
Sales Taxes	276,000	303,353	27,353	262,200	273,933	11,733
Intergovernmental	128,350	207,394	79,044	151,534	147,328	(4,206)
Charges for Services	156,400	177,310	20,910	164,750	154,861	(9,889)
Interest	12,500	16,235	3,735	10,500	12,352	1,852
Other	308,300	259,495	(48,805)	259,662	287,275	27,613
Transfers In	31,141	133,015	101,874	60,800	40,527	(20,273)
Total Receipts	<u>\$ 1,217,691</u>	<u>\$ 1,421,557</u>	<u>\$ 203,866</u>	<u>\$ 1,205,096</u>	<u>\$ 1,217,218</u>	<u>\$ 12,122</u>
DISBURSEMENTS						
County Commission	\$ 84,056	\$ 83,545	\$ 511	\$ 79,134	\$ 81,338	\$ (2,204)
County Clerk	82,830	83,107	(277)	86,286	80,582	5,704
Elections	94,148	97,088	(2,940)	50,370	47,748	2,622
Buildings and Grounds	99,165	74,174	24,991	90,267	60,293	29,974
Employee Fringe Benefits	158,000	144,968	13,032	151,732	137,910	13,822
County Treasurer	57,492	56,535	957	55,860	55,926	(66)
County Collector	-	-	-	-	-	-
Ex Officio Recorder of Deeds	30,549	19,823	10,726	33,378	29,457	3,921
Circuit Clerk	-	-	-	-	-	-
Associate Circuit	-	-	-	-	-	-
Associate Circuit (Probate)	9,340	6,255	3,085	9,110	6,830	2,280
Court Administration	57,920	51,051	6,869	52,300	47,234	5,066
Public Administrator	24,243	84,458	(60,215)	27,690	22,563	5,127
Sheriff	340,337	297,230	43,107	281,748	269,171	12,577
Jail	172,726	171,320	1,406	182,481	156,768	25,713
Prosecuting Attorney	88,605	79,266	9,339	84,050	78,097	5,953
Juvenile Officer	14,615	9,897	4,718	39,108	24,616	14,492
County Coroner	7,727	6,584	1,143	8,610	6,985	1,625
Public Health and Welfare Services	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Transfers Out	-	103,041	(103,041)	13,200	99	13,101
Emergency Fund	40,000	-	40,000	36,369	-	36,369
Total Disbursements	<u>\$ 1,361,753</u>	<u>\$ 1,368,342</u>	<u>\$ (6,589)</u>	<u>\$ 1,281,693</u>	<u>\$ 1,105,617</u>	<u>\$ 176,076</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (144,062)</u>	<u>\$ 53,215</u>	<u>\$ 197,277</u>	<u>\$ (76,597)</u>	<u>\$ 111,601</u>	<u>\$ 188,198</u>
CASH, JANUARY 1	<u>221,371</u>	<u>221,371</u>	<u>-</u>	<u>109,770</u>	<u>109,770</u>	<u>-</u>
CASH, DECEMBER 31	<u><u>\$ 77,309</u></u>	<u><u>\$ 274,586</u></u>	<u><u>\$ 197,277</u></u>	<u><u>\$ 33,173</u></u>	<u><u>\$ 221,371</u></u>	<u><u>\$ 188,198</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT C

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 1,390,000	\$ 1,189,281	\$ (200,719)	\$ 1,905,600	\$ 1,424,735	\$ (480,865)
Charge for Services	-	-	-	6,730	-	(6,730)
Interest	34,000	41,678	7,678	23,520	33,409	9,889
Transfers in	-	286	286	-	5,701	5,701
Total Receipts	<u>\$ 1,424,000</u>	<u>\$ 1,231,245</u>	<u>\$ (192,755)</u>	<u>\$ 1,935,850</u>	<u>\$ 1,463,845</u>	<u>\$ (472,005)</u>
DISBURSEMENTS						
Salaries	\$ 146,106	\$ 127,629	\$ 18,477	\$ 157,935	\$ 126,603	\$ 31,332
Employee Fringe Benefits	39,055	37,093	1,962	48,883	31,970	16,913
Supplies	10,600	8,063	2,537	16,535	12,529	4,006
Insurance	10,000	12,969	(2,969)	10,000	7,526	2,474
Road and Bridge Materials	384,300	366,713	17,587	333,550	292,881	40,669
Equipment Repairs	92,400	65,343	27,057	153,000	209,891	(56,891)
Rentals	3,500	4,915	(1,415)	1,000	140	860
Equipment Purchases	-	-	-	-	-	-
Construction, Repair and Maintenance	784,000	424,131	359,869	1,312,500	578,435	734,065
Other	2,500	106	2,394	3,000	2,726	274
Operating Transfers	38,000	280,027	(242,027)	60,000	38,189	21,811
Total Disbursements	<u>\$ 1,510,461</u>	<u>\$ 1,326,989</u>	<u>\$ 183,472</u>	<u>\$ 2,096,403</u>	<u>\$ 1,300,890</u>	<u>\$ 795,513</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (86,461)	\$ (95,744)	\$ (9,283)	\$ (160,553)	\$ 162,955	\$ 323,508
CASH, JANUARY 1	793,982	793,982	-	631,027	631,027	-
CASH, DECEMBER 31	<u>\$ 707,521</u>	<u>\$ 698,238</u>	<u>\$ (9,283)</u>	<u>\$ 470,474</u>	<u>\$ 793,982</u>	<u>\$ 323,508</u>
Cash - Prior Page		274,586			221,371	

EXHIBIT D

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 132,587	\$ 121,936	\$ (10,651)	\$ 109,000	\$ 131,781	\$ 22,781
Charges for Services	-	-	-	-	-	-
Interest	2,000	1,689	(311)	1,200	1,959	759
Other	1,100	3,963	2,863	1,150	1,140	(10)
Transfers in	-	382	382	13,200	4	(13,196)
Total Receipts	<u>\$ 135,687</u>	<u>\$ 127,970</u>	<u>\$ (7,717)</u>	<u>\$ 124,550</u>	<u>\$ 134,884</u>	<u>\$ 10,334</u>
DISBURSEMENTS						
Assessor	\$ 129,050	\$ 126,825	\$ 2,225	\$ 142,835	\$ 137,214	\$ 5,621
Total Disbursements	<u>\$ 129,050</u>	<u>\$ 126,825</u>	<u>\$ 2,225</u>	<u>\$ 142,835</u>	<u>\$ 137,214</u>	<u>\$ 5,621</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 6,637	\$ 1,145	\$ (5,492)	\$ (18,285)	\$ (2,330)	\$ 15,955
CASH, JANUARY 1	15,970	15,970	-	18,300	18,300	-
CASH, DECEMBER 31	<u>\$ 22,607</u>	<u>\$ 17,115</u>	<u>\$ (5,492)</u>	<u>\$ 15</u>	<u>\$ 15,970</u>	<u>\$ 15,955</u>
Cash - Prior Page		<u>972,824</u>			<u>1,015,353</u>	
Cash Subtotal Carryforward		<u>\$ 989,939</u>			<u>\$ 1,031,323</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT E

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 5,505	\$ 3,700	\$ (1,805)	\$ 2,805	\$ 5,285	\$ 2,480
Charges for Services	2,000	1,773	(227)	1,600	1,837	237
Interest	400	278	(122)	-	449	449
Other	795	751	(44)	890	793	(97)
Total Receipts	<u>\$ 8,700</u>	<u>\$ 6,502</u>	<u>\$ (2,198)</u>	<u>\$ 5,295</u>	<u>\$ 8,364</u>	<u>\$ 3,069</u>
DISBURSEMENTS						
Mileage & Training	\$ 3,600	\$ 1,225	\$ 2,375	\$ 3,250	\$ 3,538	\$ (288)
Misc.-Other	7,295	5,499	1,796	8,740	7,557	1,183
Operating Transfers	-	279	(279)	-	449	(449)
Total Disbursements	<u>\$ 10,895</u>	<u>\$ 7,003</u>	<u>\$ 3,892</u>	<u>\$ 11,990</u>	<u>\$ 11,544</u>	<u>\$ 446</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,195)	\$ (501)	\$ 2,840	\$ (6,695)	\$ (3,180)	\$ 1,016
CASH, JANUARY 1	9,970	9,970	-	13,150	13,150	-
CASH, DECEMBER 31	<u>\$ 7,775</u>	<u>\$ 9,469</u>	<u>\$ 2,840</u>	<u>\$ 6,455</u>	<u>\$ 9,970</u>	<u>\$ 1,016</u>
Cash - Prior Page		989,939			1,031,323	
Cash Subtotal Carryforward		<u>\$ 999,408</u>			<u>\$ 1,041,293</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT F

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 500	\$ 398	\$ (102)	\$ 500	\$ 474	\$ (26)
Transfers In	500	1,400	900	-	750	750
Total Receipts	<u>\$ 1,000</u>	<u>\$ 1,798</u>	<u>\$ 798</u>	<u>\$ 500</u>	<u>\$ 1,224</u>	<u>\$ 724</u>
DISBURSEMENTS						
Prosecuting Attorney	\$ 1,000	\$ 1,807	\$ (807)	\$ 700	\$ 1,383	\$ (683)
Transfers Out	-	10	(10)	-	64	(64)
Total Disbursements	<u>\$ 1,000</u>	<u>\$ 1,817</u>	<u>\$ (817)</u>	<u>\$ 700</u>	<u>\$ 1,447</u>	<u>\$ (747)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ (19)	\$ (19)	\$ (200)	\$ (223)	\$ 23
CASH, JANUARY 1	82	82	-	305	305	-
CASH, DECEMBER 31	<u>\$ 82</u>	<u>\$ 63</u>	<u>\$ (19)</u>	<u>\$ 105</u>	<u>\$ 82</u>	<u>\$ 23</u>
Cash - Prior Page		999,408			1,041,293	
Cash Subtotal Carryforward		<u>\$ 999,471</u>			<u>\$ 1,041,375</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT G

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
HEALTH CENTER
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Tax	\$ 121,029	\$ 122,645	\$ 1,616	\$ 108,000	\$ 108,809	\$ 809
Intergovernmental	111,850	104,692	(7,158)	113,410	100,615	(12,795)
Interest	4,000	4,780	780	3,500	3,931	431
Other	27,712	33,548	5,836	30,500	20,707	(9,793)
Transfers in	-	-	-	-	-	-
Total Receipts	\$ 264,591	\$ 265,665	\$ 1,074	\$ 255,410	\$ 234,062	\$ (21,348)
DISBURSEMENTS						
Salaries	\$ 191,401	\$ 196,543	\$ (5,142)	\$ 226,194	\$ 200,323	\$ 25,871
Cholesterol	1,500	1,275	225	1,550	2,553	(1,003)
Health-Wellness	500	273	227	2,000	1,013	987
Advertising	600	350	250	2,000	1,137	863
Travel	6,800	4,833	1,967	6,000	6,662	(662)
Miscellaneous	100	52	48	820	36	784
Postage	1,000	978	22	1,300	983	317
Telephone	2,900	2,511	389	2,900	2,741	159
Equipment	3,170	2,983	187	3,430	4,833	(1,403)
Car Seats/Helmets	2,200	1,165	1,035	800	1,096	(296)
Medical Supplies	8,500	4,323	4,177	7,000	7,166	(166)
Training	3,500	1,571	1,929	1,800	3,194	(1,394)
Office Supplies	3,000	2,026	974	3,000	2,192	808
Custodial Supplies	500	486	14	500	335	165
Birth/Death Certificates	400	315	85	350	316	34
Building Maintenance	7,500	858	6,642	6,500	343	6,157
Custodial	350	282	68	350	332	18
Dues/Subscriptions	1,100	799	301	600	481	119
Election Costs	1,000	-	1,000	2,000	2,759	(759)
Environmental San.	14,500	14,971	(471)	14,000	5,729	8,271
Workman's Comp	3,000	2,084	916	4,000	2,956	1,044
Legal & Professional	250	-	250	500	153	347
Utilities	3,000	2,613	387	3,000	2,524	476
Insurance	2,770	3,007	(237)	2,700	2,619	81
Contract Fees	350	240	110	500	240	260
WIC Nutrition	200	180	20	200	73	127
Computer	500	279	221	-	-	-
MCH	800	1,287	(487)	-	-	-
School Health	3,200	3,822	(622)	-	-	-
Total Disbursements	\$ 264,591	\$ 250,106	\$ 14,485	\$ 293,994	\$ 252,789	\$ 41,205
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 15,559	\$ (15,559)	\$ (38,584)	\$ (18,727)	\$ (19,857)
CASH, JANUARY 1	56,168	56,168	-	74,895	74,895	-
CASH, DECEMBER 31	\$ 56,168	\$ 71,727	\$ (15,559)	\$ 36,311	\$ 56,168	\$ (19,857)
Cash - Prior Page		999,471			1,041,375	
Cash Subtotal Carryforward		\$ 1,071,198			\$ 1,097,543	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT H

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
DRAINAGE III
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Tax	\$ 25,000	\$ 24,001	\$ (999)	\$ 25,000	\$ 24,247	\$ (753)
Interest	1,500	3,239	1,739	5,000	4,215	(785)
Total Receipts	<u>\$ 26,500</u>	<u>\$ 27,240</u>	<u>\$ 740</u>	<u>\$ 30,000</u>	<u>\$ 28,462</u>	<u>\$ (1,538)</u>
DISBURSEMENTS						
Office Expenditures	\$ 118,250	\$ 118,281	\$ (31)	\$ 900	\$ 5,890	\$ (4,990)
Other	1,160	-	1,160	43,000	15,436	27,564
Total Disbursements	<u>\$ 119,410</u>	<u>\$ 118,281</u>	<u>\$ 1,129</u>	<u>\$ 43,900</u>	<u>\$ 21,326</u>	<u>\$ 22,574</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (92,910)	\$ (91,041)	\$ (1,869)	\$ (13,900)	\$ 7,136	\$ (21,036)
CASH, JANUARY 1	108,988	108,988	-	101,852	101,852	-
CASH, DECEMBER 31	<u>\$ 16,078</u>	<u>\$ 17,947</u>	<u>\$ (1,869)</u>	<u>\$ 87,952</u>	<u>\$ 108,988</u>	<u>\$ (21,036)</u>
Cash - Prior Page		1,071,198			1,097,543	
Cash Subtotal Carryforward		<u>\$ 1,089,145</u>			<u>\$ 1,206,531</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT I

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S INMATE
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 2,500	\$ 3,299	\$ 799	\$ 3,400	\$ 2,803	\$ (597)
Interest	80	107	27	-	86	86
Total Receipts	<u>\$ 2,580</u>	<u>\$ 3,406</u>	<u>\$ 826</u>	<u>\$ 3,400</u>	<u>\$ 2,889</u>	<u>\$ (511)</u>
DISBURSEMENTS						
Supplies	\$ 5,000	\$ 2,486	\$ 2,514	\$ 3,000	\$ 2,727	\$ 273
Total Disbursements	<u>\$ 5,000</u>	<u>\$ 2,486</u>	<u>\$ 2,514</u>	<u>\$ 3,000</u>	<u>\$ 2,727</u>	<u>\$ 273</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (2,420)	\$ 920	\$ 3,340	\$ 400	\$ 162	\$ 238
CASH, JANUARY 1	2,874	2,874	-	2,712	2,712	-
CASH, DECEMBER 31	<u>\$ 454</u>	<u>\$ 3,794</u>	<u>\$ 3,340</u>	<u>\$ 3,112</u>	<u>\$ 2,874</u>	<u>\$ 238</u>
Cash - Prior Page		<u>1,089,145</u>			<u>1,206,531</u>	
Cash Subtotal Carryforward		<u>\$ 1,092,939</u>			<u>\$ 1,209,405</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT J

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL SHERIFF'S
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 10,500	\$ 10,068	\$ (432)	\$ 9,300	\$ 10,379	\$ 1,079
Interest	150	250	100	-	150	150
Other	-	144	144	-	-	-
Total Receipts	<u>\$ 10,650</u>	<u>\$ 10,462</u>	<u>\$ (188)</u>	<u>\$ 9,300</u>	<u>\$ 10,529</u>	<u>\$ 1,229</u>
DISBURSEMENTS						
Equipment	\$ 9,900	\$ 12,272	\$ (2,372)	\$ 7,615	\$ 3,916	\$ 3,699
Miscellaneous	5,000	120	4,880	1,500	1,915	(415)
Transfers	-	-	-	-	75	(75)
Total Disbursements	<u>\$ 14,900</u>	<u>\$ 12,392</u>	<u>\$ 2,508</u>	<u>\$ 9,115</u>	<u>\$ 5,906</u>	<u>\$ 3,209</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (4,250)	\$ (1,930)	\$ 2,320	\$ 185	\$ 4,623	\$ 4,438
CASH, JANUARY 1	7,799	7,799	-	3,176	3,176	-
CASH, DECEMBER 31	<u>\$ 3,549</u>	<u>\$ 5,869</u>	<u>\$ 2,320</u>	<u>\$ 3,361</u>	<u>\$ 7,799</u>	<u>\$ 4,438</u>
Cash - Prior Page		<u>1,092,939</u>			<u>1,209,405</u>	
Cash Subtotal Carryforward		<u>\$ 1,098,808</u>			<u>\$ 1,217,204</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT K

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
JOHNSON GRASS FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Tax	\$ -	\$ 23,402	\$ 23,402	\$ -	\$ -	\$ -
Intergovernmental	20,000	-	(20,000)	50	341	291
Transfers	-	-	-	-	30	30
Interest	600	704	104	200	144	(56)
Total Receipts	\$ 20,600	\$ 24,106	\$ 3,506	\$ 250	\$ 515	\$ 265
DISBURSEMENTS						
Salaries	\$ 1,815	\$ 1,619	\$ 196	\$ 1,445	\$ 1,242	\$ 203
Chemicals & Misc.	450	112	338	450	70	380
Mileage & Training	1,400	840	560	1,800	901	899
Advertising	50	8	42	50	44	6
Transfers	-	462	(462)	-	144	(144)
Total Disbursements	\$ 3,715	\$ 3,041	\$ 674	\$ 3,745	\$ 2,401	\$ 1,344
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 16,885	\$ 21,065	\$ (4,180)	\$ (3,495)	\$ (1,886)	\$ (1,609)
CASH, JANUARY 1	5,244	5,244	-	7,130	7,130	-
CASH, DECEMBER 31	<u>\$ 22,129</u>	<u>\$ 26,309</u>	<u>\$ (4,180)</u>	<u>\$ 3,635</u>	<u>\$ 5,244</u>	<u>\$ (1,609)</u>
Cash - Prior Page		1,098,808			1,217,204	
Cash Subtotal Carryforward		<u>\$ 1,125,117</u>			<u>\$ 1,222,448</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT L

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for Services	\$ 1,400	\$ 1,110	\$ (290)	\$ 1,500	\$ 1,482	\$ (18)
Transfers In	-	-	-	-	-	-
Total Receipts	<u>\$ 1,400</u>	<u>\$ 1,110</u>	<u>\$ (290)</u>	<u>\$ 1,500</u>	<u>\$ 1,482</u>	<u>\$ (18)</u>
DISBURSEMENTS						
Office	\$ 1,400	\$ 435	\$ 965	\$ 1,600	\$ 1,475	\$ 125
Other	-	-	-	-	-	-
Total Disbursements	<u>\$ 1,400</u>	<u>\$ 435</u>	<u>\$ 965</u>	<u>\$ 1,600</u>	<u>\$ 1,475</u>	<u>\$ 125</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 675	\$ 675	\$ (100)	\$ 7	\$ 107
CASH, JANUARY 1	145	145	-	138	138	-
CASH, DECEMBER 31	<u>\$ 145</u>	<u>\$ 820</u>	<u>\$ 675</u>	<u>\$ 38</u>	<u>\$ 145</u>	<u>\$ 107</u>
Cash - Prior Page		1,125,117			1,222,448	
Cash Subtotal Carryforward		<u>\$ 1,125,937</u>			<u>\$ 1,222,593</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT M

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S PRESERVATION
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 4,600	\$ 4,173	\$ (427)	\$ 4,500	\$ 4,614	\$ 114
Transfers In	-	-	-	-	40	40
Total Receipts	<u>\$ 4,600</u>	<u>\$ 4,173</u>	<u>\$ (427)</u>	<u>\$ 4,500</u>	<u>\$ 4,654</u>	<u>\$ 154</u>
DISBURSEMENTS						
Office Expenditures	\$ 5,000	\$ 3,571	\$ 1,429	\$ 3,200	\$ 1,760	\$ 1,440
Total Disbursements	<u>\$ 5,000</u>	<u>\$ 3,571</u>	<u>\$ 1,429</u>	<u>\$ 3,200</u>	<u>\$ 1,760</u>	<u>\$ 1,440</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (400)	\$ 602	\$ 1,002	\$ 1,300	\$ 2,894	\$ 1,594
CASH, JANUARY 1	9,670	9,670	-	6,776	6,776	-
CASH, DECEMBER 31	<u>\$ 9,270</u>	<u>\$ 10,272</u>	<u>\$ 1,002</u>	<u>\$ 8,076</u>	<u>\$ 9,670</u>	<u>\$ 1,594</u>
Cash - Prior Page		<u>1,125,937</u>			<u>1,222,593</u>	
Cash Subtotal Carryforward		<u>\$ 1,136,209</u>			<u>\$ 1,232,263</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT N

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 6,000	\$ 9,292	\$ 3,292	\$ 6,000	\$ 7,456	\$ 1,456
Total Receipts	\$ 6,000	\$ 9,292	\$ 3,292	\$ 6,000	\$ 7,456	\$ 1,456
DISBURSEMENTS						
Office Expenditures	\$ 4,100	\$ 2,159	\$ 1,941	\$ 9,750	\$ 3,209	\$ 6,541
Mileage & Training	1,000	1,319	(319)	1,000	850	150
Transfers	941	2,131	(1,190)	-	750	(750)
Total Disbursements	\$ 6,041	\$ 5,609	\$ 432	\$ 10,750	\$ 4,809	\$ 5,941
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (41)	\$ 3,683	\$ 3,724	\$ (4,750)	\$ 2,647	\$ 7,397
CASH, JANUARY 1	12,091	12,091	-	9,444	9,444	-
CASH, DECEMBER 31	<u>\$ 12,050</u>	<u>\$ 15,774</u>	<u>\$ 3,724</u>	<u>\$ 4,694</u>	<u>\$ 12,091</u>	<u>\$ 7,397</u>
Cash - Prior Page		1,136,209			1,232,263	
Cash Subtotal Carryforward		<u>\$ 1,151,983</u>			<u>\$ 1,244,354</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT O

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 150	\$ 23	\$ (127)	\$ 1,500	\$ 32	\$ (1,468)
Total Receipts	<u>\$ 150</u>	<u>\$ 23</u>	<u>\$ (127)</u>	<u>\$ 1,500</u>	<u>\$ 32</u>	<u>\$ (1,468)</u>
DISBURSEMENTS						
Office Expenditures & Mileage	\$ 150	\$ -	\$ 150	\$ 700	\$ -	\$ 700
Total Disbursements	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 700</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 23	\$ 23	\$ 800	\$ 32	\$ (768)
CASH, JANUARY 1	703	703	-	671	671	-
CASH, DECEMBER 31	<u>\$ 703</u>	<u>\$ 726</u>	<u>\$ 23</u>	<u>\$ 1,471</u>	<u>\$ 703</u>	<u>\$ (768)</u>
Cash - Prior Page		1,151,983			1,244,354	
Cash Subtotal Carryforward		<u>\$ 1,152,709</u>			<u>\$ 1,245,057</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT P

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 BOARD FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property Taxes	\$ 122,647	\$ 122,647	\$ -	\$ 112,270	\$ 108,681	\$ (3,589)
Intergovernmental	-	-	-	-	6,587	6,587
Charges for services	-	-	-	-	-	-
Interest	680	715	35	500	953	453
Other	-	-	-	-	-	-
Total Receipts	<u>\$ 123,327</u>	<u>\$ 123,362</u>	<u>\$ 35</u>	<u>\$ 112,770</u>	<u>\$ 116,221</u>	<u>\$ 3,451</u>
DISBURSEMENTS						
Office Expenditures	\$ 135	\$ 135	\$ -	\$ 1,240	\$ 156	\$ 1,084
Equipment	-	-	-	-	-	-
Mileage and Training	-	-	-	-	-	-
Other	142,673	142,673	-	110,500	102,534	7,966
Total Disbursements	<u>\$ 142,808</u>	<u>\$ 142,808</u>	<u>\$ -</u>	<u>\$ 111,740</u>	<u>\$ 102,690</u>	<u>\$ 9,050</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (19,481)	\$ (19,446)	\$ 35	\$ 1,030	\$ 13,531	\$ 12,501
CASH, JANUARY 1	21,315	21,315	-	7,784	7,784	-
CASH, DECEMBER 31	<u>\$ 1,834</u>	<u>\$ 1,869</u>	<u>\$ 35</u>	<u>\$ 8,814</u>	<u>\$ 21,315</u>	<u>\$ 12,501</u>
Cash - Prior Page		<u>1,152,709</u>			<u>1,245,057</u>	
Cash Subtotal Carryforward		<u>\$ 1,154,578</u>			<u>\$ 1,266,372</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT Q

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE DIVISION II INTEREST FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 300	\$ 363	\$ 63	\$ 300	\$ 311	\$ 11
Total Receipts	\$ 300	\$ 363	\$ 63	\$ 300	\$ 311	\$ 11
DISBURSEMENTS						
Associate Division	\$ -	\$ 83	\$ (83)	\$ 300	\$ 500	\$ (200)
Total Disbursements	\$ -	\$ 83	\$ (83)	\$ 300	\$ 500	\$ (200)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 300	\$ 280	\$ (20)	\$ -	\$ (189)	\$ (189)
CASH, JANUARY 1	947	947	-	1,136	1,136	-
CASH, DECEMBER 31	<u>\$ 1,247</u>	<u>\$ 1,227</u>	<u>\$ (20)</u>	<u>\$ 1,136</u>	<u>\$ 947</u>	<u>\$ (189)</u>
Cash - Prior Page		1,154,578			1,266,372	
Cash Subtotal Carryforward		<u>\$ 1,155,805</u>			<u>\$ 1,267,319</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT R

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
PROBATE DIVISION INTEREST FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 14	\$ 20	\$ 6	\$ 19	\$ 14	\$ (5)
Total Receipts	\$ 14	\$ 20	\$ 6	\$ 19	\$ 14	\$ (5)
DISBURSEMENTS						
Probate Division	\$ -	\$ -	\$ -	\$ 111	\$ -	\$ 111
Total Disbursements	\$ -	\$ -	\$ -	\$ 111	\$ -	\$ 111
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 14	\$ 20	\$ 6	\$ (92)	\$ 14	\$ 106
CASH, JANUARY 1	42	42	-	28	28	-
CASH, DECEMBER 31	<u>\$ 56</u>	<u>\$ 62</u>	<u>\$ 6</u>	<u>\$ (64)</u>	<u>\$ 42</u>	<u>\$ 106</u>
Cash - Prior Page		1,155,805			1,267,319	
Cash Subtotal Carryforward		<u>\$ 1,155,867</u>			<u>\$ 1,267,361</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT S

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
ELECTION SERVICES FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 3,000	\$ 2,381	\$ (619)	\$ -	\$ 451	\$ 451
Interest	50	30	(20)	-	-	-
Total Receipts	<u>\$ 3,050</u>	<u>\$ 2,411</u>	<u>\$ (639)</u>	<u>\$ -</u>	<u>\$ 451</u>	<u>\$ 451</u>
DISBURSEMENTS						
Office Expenditures	\$ 2,500	\$ 1,635	\$ 865	\$ -	\$ -	\$ -
Training	950	67	883	-	-	-
Total Disbursements	<u>\$ 3,450</u>	<u>\$ 1,702</u>	<u>\$ 1,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (400)	\$ 709	\$ 1,109	\$ -	\$ 451	\$ 451
CASH, JANUARY 1	451	451	-	-	-	-
CASH, DECEMBER 31	<u>\$ 51</u>	<u>\$ 1,160</u>	<u>\$ 1,109</u>	<u>\$ -</u>	<u>\$ 451</u>	<u>\$ 451</u>
Cash - Prior Page		1,155,867			1,267,361	
Cash Subtotal Carryforward		<u>\$ 1,157,027</u>			<u>\$ 1,267,812</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT T

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	\$ 1,500	\$ 1,561	\$ 61	\$ -	\$ 1,954	\$ 1,954
Total Receipts	\$ 1,500	\$ 1,561	\$ 61	\$ -	\$ 1,954	\$ 1,954
DISBURSEMENTS						
Office Expenditures	\$ 1,500	\$ 1,299	\$ 201	\$ 2,000	\$ 2,708	\$ (708)
Total Disbursements	\$ 1,500	\$ 1,299	\$ 201	\$ 2,000	\$ 2,708	\$ (708)
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ 262	\$ 262	\$ (2,000)	\$ (754)	\$ 1,246
CASH, JANUARY 1	3,392	3,392	-	4,146	4,146	-
CASH, DECEMBER 31	<u>\$ 3,392</u>	<u>\$ 3,654</u>	<u>\$ 262</u>	<u>\$ 2,146</u>	<u>\$ 3,392</u>	<u>\$ 1,246</u>
Cash - Prior Page		1,157,027			1,267,812	
Cash Subtotal Carryforward		<u>\$ 1,160,681</u>			<u>\$ 1,271,204</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT U

CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
FEDERAL EMERGENCY MANAGEMENT ASSISTANCE FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 82,000	\$ 99,082	\$ 17,082	\$ -	\$ 620,644	\$ 620,644
Other	-	200	200	-	-	-
Total Receipts	<u>\$ 82,000</u>	<u>\$ 99,282</u>	<u>\$ 17,282</u>	<u>\$ -</u>	<u>\$ 620,644</u>	<u>\$ 620,644</u>
DISBURSEMENTS						
Administration Fees	\$ 82,000	\$ 99,282	\$ (17,282)	\$ -	\$ 620,644	\$ (620,644)
Training	-	-	-	-	-	-
Total Disbursements	<u>\$ 82,000</u>	<u>\$ 99,282</u>	<u>\$ (17,282)</u>	<u>\$ -</u>	<u>\$ 620,644</u>	<u>\$ (620,644)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CASH, JANUARY 1	-	-	-	-	-	-
CASH, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash - Prior Page		<u>1,160,681</u>			<u>1,271,204</u>	
Cash Subtotal Carryforward		<u>\$ 1,160,681</u>			<u>\$ 1,271,204</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT V

**CARROLL COUNTY, MISSOURI
COMPARATIVE STATEMENTS OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH - BUDGET AND ACTUAL
COURTHOUSE RESTORATION FUND
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales Tax	\$ 187,500	\$ 165,816	\$ (21,684)	\$ -	\$ -	\$ -
Interest	-	765	765	-	5	5
Other	-	894	894	-	1,190	1,190
Transfers In	-	250,000	250,000	-	-	-
Total Receipts	<u>\$ 187,500</u>	<u>\$ 417,475</u>	<u>\$ 229,975</u>	<u>\$ -</u>	<u>\$ 1,195</u>	<u>\$ 1,195</u>
DISBURSEMENTS						
Miscellaneous	\$ 2,000	\$ 744	\$ 1,256	\$ -	\$ 744	\$ (744)
Roof Project	100,000	370,854	(270,854)	-	-	-
Total Disbursements	<u>\$ 102,000</u>	<u>\$ 371,598</u>	<u>\$ (269,598)</u>	<u>\$ -</u>	<u>\$ 744</u>	<u>\$ (744)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 85,500	\$ 45,877	\$ (39,623)	\$ -	\$ 451	\$ 451
CASH, JANUARY 1	551	551	-	100	100	-
CASH, DECEMBER 31	<u>\$ 86,051</u>	<u>\$ 46,428</u>	<u>\$ (39,623)</u>	<u>\$ 100</u>	<u>\$ 551</u>	<u>\$ 451</u>
Cash - Prior Page		<u>1,160,681</u>			<u>1,271,204</u>	
Cash Subtotal Carryforward		<u>\$ 1,207,109</u>			<u>\$ 1,271,755</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

**CARROLL COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Carroll County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board of Trustees or the Senate Bill 40 Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

Basis of Accounting

The financial statements were prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

Cash balances at January 1, 1999, as previously stated have been decreased to reflect outstanding warrants.

Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1997, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Year(s) Ended December 31,</u>
Federal Emergency Management Assistance	1999
Election Services	1999
Courthouse Restoration	1999
Focus on Kids	1999

**CARROLL COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Practices (Continued)

Warrants issued were in excess of budgeted amounts for the following funds:

Fund	Year(s) Ended December 31,
General Revenue	2000
Prosecuting Attorney Training	2000 and 1999
Associate Division II Interest	2000 and 1999
Circuit Clerk Interest	1999
Federal Emergency Management Assistance	2000 and 1999
Courthouse Restoration	2000 and 1999

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

Published Financial Statements

Under Sections 50.800 and 50.810, RSMO 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

Fund	Year(s) Ended December 31,
Health Center	2000 and 1999
Senate Bill 40 Board	2000 and 1999
Carroll County Fire Protection District No.1	2000 and 1999
Carroll County Ambulance District	1999

**CARROLL COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 2 CASH

The county has not adopted a formal investment policies for its monies. However, the county has also determined through experience that checking accounts, certificate of deposits, and negotiable order of withdrawal (NOW) accounts are appropriate types of accounts or instruments for its needs.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and NOW accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

The County's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Developmentally Disabled Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

NOTE 3 TAXES

The assessed valuation of the tangible property for the calendar year 2000 and 1999 for purposes of local taxation was \$120,215,319 and \$120,845,697.

**CARROLL COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

NOTE 3 TAXES (CONTINUED)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2000 and 1999 for purposes of local taxation was:

	<u>2000</u>	<u>1999</u>
General Revenue Fund	\$ 324,755	\$ 300,942
Health Department	122,645	108,809
Senate Bill 40/Sheltered Workshop	122,647	108,681
Drainage District III	<u>24,001</u>	<u>24,427</u>
Total	<u><u>\$ 594,048</u></u>	<u><u>\$ 542,859</u></u>

These levies represent amounts directly received by the County for its purposes versus amounts collected by the County as a pass through on behalf of another entity.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission and
Officeholders of Carroll County, Missouri

We have audited the special-purpose financial statements of Carroll County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 22, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carroll County, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of Carroll County in a separate letter dated March 22, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County, Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Carroll County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended for the information and the use of the administration, management, County Commissioners, State of Missouri Auditor's Office and Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.

Original Signed by Auditor

LARSON, ALLEN, WEISHAIR & CO., LLP

March 22, 2001
St. Louis, Missouri



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission and
Officeholders of Carroll County, Missouri

Compliance

We have audited the compliance of Carroll County, Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. Carroll County, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Carroll County, Missouri's management. Our responsibility is to express an opinion on Carroll County, Missouri's compliance based on our audits.

We conducted our audits of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll County, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audits do not provide a legal determination on Carroll County, Missouri's compliance with those requirements.

In our opinion, Carroll County, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Carroll County, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Carroll County, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and the use of the administration, management, County Commissioners, State of Missouri Auditor's Office and Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.

Original Signed by Auditor

LARSON, ALLEN, WEISHAIR & CO., LLP

March 22, 2001
St. Louis, Missouri

**CARROLL COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that are not considered to be material weaknesses?
☐ Yes ☒ None Reported
- Noncompliance material to financial statements noted?
☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that are not considered to be material weakness?
☐ Yes ☒ None Reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	2000 Amount	1999 Amount
20.205	Off System Bridge Replacement and Rehabilitation Program	\$ 271,236	\$423,856
83.544	FEMA – State and Local Assistance	620,644	-
		<u>\$ 891,880</u>	<u>\$423,856</u>

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

**CARROLL COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Section II – Financial Statement Findings

None.

Section III – Federal Awards Findings and Questioned Costs

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended December 31, 2000 and 1999.

**CARROLL COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Financial Statement Findings

The audit did not disclose any noncompliance which is material to the special-purpose financial statements of the County.

Federal Award Findings and Questioned Costs

There were no prior year audit findings related to internal control, compliance, questioned costs, or fraud that relate to federal awards for the years ended December 31, 1998 and 1997.

**CARROLL COUNTY, MISSOURI
CORRECTIVE ACTION PLAN
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

Findings – Financial Statement Audit

None.

SCHEDULE 1

**CARROLL COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	
			<u>1999</u>	<u>2000</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Passed through State Department of Health Special Supplemental Nutrition Program for Women, Infants and Children	10.557	ER00045-8124	\$ 28,558	\$ 31,119
Passed through State Department of Social Services Summer Food Service Program for Children	10.559	None	650	-
Watershed Protection and Flood Prevention	10.557	None	105,756	-
Total U.S. Department of Agriculture			<u>\$ 134,964</u>	<u>\$ 31,119</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Passed through the Department of Public Safety Emergency Management - State & Local Assistance	83.544	None	\$ 620,644	\$ -
Total Federal Emergency Management Agency			<u>\$ 620,644</u>	<u>\$ -</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Direct Programs:				
Public Safety Partnership and Community Policing ("Cops") Grants	16.710	95DMR X0166	\$ 8,310	\$ -
Total U.S. Department of Justice			<u>\$ 8,310</u>	<u>\$ -</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through State Highway and Transportation Commission				
Off System Road and Bridge Replacement	20.205	BRO-025	\$ 423,856	\$ 271,236
Total Environmental Protection Agency			<u>\$ 423,856</u>	<u>\$ 271,236</u>
<u>GENERAL SERVICES ADMINISTRATION</u>				
Passed through the Office of Administration Donation of Federal Surplus Property	39.003	None	\$ 5,693	\$ 4,576
Total General Services Administration			<u>\$ 5,693</u>	<u>\$ 4,576</u>

SCHEDULE 1

CARROLL COUNTY, MISSOURI SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Passed through State:

Department of Health

Childhood Immunization Grants	93.268	PG0064-8124IAP	\$ 2,260	\$ -
Child Care and Development Block Grant	93.575	ER0161-0085	605	110
Block Grant to the States	93.994	ER0161-8124	14,383	10,917

Department of Social Services:

Child Support Enforcement

Block Grant to the States	93.563	None	16,892	21,241
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Total U.S. Department of Health and Human Resources			\$ 34,140	\$ 32,268
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Total Federal Financial Assistance

	\$ 1,227,607	\$ 339,199
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Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Carroll County, Missouri, and is presented on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

CARROLL COUNTY, MISSOURI

MANAGEMENT LETTER

DECEMBER 31, 2000

To the County Commission and
Officeholders of Carroll County, Missouri:

In planning and performing our audit of the general-purpose financial statements of the Carroll County as of and for the years ended December 31, 2000 and 1999, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgement, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

OBSERVATIONS

We noted the following observations that are not considered to be reportable conditions, but are comments to help strengthen internal controls and operating efficiency.

Sheriff's Office

Currently, the Sheriff's Office does not deposit money on a daily basis. We encourage the Sheriff's Office to deposit monies on a daily basis and to continue to maintain all County monies in fully secured bank accounts, while gaining the Board of Commissioner's approval for opening and closing all bank and depositary accounts.

Senate Bill 40 Board

The Senate Bill 40 Board budgets for 2000 and 1999 calendar years contained several misclassifications of both budgeted and actual receipts and disbursements. In addition, it appears the actual amounts presented on the budget documents were not agreed to the accounting records. To be of maximum assistance to the Senate Bill 40 Board and to adequately inform the public, the budget document should include accurate classifications and the actual receipt and disbursement information included in the budgets should be agreed to the accounting records.

Changes in Reporting Requirements

The Governmental Accounting Standards Board recently released a new financial statement reporting requirement commonly referred to as "GASB 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". The intent of GASB 34 is to standardize financial statement reporting across governmental entities and to make them more comparable to statements issued by like-sized profit-seeking companies. Adherence to GASB 34 is a requirement for all local governmental entities, including counties, and the gradual implementation requirement is as follows:

<u>Entities With Revenues</u>	<u>Fiscal Year Beginning After</u>
Greater than \$100 million	June 15, 2001
\$10 - \$100 million	June 15, 2002
Less than \$10 million	June 15, 2003

GASB 34 will require government-wide financial statements to include a Statement of Activities and a Statement of Net Assets. It will also require as supplemental information a narrative section referred to as "Management Discussion and Analysis" to further communicate the operations and goals of the School District. As management is ultimately responsible for the financial statements, they will likewise be responsible for all statements as reported under GASB 34.

We recommend that the County familiarize itself with GASB 34 and the new reporting requirements prior to your implementation year. We encourage you to reference the GASB Guide to Implementation of GASB 34 Basic Financial Statements. As always, we remind you that the staff of LarsonAllen is available on a year-round basis and will gladly meet with you to plan for your County's implementation objectives. Furthermore, we will continue to update you as your compliance date nears.

Cooperation

We received complete cooperation from all County officials during the 1999 and 2000 audit. It appears that the overall accounting procedures laid down by the County, are being adhered to by the officials within each office.

We welcome the opportunity to discuss the points mentioned in this letter, or any other accounting and procedural problems in order to coordinate our efforts with you, the mutual objectives being the development of more effective accounting, financial reporting, and business procedures for the County.

We understand that some of the aforementioned points are in the process of implementation or may already have been implemented; however, these points are noted so that effective follow up can be accomplished.

Thank you for the opportunity to be of service to you. We sincerely appreciate all the courtesies and cooperation extended to us by you and your staff and remind you that we are available on a year-round basis. Please do not hesitate to call us whenever you believe we can be of assistance.

This report is intended solely for the information and use of the County Commission and Officeholders of Carroll County, and others within the administration.

LARSON, ALLEN, WEISHAIR & CO., LLP

March 22, 2001
St. Louis, Missouri



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Officeholders of Butler County, Missouri

The State Auditor's Office through the State Office of Administration, Division of Purchasing, contracted the audit services of Butler County, Missouri, for the two years ended December 31, 2000. A copy of this audit which was performed by Charles Buchanan, P.C., Certified Public Accountant, is attached.

A handwritten signature in black ink, reading "Claire McCaskill", is positioned above the printed name and title.

Claire C. McCaskill
State Auditor

Report No. 2001-69
August 31, 2001

BUTLER COUNTY, MISSOURI
AUDIT REPORT
TWO YEARS ENDED DECEMBER 31, 2000

Prepared by:
Charles Buchanan, CPA, P. C.
Certified Public Accountants
8733 Riverview Blvd, Suite 2N
St. Louis, MO 63136
(314)-869-2720 (Office)
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Butler County, Missouri

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FINANCIAL SECTION

Independent Auditor's Reports

Charles Buchanan CPA, P. C.
Certified Public Accountants
8733 Riverview Blvd, Suite 2 North
St. Louis, MO 63147
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(314)-869-5955 (Fax)

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Butler County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on the special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursement, and changes in cash of various funds of Butler County, Missouri, and comparisons of such information with corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Butler County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Butler County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 17, 2001, on our consideration of Butler County, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis as required by the U. S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in

the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

Original Signed By Auditor
Charles Buchanan CPA, P.C.
May 17, 2001

Charles Buchanan, CPA, P.C.
Certified Public Accountants
8733 Riverview #2 North
St. Louis, MO 63147
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the County Commission
and
Officeholders of Butler County, Missouri

We have audited the special-purpose financial statements of various funds of Butler County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 17, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Butler County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of the management of Butler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited

Original Signed By Auditor
Charles Buchanan, CPA, P.C.
May 17, 2001

Financial Statements

Butler County, Missouri
Statement Of Receipts, Disbursements, And Changes In Cash - Various Fund
For The Years Ended December 31, 1999 & 2000

	Cash January 1 1999			Cash December 31 1999				Cash January 1 2000			Cash December 31 2000		
		<u>Receipts</u>	<u>Disbursements</u>				<u>Fund</u>		<u>Receipts</u>	<u>Disbursements</u>			
General Revenue	\$ 162,737	\$ 4,717,875	\$ 4,377,728	\$ 502,884	General Revenue	502,884		502,884	4,619,453	4,269,348	852,989		
Special Road and Bridge	513,756	1,915,227	1,876,961	552,022	Special Road Bridge	552,022		552,022	1,916,056	2,181,069	287,009		
Assessment	15,709	260,200	274,934	975	Assessment	975		975	311,191	297,715	14,451		
Law Enforcement Training	7,793	12,425	11,864	8,354	Law Enforcement Training	8,354		8,354	11,369	7,557	12,166		
Prosecuting Attorney Training	866	2,250	2,168	948	Prosecuting Attorney Training	948		948	1,924	2,377	495		
Prosecuting Attorney Bad Check	6,327	41,176	43,757	3,746	Prosecuting Attorney Bad Check	3,746		3,746	50,817	47,829	6,734		
Law Enforcement Complex	691,188	1,166,607	1,362,281	495,514	Law Enforcement Complex	495,514		495,514	1,207,972	1,147,675	555,811		
Prosecuting Attorney Delinquent Tax	707	1,962	1,482	1,187	Prosecuting Attorney Delinquent Tax	1,187		1,187	1,665	2,084	768		
Prosecuting Attorney Crime Reduction	1,239	1,320	2,328	231	Prosecuting Attorney Crime Reduction	231		231	80	40	271		
Eastern Capital Improvement	414,209	587,689	623,547	378,351	Eastern Capital Improvement	378,351		378,351	641,169	791,701	227,819		
Western Capital Improvement	355,865	603,483	663,575	295,773	Western Capital Improvement	295,773		295,773	611,342	681,392	225,723		
Board for the Care of the Handicapped	172,238	162,439	157,738	176,939	Board for the Care of the Handicapped	176,939		176,939	169,717	229,877	116,779		
Division of Youth Services (Tracker)	(3,636)	28,439	38,044	(13,241)	Division of Youth Services (Tracker)	(13,241)		(13,241)	19,462	35,924	(29,703)		
Division of Youth Services (Hentz School)	47,497	226,587	201,625	72,459	Division of Youth Services (Hentz School)	72,459		72,459	201,409	167,117	106,751		
Division of Youth Services (Probation Management)	762	-	-	762	Division of Youth Services (Probation Management)	762		762	-	-	762		
Drainage District No. 12	15,229	2,665	420	17,474	Drainage District No. 12	17,474		17,474	3,719	20,420	773		
Domestic Violence	4,937	14,283	18,589	631	Domestic Violence	631		631	15,681	16,046	266		
Thirty-Six Judicial Justice Court Escrow	-	74,446	-	74,446	Thirty-Six Judicial Justice Court Escrow	74,446		74,446	89,690	29,939	134,197		
Jail Commissary	1,651	20,040	19,262	2,429	Jail Commissary	2,429		2,429	42,777	39,403	5,803		
DARE	1,153	-	56	1,097	DARE	1,097		1,097	684	758	1,023		
Sheriff Drug Enforcement	9,433	1,768	3,775	7,426	Sheriff Drug Enforcement	7,426		7,426	445	1,319	6,552		
Recorder User Fee	85,440	20,613	42,774	63,279	Recorder User Fee	63,279		63,279	19,969	37,275	45,973		
Butler County 911	-	81,467	-	81,467	Butler County 911	81,467		81,467	164,366	148,602	97,231		
Senior Citizens	54,375	149,573	147,445	56,503	Senior Citizens	56,503		56,503	159,712	163,487	52,728		
Sheriff Civil Fee	56,225	41,141	50,500	46,866	Sheriff Civil Fee	46,866		46,866	38,515	51,286	34,095		
Unclaimed Fees	-	32	-	32	Unclaimed Fees	32		32	-	-	32		
Local Use Tax	274,773	2,913	277,686	-	Local Use Tax	-		-	-	-	-		
Law Enforcement Use Tax	104,294	-	104,294	-	Law Enforcement Use Tax	-		-	-	-	-		
Road & Bridge Capital Improvement Tax	104,295	-	104,295	-	Road & Bridge Capital Improvement Tax	-		-	-	-	-		
Community Development Block Grant	500	273,350	273,350	500	Community Development Block Grant	500		---	---	---	---		
Department of Transportation Grant	-	794,238	794,238	-	Department of Transportation Grant	-		-	194,695	194,695	-		
Division I Interest	2,186	1,280	1,703	1,763	Division I Interest	1,763		1,763	1,639	1,373	2,029		
Division II Interest	365	1,095	290	1,170	Division II Interest	1,170		1,170	293	648	815		
Division III Interest	1,084	321	167	1,238	Division III Interest	1,238		1,238	374	353	1,259		
Law Library	40,993	36,433	21,684	55,742	Law Library	55,742		55,742	26,610	18,561	63,791		
K-9 Patrol	378	1,622	2,000	-	K-9 Patrol	-		-	-	-	-		
Total	\$ 3,144,568	\$ 11,244,959	\$ 11,500,560	\$ 2,888,967	Total	\$ 2,888,967		\$ 2,888,967	\$ 11,015,485	\$ 11,078,093	\$ 2,826,359		

The accompany Notes to these Financial Reports are an integral part of this statement

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 330,000	349,951	19,951	227,550	329,021	101,471
Sales taxes	1,470,000	1,686,225	216,225	1,475,000	1,484,090	9,090
Intergovernmental	788,000	737,597	(50,403)	773,300	800,680	27,380
Charges for services	534,300	510,044	(24,256)	581,000	526,523	(54,477)
Interest	20,000	36,765	16,765	20,000	17,495	(2,505)
Other	230,300	598,871	368,571	180,000	715,066	535,066
Transfers in	766,000	700,000	(66,000)	1,150,000	845,000	(305,000)
Total Receipts	4,138,600	4,619,453	480,853	4,406,850	4,717,875	311,025
DISBURSEMENTS						
County Clerk	134,218	133,283	935	130,700	124,422	6,278
County Commission	104,500	102,552	1,948	94,000	99,366	(5,366)
Elections	86,650	75,437	11,213	50,650	29,273	21,377
Buildings and grounds	373,500	345,308	28,192	402,600	314,859	87,741
Employee fringe benefits	509,200	486,046	23,154	545,200	453,898	91,302
County Treasurer	66,043	59,417	6,626	60,865	58,459	2,406
County Collector	150,882	119,113	31,769	136,900	117,268	19,632
Ex Officio Recorder of Deeds	157,032	146,953	10,079	152,600	144,080	8,520
Circuit Clerk	38,800	12,148	26,652	39,500	18,468	21,032
Associate Circuit Court	30,000	14,178	15,822	27,000	20,494	6,506
Associate Circuit (Probate)	29,000	10,558	18,442	34,800	27,075	7,725
Court administration	19,250	5,201	14,049	20,450	18,381	2,069
Public Administrator	22,000	143,337	(121,337)	15,750	10,882	4,868
Sheriff	1,096,414	1,035,206	61,208	1,043,367	973,598	69,769
Jail	516,578	519,184	(2,606)	503,630	465,170	38,460
Prosecuting Attorney	222,473	221,801	672	220,232	219,540	692
Juvenile Officer	205,850	214,234	(8,384)	261,392	281,793	(20,401)
County Coroner	46,517	34,893	11,624	39,200	36,377	2,823
Child Support Enforcement	220,625	199,296	21,329	204,515	201,385	3,130
DYSG Tracker	35,000	32,628	2,372	0	33,732	(33,732)
Other General Co. Government	349,620	304,641	44,979	523,070	611,858	(88,788)
Public health and welfare services	19,000	7,378	11,622	31,750	26,404	5,346
Debt service	43,250	38,046	5,204	106,070	73,614	32,456
Other	9,500	8,510	990	0	17,332	(17,332)
Transfers out	0	0	0	35,000	0	35,000
Emergency Fund	150,000		150,000	120,000		120,000
Total Disbursements	4,635,902	4,269,348	366,554	4,799,241	4,377,728	421,513
RECEIPTS OVER (UNDER) DISBURSEMENTS	(497,302)	350,105	114,299	(392,391)	340,147	(110,488)
CASH, JANUARY 1	502,883	502,884	1	543,096	162,737	(380,359)
CASH, DECEMBER 31	\$ 5,581	852,989	114,300	150,705	502,884	(490,847)

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 115,000	122,841	7,841	113,895	115,822	1,927
Sales taxes	625,000	628,382	3,382	575,000	636,039	61,039
Intergovernmental-cart	1,235,500	1,136,729	(98,771)	1,072,244	1,138,760	66,516
Charges for services	100	0	(100)	0	2	2
Interest	11,000	23,288	12,288	5,000	9,160	4,160
Other	16,000	4,816	(11,184)	31,100	15,444	(15,656)
Transfers in		0	0		0	0
Total Receipts	2,002,600	1,916,056	(86,544)	1,797,239	1,915,227	117,988
DISBURSEMENTS						
Salaries	975,000	979,530	(4,530)	875,000	926,013	(51,013)
Employee fringe benefits	377,000	363,142	13,858	393,000	323,030	69,970
Supplies	354,000	435,896	(81,896)	339,000	317,374	21,626
Insurance	45,000	40,173	4,827	45,000	31,273	13,727
Road and bridge materials	182,000	150,934	31,066	177,000	145,456	31,544
Equipment repairs	14,000	9,948	4,052	14,000	9,534	4,466
Rentals	3,000	1,349	1,651	3,000	2,116	884
Equipment purchases	110,000	64,888	45,112	20,000	60,948	(40,948)
Construction, repair, and maintenance	210,000	95,565	114,435	210,000	25,834	184,166
Operating Transfers	66,000	0	66,000	0	0	0
Debt service	44,500	0	44,500			0
Other	0	39,644	(39,644)	36,000	35,383	617
Transfers out	0	0	0		0	0
Total Disbursements	2,380,500	2,181,069	199,431	2,112,000	1,876,961	235,039
RECEIPTS OVER (UNDER) DISBURSEMENTS	(377,900)	(265,013)	112,887	(314,761)	38,266	353,027
CASH, JANUARY 1	552,022	552,022	0	584,048	513,756	(70,292)
CASH, DECEMBER 31	\$ 174,122	287,009	112,887	269,287	552,022	282,735

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSESSMENT FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 293,274	290,645	(2,629)	250,000	242,283	(7,717)
Charges for services	200	0	(200)	150	175	25
Interest	800	3,293	2,493	1,400	2,604	1,204
Other	15,000	17,253	2,253	12,000	15,138	3,138
Transfers in	9,500	0	(9,500)	35,000	0	(35,000)
Total Receipts	318,774	311,191	(7,583)	298,550	260,200	(38,350)
DISBURSEMENTS						
Assessor	277,637	257,294	20,343	259,955	235,574	24,381
Employee fringe benefit	40,000	40,421	(421)	40,000	39,360	640
		0	0		0	0
		0	0		0	0
Total Disbursements	317,637	297,715	19,922	299,955	274,934	25,021
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,137	13,476	12,339	(1,405)	(14,734)	(13,329)
CASH, JANUARY 1	974	975	1	17,550	15,709	(1,841)
CASH, DECEMBER 31	\$ 2,111	14,451	12,340	16,145	975	(15,170)

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 10,000	5,054	(4,946)	10,000	8,600	(1,400)
Intergovernment	3,500	3,494	(6)	0	3,654	3,654
Interest		568	568		141	141
Other	0	2,253	2,253	0	30	30
Total Receipts	13,500	11,369	(2,131)	10,000	12,425	2,425
DISBURSEMENTS						
Sheriff	13,000	7,557	5,443	12,600	11,864	736
			0			0
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	13,000	7,557	5,443	12,600	11,864	736
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	3,812	3,312	(2,600)	561	3,161
CASH, JANUARY 1	8,554	8,354	(200)	8,023	7,793	(230)
CASH, DECEMBER 31	\$ 9,054	12,166	3,112	5,423	8,354	2,931

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

PROSECUTING ATTORNEY TRAINING FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 1,500	1,353	(147)	3,500	2,250	(1,250)
Sales tax revenue						
Intergovernmental revenues						
Operation transfers						
Interest	0	7	7	0	0	0
Other		564	564			0
Total Receipts	1,500	1,924	424	3,500	2,250	(1,250)
DISBURSEMENTS						
Prosecuting attorney	1,500	2,377	(877)	3,500	2,168	1,332
Training	0	0	0	0	0	0
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	1,500	2,377	(877)	3,500	2,168	1,332
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(453)	(453)	0	82	82
CASH, JANUARY 1	949	948	(1)	866	866	0
CASH, DECEMBER 31	\$ 949	495	(454)	866	948	82

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

PROSECUTING ATTORNEY BAD CHECK FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 42,000	50,261	8,261	42,000	39,474	(2,526)
Interest	0	240	240	30,000	247	(29,753)
Other		316	316		1,455	1,455
Total Receipts	42,000	50,817	8,817	72,000	41,176	(30,824)
DISBURSEMENTS						
Salaries, frings benefits	0	0	0	0	0	0
Office supplies	34,119	44,707	(10,588)	25,000	40,778	(15,778)
Postage	0	0	0	0	0	0
Remodeling	0	0	0	350,000	0	350,000
Library	2,540	0	2,540		2,979	(2,979)
Mileage & training		3,122	(3,122)	10,000	0	10,000
Victim rights			0	0		0
Other expenses				0		0
Total Disbursements	36,659	47,829	(11,170)	385,000	43,757	341,243
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,341	2,988	(2,353)	(313,000)	(2,581)	310,419
CASH, JANUARY 1	3,745	3,746	1	489,745	6,327	(483,418)
CASH, DECEMBER 31	\$ 9,086	6,734	(2,352)	176,745	3,746	(172,999)

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLERCOUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT COMPLEX FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 0	0	0	0	0	0
Sales tax revenue	1,050,000	1,158,456	108,456	1,080,000	1,131,004	51,004
Intergovernmental revenues	0	0	0	0	0	0
Operation transfers	0	0	0	0	0	0
Interest	30,000	48,979	18,979	40,000	35,603	(4,397)
Other	0	537	537	0	0	0
Total Receipts	1,080,000	1,207,972	127,972	1,120,000	1,166,607	46,607
DISBURSEMENTS						
Prosecuting attorney	0	0	0	0	0	0
Sheriff	0	0	0	0	0	0
Jail	0	0	0	0	0	0
Juvenile office	0	0	0	0	0	0
Coronerr	0	0	0	0	0	0
LEST expenses	1,365,000	1,147,675	217,325	1,365,000	1,362,281	2,719
Fringe benefits	0	0	0	0	0	0
Total Disbursements	1,365,000	1,147,675	217,325	1,365,000	1,362,281	2,719
RECEIPTS OVER (UNDER) DISBURSEMENTS	(285,000)	60,297	345,297	(245,000)	(195,674)	49,326
CASH, JANUARY 1	493,539	495,514	1,975	546,188	691,188	145,000
CASH, DECEMBER 31	\$ 208,539	555,811	347,272	301,188	495,514	194,326

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenue	\$ 1,800	1,593	(207)	0	1,776	1,776
Sales tax revenues		72	72		0	0
Other			0		186	186
Total Receipts	1,800	1,665	(135)	0	1,962	1,962
DISBURSEMENTS						
Prosecuting attorney	1,500	2,084	(584)	1,500	1,482	18
Library	0		0	0		0
Cellular phone		0	0	0	0	0
Misc.	0	0	0	0	0	0
Fringr benefits				0		
Internet service	0		0		0	0
Mileage	0		0	0		0
	0	0	0	0	0	0
Total Disbursements	1,500	2,084	(584)	1,500	1,482	18
RECEIPTS OVER (UNDER) DISBURSEMENTS	300	(419)	(719)	(1,500)	480	1,980
CASH, JANUARY 1	1,186	1,187	1	0	707	707
CASH, DECEMBER 31	\$ 1,486	768	(718)	(1,500)	1,187	2,687

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY CRIME REDUCTION FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$		0	0		0
Interest		80	80	0	1,320	1,320
Other			0			0
Total Receipts		0	80	0	1,320	1,320
DISBURSEMENTS						
Office expense		40	(40)	0	450	(450)
Professional services			0	0	1,600	(1,600)
Training			0		278	(278)
			0			0
			0			0
			0			0
Total Disbursements		0	40	0	2,328	(2,328)
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	40	0	(1,008)	(1,008)
CASH, JANUARY 1		230	231	0	1,239	1,239
CASH, DECEMBER 31	\$	230	271	0	231	231

The accompanying Notes to the Financial Statements are an integral part of this statement.

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EASTERN CAPITAL IMPROVEMENT FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax revenue	\$ 525,000	579,234	54,234	0	565,509	565,509
Charges for services	0	0	0	0	0	0
Interest	15,000	14,908	(92)	0	18,380	18,380
Other		47,027	47,027	0	3,800	3,800
Transfers in	0	0	0	0	0	0
Total Receipts	540,000	641,169	101,169	0	587,689	587,689
DISBURSEMENTS						
Equipment	754,000	235,729	518,271	0	204,943	(204,943)
Materials	0	440,689	(440,689)	0	272,246	(272,246)
Other	0	115,283	(115,283)	0	146,358	(146,358)
	0	0	0	0	0	0
	0	0	0	0	0	0
Total Disbursements	754,000	791,701	(37,701)	0	623,547	(623,547)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(214,000)	(150,532)	63,468	0	(35,858)	(35,858)
CASH, JANUARY 1	378,350	378,351	1	0	414,209	414,209
CASH, DECEMBER 31	\$ 164,350	227,819	63,469	0	378,351	378,351

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
WESTERN CAPITAL IMPROVEMENT

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax revenue	\$ 525,000	579,234	54,234	0	565,508	565,508
Charges for services	0	0	0	0	0	0
Interest	15,000	14,908	(92)	0	18,381	18,381
Other		17,200	17,200	0	19,594	19,594
Transfers in	0	0	0	0	0	0
Total Receipts	540,000	611,342	71,342	0	603,483	603,483
DISBURSEMENTS						
Equipment	671,000	272,967	398,033	0	194,982	(194,982)
Materials	0	292,826	(292,826)	0	380,817	(380,817)
Other	0	115,599	(115,599)	0	87,776	(87,776)
Total Disbursements	671,000	681,392	(10,392)	0	663,575	(663,575)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(131,000)	(70,050)	60,950	0	(60,092)	(60,092)
CASH, JANUARY 1	295,773	295,773	0	0	355,865	355,865
CASH, DECEMBER 31	\$ 164,773	225,723	60,950	0	295,773	295,773

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BOARD FOR THE CARE OF THE HANDICAPPED

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax revenue	\$ 150,000	153,379	3,379	0	148,530	148,530
Interest	8,500	11,358	2,858	0	9,158	9,158
Intergovernmental revenue	1,700	1,744	44	0	1,628	1,628
Other	3,000	3,236	236	0	3,123	3,123
Total Receipts	163,200	169,717	6,517	0	162,439	162,439
DISBURSEMENTS						
ADAPT	40,000	47,357	(7,357)	0	30,919	(30,919)
Willhaven	47,000	47,394	(394)	0	37,410	(37,410)
MAG	94,600	135,126	(40,526)	0	89,409	(89,409)
ADM expenses	2,000	0	2,000			0
			0			0
			0			0
Total Disbursements	183,600	229,877	(46,277)	0	157,738	(157,738)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,400)	(60,160)	(39,760)	0	4,701	4,701
CASH, JANUARY 1	176,311	176,939	628	0	172,238	172,238
CASH, DECEMBER 31	\$ 155,911	116,779	(39,132)	0	176,939	176,939

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

DIVISION OF YOUTH SERVICES - TRACKER

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenue	\$ 20,500	19,462	(1,038)	0	28,439	28,439
Interest	250	0	(250)	0	0	0
Other	5,300		(5,300)			0
Total Receipts	26,050	19,462	(6,588)	0	28,439	28,439
DISBURSEMENTS						
Salaries	23,990	35,466	(11,476)	0	36,989	(36,989)
Travel	1,575	458	1,117	0	1,055	(1,055)
Fringe benefits	4,016		4,016			0
			0			0
			0			0
			0			0
Total Disbursements	29,581	35,924	(6,343)	0	38,044	(38,044)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,531)	(16,462)	(12,931)	0	(9,605)	(9,605)
CASH, JANUARY 1	3,531	(13,241)	(16,772)	0	(3,636)	(3,636)
CASH, DECEMBER 31	\$ 0	(29,703)	(29,703)	0	(13,241)	(13,241)

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 DIVISION OF YOUTH SERVICES- HENTZ SCHOOL

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental revenues	\$ 142,000	201,409	59,409	0	132,274	132,274
Interest	250	0	(250)	0	399	399
Other	89,000	0	(89,000)	0	93,914	93,914
Total Receipts	231,250	201,409	(29,841)	0	226,587	226,587
DISBURSEMENTS						
Salaries	153,857	110,907	42,950	0	138,919	(138,919)
Contractual	8,400	8,809	(409)	0	8,726	(8,726)
Supplies	36,878	26,447	10,431	0	30,656	(30,656)
ADA	0	20,954	(20,954)	0	23,324	(23,324)
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
Total Disbursements	199,135	167,117	32,018	0	201,625	(201,625)
RECEIPTS OVER (UNDER) DISBURSEMENTS	32,115	34,292	2,177	0	24,962	24,962
CASH, JANUARY 1	56,449	72,459	16,010	0	47,497	47,497
CASH, DECEMBER 31	\$ 88,564	106,751	18,187	0	72,459	72,459

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

DIVISION OF YOUTH SERVICES - PROBATION MANAGEMENT

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$		0	0		0
Interest		0	0	0	0	0
Other			0			0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Supplies		0	0	0	0	0
Bank fee			0	0		0
			0			0
			0			0
			0			0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1		762	762	0	762	762
CASH, DECEMBER 31	\$	0	762	0	762	762

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRAINAGE DISTRICT #12 FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax revenues	\$ 2,400	2,925	525	0	2,324	2,324
Interest	0	794	794	0	341	341
Other			0			0
Total Receipts	<u>2,400</u>	<u>3,719</u>	<u>1,319</u>	<u>0</u>	<u>2,665</u>	<u>2,665</u>
DISBURSEMENTS						
Maintain floodgates	2,500	20,420	(17,920)	0	420	(420)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	<u>2,500</u>	<u>20,420</u>	<u>(17,920)</u>	<u>0</u>	<u>420</u>	<u>(420)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(100)</u>	<u>(16,701)</u>	<u>(16,601)</u>	<u>0</u>	<u>2,245</u>	<u>2,245</u>
CASH, JANUARY 1	17,475	17,474	(1)	0	15,229	15,229
CASH, DECEMBER 31	<u>\$ 17,375</u>	<u>773</u>	<u>(16,602)</u>	<u>0</u>	<u>17,474</u>	<u>17,474</u>

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 DOMESTIC VIOLENCE FUND

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 10,200	9,386	(814)	0	10,090	10,090
Interest	50	207	157	0	65	65
Intergovernmental revenues	4,000	6,088	2,088	0	4,128	4,128
Total Receipts	14,250	15,681	1,431	0	14,283	14,283
DISBURSEMENTS						
Salaries	19,000	16,046	2,954	0	18,589	(18,589)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	19,000	16,046	2,954	0	18,589	(18,589)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,750)	(365)	4,385	0	(4,306)	(4,306)
CASH, JANUARY 1	631	631	0	0	4,937	4,937
CASH, DECEMBER 31	\$ (4,119)	266	4,385	0	631	631

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

THIRTY-SIX JUDICIAL JUSTICE COURT ESCROW FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax revenue	0	84,992	84,992	0	74,446	74,446
Other	0	4,698	4,698			0
Total Receipts	0	89,690	89,690	0	74,446	74,446
DISBURSEMENTS						
Salaries	0	29,939	(29,939)			0
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	0	29,939	(29,939)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	59,751	59,751	0	74,446	74,446
CASH, JANUARY 1	0	74,446	74,446	0	0	0
CASH, DECEMBER 31	\$ 0	134,197	134,197	0	74,446	74,446

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 JAIL COMMISSARY FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charge for services	\$ 0	1,763	1,763	0	0	0
Interest	0	233	233	0	0	0
Other	26,000	40,781	14,781		20,040	20,040
Total Receipts	26,000	42,777	16,777	0	20,040	20,040
DISBURSEMENTS						
Sheriff	22,100	39,403	(17,303)	0	19,262	(19,262)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	22,100	39,403	(17,303)	0	19,262	(19,262)
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,900	3,374	(526)	0	778	778
CASH, JANUARY 1	2,430	2,429	(1)	0	1,651	1,651
CASH, DECEMBER 31	\$ 6,330	5,803	(527)	0	2,429	2,429

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 DARE FUND

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	0	14	14			0
Other donations	0	670	670			0
Total Receipts	0	684	684	0	0	0
DISBURSEMENTS						
Supplies	0	758	(758)	0	56	(56)
			0			0
			0			0
			0			0
			0			0
Total Disbursements	0	758	(758)	0	56	(56)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(74)	(74)	0	(56)	(56)
CASH, JANUARY 1	0	1,097	1,097	0	1,153	1,153
CASH, DECEMBER 31	\$ 0	1,023	1,023	0	1,097	1,097

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SHERIFF DRUG ENFORCEMENT FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Other revenues	\$ 1,400	0	(1,400)	0	1,768	1,768
Interest	125	395	270			0
Other	0	50	50			0
Total Receipts	1,525	445	(1,080)	0	1,768	1,768
DISBURSEMENTS						
Office expense	2,025	1,319	706	0	3,775	(3,775)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	2,025	1,319	706	0	3,775	(3,775)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(874)	(374)	0	(2,007)	(2,007)
CASH, JANUARY 1	7,426	7,426	0	0	9,433	9,433
CASH, DECEMBER 31	\$ 6,926	6,552	(374)	0	7,426	7,426

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 RECORDER'S USER FEE FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 18,000	19,969	1,969	0	17,656	17,656
Interest	1,500	0	(1,500)	0	2,957	2,957
Other	0	0	0			0
Total Receipts	19,500	19,969	469	0	20,613	20,613
DISBURSEMENTS						
Computer essentials	15,000	37,275	(22,275)	0	42,774	(42,774)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	15,000	37,275	(22,275)	0	42,774	(42,774)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,500	(17,306)	(21,806)	0	(22,161)	(22,161)
CASH, JANUARY 1	63,278	63,279	1	0	85,440	85,440
CASH, DECEMBER 31	\$ 67,778	45,973	(21,805)	0	63,279	63,279

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BUTLER COUNTY 911

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services			0			0
Interest	3,000	4,371	1,371			0
Phone tax	90,000	159,995	69,995	0	81,467	81,467
Total Receipts	93,000	164,366	71,366	0	81,467	81,467
DISBURSEMENTS						
			0			0
Butler County 911	98,000	148,602	(50,602)			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	98,000	148,602	(50,602)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,000)	15,764	20,764	0	81,467	81,467
CASH, JANUARY 1	81,467	81,467	0	0	0	0
CASH, DECEMBER 31	76,467	97,231	20,764	0	81,467	81,467

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SENIOR CITIZEN FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property tax	\$ 0	159,712	159,712	0	149,573	149,573
Interest			0			0
Other			0			0
Total Receipts	0	159,712	159,712	0	149,573	149,573
DISBURSEMENTS						
Contractual	0	163,487	(163,487)	0	147,445	(147,445)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	0	163,487	(163,487)	0	147,445	(147,445)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(3,775)	(3,775)	0	2,128	2,128
CASH, JANUARY 1	0	56,503	56,503	0	54,375	54,375
CASH, DECEMBER 31	\$ 0	52,728	52,728	0	56,503	56,503

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SHERIFF CIVIL FEE FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sheriff fee s	\$ 0	37,139	37,139	0	41,141	41,141
Interest	0	1,376	1,376			0
Other			0			0
Total Receipts	0	38,515	38,515	0	41,141	41,141
DISBURSEMENTS						
Office expenses	0	1,186	(1,186)	0	500	(500)
Transfer out	0	50,100	(50,100)	0	50,000	(50,000)
			0			0
			0			0
			0			0
Total Disbursements	0	51,286	(51,286)	0	50,500	(50,500)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(12,771)	(12,771)	0	(9,359)	(9,359)
CASH, JANUARY 1	0	46,866	46,866	0	56,225	56,225
CASH, DECEMBER 31	\$ 0	34,095	34,095	0	46,866	46,866

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LOCAL USE TAX FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$		0	0	2,913	2,913
Interest			0			0
Other			0			0
Total Receipts		0	0	0	2,913	2,913
DISBURSEMENTS						
Prosecuting Attorney			0	0	277,686	(277,686)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements		0	0	0	277,686	(277,686)
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	0	0	(274,773)	(274,773)
CASH, JANUARY 1			0		274,773	274,773
CASH, DECEMBER 31	\$	0	0	0	0	0

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT USE TAX FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 0	0	0	0	0	0
Sales tax revenue	0	0	0	0	0	0
Intergovernmental revenues	0	0	0	0	0	0
Operation transfers	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Other		0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Prosecuting attorney	0	0	0	0	104,294	(104,294)
Sheriff	0	0	0	0	0	0
Jail	0	0	0	0	0	0
Juvenile office	0	0	0	0	0	0
Coronor	0	0	0	0	0	0
Other gernerall LEST expenses	0	0	0	0	0	0
Fringe benefits	0	0	0	0	0	0
Total Disbursements	0	0	0	0	104,294	(104,294)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	(104,294)	(104,294)
CASH, JANUARY 1	0	0	0	0	104,294	104,294
CASH, DECEMBER 31	\$ 0	0	0	0	0	0

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

ROAD & BRIDGE CAPITAL IMPROVEMENT TAX FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales tax revenue	\$ 0	0	0	1,050,000	0	(1,050,000)
Charges for services	0	0	0	0	0	0
Interest	0	0	0	35,000	0	(35,000)
Other		0	0	0	0	0
Transfers in	0	0	0		0	0
Total Receipts	0	0	0	1,085,000	0	(1,085,000)
DISBURSEMENTS						
Materials	0	0	0	1,371,000	104,295	1,266,705
			0			0
			0			0
			0			0
			0			0
Total Disbursements	0	0	0	1,371,000	104,295	1,266,705
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(286,000)	(104,295)	181,705
CASH, JANUARY 1	0	0	0	769,952	104,295	(665,657)
CASH, DECEMBER 31	\$ 0	0	0	483,952	0	(483,952)

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 CDBG GRANT FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$		0			0
Interest			0			0
Intergovernmental revenues	0	492,690	492,690	0	273,350	273,350
Total Receipts	0	492,690	492,690	0	273,350	273,350
DISBURSEMENTS						
Construction expenses	0	492,223	(492,223)	0	273,350	(273,350)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	0	492,223	(492,223)	0	273,350	(273,350)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	467	467	0	0	0
CASH, JANUARY 1	0	500	500	0	500	500
CASH, DECEMBER 31	\$	967	967	0	500	500

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

DOT-OFF SYSTEM BRIDGE REPLACEMENT FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$		0			0
Interest			0			0
Intergovernmental revenues	0	194,695	194,695	0	794,238	794,238
Total Receipts	0	194,695	194,695	0	794,238	794,238
DISBURSEMENTS						
Construction Costs	0	194,695	(194,695)	0	794,238	(794,238)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	0	194,695	(194,695)	0	794,238	(794,238)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1			0			0
CASH, DECEMBER 31	\$	0	0	0	0	0

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

DIVISION I

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services			0			0
Interest	0	1,639	1,639	0	1,280	1,280
Other			0			0
Total Receipts	0	1,639	1,639	0	1,280	1,280
DISBURSEMENTS						
Supplies	0	1,373	(1,373)	0	1,703	(1,703)
Bank fee			0			0
			0			0
			0			0
			0			0
Total Disbursements	0	1,373	(1,373)	0	1,703	(1,703)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	266	266	0	(423)	(423)
CASH, JANUARY 1	0	1,763	1,763	0	2,186	2,186
CASH, DECEMBER 31	0	2,029	2,029	0	1,763	1,763

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 DIVISION II

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$		0			0
Interest	0	293	293	0	1,095	1,095
Other			0			0
Total Receipts	0	293	293	0	1,095	1,095
DISBURSEMENTS						
Supplies	0	400	(400)	0	85	(85)
Bank fee	0	248	(248)	0	205	(205)
			0			0
			0			0
			0			0
Total Disbursements	0	648	(648)	0	290	(290)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(355)	(355)	0	805	805
CASH, JANUARY 1	0	1,170	1,170	0	365	365
CASH, DECEMBER 31	\$	0	815	\$	0	1,170

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL

DIVISION III

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$		0			0
Interest	0	374	374	0	321	321
Other			0			0
Total Receipts	0	374	374	0	321	321
DISBURSEMENTS						
Supplies			0			0
Bank fee	0	353	(353)	0	167	(167)
			0			0
			0			0
			0			0
Total Disbursements	0	353	(353)	0	167	(167)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	21	21	0	154	154
CASH, JANUARY 1	0	1,238	1,238	0	1,084	1,084
CASH, DECEMBER 31	\$	0	1,259	\$	0	1,238

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW LIBRARY FUND

Year Ended December 31,						
2000				1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 0	83	83			0
Interest	0	589	589	0	691	691
Other	0	25,938	25,938	0	35,742	35,742
Total Receipts	0	26,610	26,610	0	36,433	36,433
DISBURSEMENTS						
Supplies	0	18,561	(18,561)	0	21,684	(21,684)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	0	18,561	(18,561)	0	21,684	(21,684)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	8,049	8,049	0	14,749	14,749
CASH, JANUARY 1	0	55,742	55,742	0	40,993	40,993
CASH, DECEMBER 31	\$ 0	63,791	63,791	0	55,742	55,742

The accompanying Notes to the Financial Reports are an integral part of this statement.

BUTLER COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 K-9 PATROL FUND

Year Ended December 31,						
2000			1999			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services			0			0
Interest			0			0
Other			0	0	1,622	1,622
Total Receipts	0	0	0	0	1,622	1,622
DISBURSEMENTS						
Transfer to general revenue			0	0	2,000	(2,000)
			0			0
			0			0
			0			0
			0			0
			0			0
Total Disbursements	0	0	0	0	2,000	(2,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	(378)	(378)
CASH, JANUARY 1			0		378	378
CASH, DECEMBER 31	0	0	0	0	0	0

The accompanying Notes to the Financial Reports are an integral part of this statement.

Notes to the Financial Statements

Butler County, Missouri

Notes To the Financial Statement

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present receipts, disbursements, and changes in cash of various funds of Butler County, Missouri, and comparison of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, Senate Bill 40 Board, or the Senior Citizen's Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Section 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting. The Division of Youth Services budgets were transferred to the county during 1999. Although required by law, the county did not adopt formal budgets for the following funds:

<u>Funds</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Crime Reduction	2000
Eastern Capital Improvement	1999
Western Capital Improvement	1999
Board for the Care of the Handicapped	1999
Drainage District No. 12	1999
Domestic Violence	1999
Thirty-Six Judicial Justice Court Escrow	2000 and 1999
Jail Commissary	1999
DARE	2000 and 1999
Sheriff Drug Enforcement	1999
Recorder's User Fee	1999
Butler County 911	1999
Senior Citizen	2000 and 1999
Sheriff Civil Fee	2000 and 1999
Local Use Tax	1999
Law Enforcement Use Tax	1999
CDBG Grant	2000 and 1999
DOT-Off System Bridge Replacement	2000 and 1999
Division I	2000 and 1999
Division II	2000 and 1999
Division III	2000 and 1999
Law Library	2000 and 1999

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Funds</u>	<u>Years Ended December 31,</u>
Board for the Care of the Handicapped	2000 and 1999
DARE	2000 and 1999
Drainage District No. 12	2000 and 1999
Domestic Violence	1999
Thirty Six Judicial Justice Court	2000 and 1999
Eastern Capital Improvement	2000 and 1999
Western Capital Improvement	2000 and 1999
Road and Bridge Capital Improvement	1999
Recorder User Fee	2000 and 1999
Law Enforcement Use Tax	1999
PA Crime Reduction	2000 and 1999
PA Bad Check Fund	2000
PA Delinquent Tax Fund	2000
PA Training Fund	2000
Jail Commissary	2000 and 1999
Sheriff Civil Fee	2000 and 1999
Sheriff Drug Enforcement	1999
K-9 Patrol	1999
CDBG Grant	2000 and 1999
DOT-Off System Bridge Replacement	2000 and 1999
Local Use Tax	2000 and 1999
Butler County 911	2000
Senior Citizen	2000 and 1999
Division I	2000 and 1999
Division II	2000 and 1999
Division III	2000 and 1999

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets. Although section 50.740, RSMo 1994, requires a balanced budget, deficit balances were budgeted in the following funds:

<u>Funds</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Delinquent Tax	1999
Domestic Violence	2000

D. Published Financial Statements

Under Section 50.800 and 50.810 RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. However, the county's published financial statement did not include the Law Library Fund at December 31, 2000 and 1999.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28 1997, requires political subdivisions with existing authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political

subdivision to the principles of safety, liquidity and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreement or other methods), and use of public funds for speculation. The county has adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Government Accounting Standards Board, Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreement, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and saving accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The county's deposits at December 31, 1999, were entirely covered by federal depositary insurance or by collateral securities held by the Federal Reserve Bank at Kansas City, Missouri, in a joint account in the name of the Butler County Treasurer and the county's depositary bank.

At December 31, 2000 and 1999, the reported amounts of the county's deposits were \$1,301,814 and \$1,454,397 respectively, and the bank balances were \$1,317,721 and 1,730,070 respectively. Of the bank balances, \$100,000 (for each year) was covered by federal depositary insurance. The balance of the county funds (for each year) was fully covered by collateral securities held by the Federal Reserve Bank of Kansas City, Missouri, in a joint account with the county's depositary bank, the Butler County Treasurer, and the Board or the Care of the Handicapped.

Investments

The only investments of the various funds at December 31, 2000 and 1999 were in investment accounts established with the county's depositary bank. The county instructs its depositary bank to invest these accounts, and at December 31, 2000 and 1999, the underlying securities were U.S. government securities with carrying amounts of \$394,611 and \$344,556, respectively, (which approximated market). These amounts represent uninsured and unregistered investments for which the securities were held by the county's depositary bank through a book entry customer account at the Federal Reserve Bank. These investments were held by the county's custodial bank in the Butler County's Treasurer's name.

Supplementary Schedule

BUTLER COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Pass Through Entity Identifying Number	Federal Grantor/Pass-Through Grantor/Program Title	Federal Expenditures Year Ended December 31,	
			2000	1999
		U.S. DEPARTMENT OF AGRICULTURE		
		Passed through state:		
10.550		Department of Social Services-Food Distribution	\$ -	\$ 3,934
		Department of Health-Special Supplemental		
10.557		Nutrition Program for Women, Infants and Children	270,000	260,206
10.665	STP-9900	Office of Administration - Schools & Roads-Grants to States		267,141
		U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT		
		Passed through state:		
		Department of Economic Development - Community		
14.228	97-PF-04	Development Block Grants/State's Program		268,352
14.228	98-MO-06	Development Block Grants/State's Program		35,069
	99-PF-035	Development Block Grants/State's Program	54,128	
	98-PF-06	Development Block Grants/State's Program	438,625	
14.231		Department of Social Services - Emergency Shelter Grant	6,079	5,125
		U.S. DEPARTMENT OF JUSTICE		
		Direct Programs:		
16.710		Public Safety Partnership and Community Policing ("Cop's) Grant		140,638
		Passed through state Department of Public Safety:		
16.592		Local Law Enforcement Block Grant Program	69,185	46,710
16.540		Juvenile Justice and Delinquency Prevention - Allocation to States	147,774	
16.540		Juvenile Justice and Delinquency Prevention - Allocation to States	35,174	
16.588		Violence Against Women Formula Grant	23,400	
		U.S. DEPARTMENT OF TRANSPORTATION		
		Passed through state Highway and Transportation Commission -		
20.205	BRO-012	Off-System Bridge Replacement and Rehabilitation Program	194,695	534,911
		GENERAL SERVICES ADMINISTRATION		
		Passed through state Office of Administration -		
39.003		Donation of Federal Surplus Personal Property	27,816	4,119
		U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
		Passed through state:		
93.563		Department of Social Services - Child Support Enforcement	130,091	167,183
		Department of Health -		
93.575		Child Care and Development Block Grant	23,663	21,665
		Total Expenditures of Federal Awards	<u>\$ 1,420,630</u>	<u>\$ 1,755,053</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

Butler County, Missouri
Notes to The Supplementary Schedule

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. The schedule includes all federal awards administered by Butler County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Accordingly, the schedule includes expenditures of both cash and non-cash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash. Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$492,753 and \$268,352 to subrecipients under the Community Development Block Grants/State's Program (CFDA number 14.228) during the years ended December 31, 2000 and 1999, respectively.

FEDERAL AWARDS –
SINGLE AUDIT SECTION

Independent Auditor's Compliance Report

**Charles Buchanan, CPA, P.C.
Certified Public Accountants
8733 Riverview # 2 North
St. Louis, MO 63147
(314)-869-2720 (OFC)
(314)-869-5955 (Fax)**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Butler County, Missouri

Compliance

We have audited the compliance of Butler County, Missouri with the types of compliance requirement described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirement referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the county's compliance with those requirements.

In our opinion, Butler County, Missouri, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding number 2000 -1.

Internal Control Over Compliance

The management of Butler County, Missouri is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our

judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 2000-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Butler County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Original Signed By Auditor
Charles Buchanan, CPA, P.C.
May 17, 2001

Schedule

BUTLER COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
TWO YEARS ENDED DECEMBER 2000

Section I - Summary Of Auditor's Results

Financial Statement

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes X no

Reportable conditions identified that are
not considered to be material weaknesses? yes X none reported

Noncompliance Material to the Financial Statements noted? yes X no

Federal Award

Internal control over major programs:

Material weakness identified? yes X no

Reportable conditions identified that are
not considered to be material weaknesses? X yes no

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? X yes no

Identification of major programs:

<u>CFDA or Other Identification Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition for Women, infants Children
14.228	Community Development Block Grants/ State's Program
20.205	Off-System Bridge Replacement and Rehabilitation Program
93.667	Social Services Block Grant-Juvenile Court Diversion Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee yes X no

Section II - Financial Statement Findings

This section includes no audit findings that Government Auditing Standards require to be reported for
an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section. 510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

2000-1	Schedule of Expenditures of Federal Awards
--------	--

Federal Grantor:	U. S. Department of Transportation
Pass – Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass – Through Entity	
Identifying Number:	Hargrove-STP99, Bro-012(14), Bro-012(15), Bro-012(16) and Bro-012(18)
Award Years:	2000 and 1999
Questioned Costs:	Not Applicable

Condition: The county obtained advance payments of expenses.

Criteria : The Local Public Agency Manual published by the Missouri Department of Transportation (MoDOT) in Section I, General, states that ...the federal – aid transportation program operates on a reimbursement basis as work progresses. The Manual also states that ...this is not a “GRANT” program. It is a federal reimbursement program in which the local agency is reimbursed minus their matching percentage after MoDOT receives proper proof of payment by the local agency to the contractor for work performed.

Effect : The county did not comply with the reimbursement requirements of the program.

Recommendation: We recommend that the county comply with the requirements to pay expenses prior to submitting a request for reimbursement and discontinue the practice of obtaining advances on this program. We further recommend that the county discuss the erroneous statement in the MoDOT Agency Manual referring to the program as not being a grant program.

AUDITEE’S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk provided the following response:

We will discontinue the practice of requesting advances on this program. We evidently confused the method of payment (advances versus reimbursements) with the type of program as we believed that this was not a grant program. We have advised MoDOT’s regional personnel about the issue of the type of program (grant) and requested that it be addressed in the next revision of the Agency Manual.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

**BUTLER COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The State Auditor's prior audit report issued for the two years ended December 31, 1998, included no audit findings that Government Auditing Standards requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance with OMB Circular A-133

**BUTLER COUNTY, MISSOURI
SUMMARY SCHEDULE PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, prepared by the county.

98-1

Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass – Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass – Through Entity	
Identifying Number:	Not Applicable
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Housing and Urban Development
Pass – Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass – Through Entity	
Identifying Number:	94PF010, 97PF004, and 98MO006
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable
Federal Grantor:	U. S. Department of Transportation
Pass – Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Off-System Bridge Replacement and Rehabilitation Program
Pass – Through Entity	
Identifying Number:	STP9900013, Bro-012(08), Bro-012(13), Bro-012(15) and Bro-012(16), Bro-012(16)
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

Federal Grantor: U.S. Department of Health and Human Services
 Pass – Through Grantor: Department of Social Services, Division of Youth Services
 Federal CFDA Number: 93.667
 Program Title: Social Services Block Grant – Juvenile Court Diversion Program
 Pass – Through Entity
 Identifying Number: ERO172020, ERO172076, and ERO172077
 Award Years: 1998 and 1997
 Questioned Costs: Not Applicable
 A. The county did not have a procedure to track federal awards.
 B. The information presented by the county clerk for two of three programs presented did not agree with the county’s expenditure records.

Auditor’s Recommendation: The County Clerk should prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA).

Status: The county’s 2000 and 1999 SEFAs are materially complete.

98-2 Hentz School Contract for Services

Federal Grantor: U.S. Department of Health and Human Services
 Pass – Through Grantor: Department of Social Services, Division of Youth Services
 Federal CFDA Number: 93.667
 Program Title: Social Services Block Grant – Juvenile Court Diversion Program
 Pass – Through Entity
 Identifying Number: ERO172076
 Award Years: 1998 and 1997
 Questioned Costs: Not Applicable

- A. The county did not have a written agreement with the Poplar Bluff School District regarding the Hentz School.
- B. The county did not obtain a suspension/debarment certification from the school district.

Status: The county obtained the necessary documents.

98-3 Procurement of Professional Service Contracts

Federal Grantor: U. S. Department of Transportation
 Pass – Through Grantor: State Highway and Transportation Commission
 Federal CFDA Number: 20.205
 Program Title: Off-System Bridge Replacement and Rehabilitation Program
 Pass – Through Entity
 Identifying Number: STP9900013 and Bro-012(18)
 Award Years: 1998 and 1997
 Questioned Costs: Not Applicable

- A. The county failed to obtain statements of qualifications and performance data from at least three engineering firms for capital improvement projects.

Status: The county implemented this policy during 2000.



**ST. CLAIR COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-68
August 28, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like St. Clair, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of St. Clair County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The health center's administration repeatedly ignored warnings and recommendations to improve controls and cut costs. Because of its poor financial condition, the health center has used proceeds from tax anticipation notes to fund normal operating expenses including payroll. The administration was advised in 1995 and subsequent years by their independent CPA firm to closely evaluate costs and monitor the rural health clinics operations, in addition to investigating the account receivable balances which had tripled in 1997.

In May 2000, two members of the five member Board of trustees, the administrator, assistant administrator, and almost two-thirds of the employees resigned. An interim administrator and five employees were hired to replace those that left. As a result, accounting controls, procedures, and records that were in place were abandoned. The health center fell behind in billing several agencies for services provided which substantially decreased the health center's ability to generate revenues.

Since the transition of the previous administration, the Board of Trustees has not been provided accurate financial information. Numerous bookkeeping errors and concerns were noted related to the general ledger, the monthly bank reconciliations, the accounts payable and receivable listings, and the budgets prepared by the administration.

Other recommendations include improvements needed in the approval and documentation of expenditures and monitoring of compensatory time accrued by the health center employees.

(over)

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions

YELLOW SHEET

meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 St. Clair county's Associate County Commissioners salaries were each increased approximately \$5,450 according to information from the county clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,900, for the two years ended December 31, 2000, should be repaid. In light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- Accounting controls and procedures are in need of improvement related to the inmate account handled by the sheriff's department. Bids are not obtained for food purchased for the county jail and records are not maintained to provide adequate control and accountability over food inventories. In addition, sheriff department employees are provided meals at no costs from the jail.
- The Public Administrator deferred payment of \$5,113 of fees until 2000 (\$4,332 and \$781 earned and approved by the Associate Circuit Judge in 1999 and 1998, respectively). The Public Administrator indicated that he did this to reduce the amount of Social Security that would have been required to have been repaid in 2000 when he turned seventy and to increased the amount of compensation reported to the County Employees Retirement Fund during his last year of service to increase the amount of retirement received.

Also included in the audit are recommendations to improve bidding procedures, accounting controls and procedures for the County Commission and the Prosecuting Attorney. Several of these issues had been noted in prior audits.

Copies of the audit are available upon request.

ST. CLAIR COUNTY, MISSOURI

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ST. CLAIR COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of St. Clair County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of St. Clair County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of St. Clair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of St. Clair County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of St. Clair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 9, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of St. Clair County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

May 9, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	David Holtmann, CPA
In-Charge Auditor:	Pam Crawford, CPA
Audit Staff:	Jody Vernon, CPA
	Jay Ross
	Troy Royer



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of St. Clair County, Missouri

We have audited the special-purpose financial statements of various funds of St. Clair County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 9, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of St. Clair County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of St. Clair County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of St. Clair County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 9, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 55,030	3,552,629	3,492,689	114,970
Special Road and Bridge	273,849	1,461,023	1,451,492	283,380
Assessment	10,906	119,570	114,497	15,979
Law Enforcement Training	8,567	4,588	2,742	10,413
Prosecuting Attorney Training	165	615	58	722
Lake Patrol	9,629	31,883	25,221	16,291
Recorders Maintenance	54,401	8,263	23,170	39,494
Prosecuting Attorney Administrative Cost	11,010	5,079	4,012	12,077
Sheriff Drug	1,001	0	0	1,001
Federal Prisoner Medical	(798)	16,560	15,318	444
Sheriff's Civil Fees	6,061	7,332	5,624	7,769
Local Emergency Planning Commission	2,251	3,868	674	5,445
Domestic Violence	412	438	600	250
Health Center	2,603	943,049	934,935	10,717
Election Services	0	2,276	101	2,175
Circuit Clerk Interest	8,232	3,755	1,591	10,396
Law Library	4,906	4,146	5,053	3,999
Total	\$ 448,225	6,165,074	6,077,777	535,522

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

ST. CLAIR COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 345,130	2,667,576	2,957,676	55,030
Special Road and Bridge	262,261	964,810	953,222	273,849
Assessment	7,315	112,618	109,027	10,906
Law Enforcement Training	5,832	7,325	4,590	8,567
Prosecuting Attorney Training	129	1,769	1,733	165
Lake Patrol	8,071	32,301	30,743	9,629
Recorders Maintenance	47,149	8,407	1,155	54,401
Prosecuting Attorney Administrative Cost	8,132	4,393	1,515	11,010
Sheriff Drug	1,001	0	0	1,001
Federal Prisoner Medical	332	13,551	14,681	(798)
Sheriff's Civil Fees	8,205	7,341	9,485	6,061
Local Emergency Planning Commission	5,617	273	3,639	2,251
Domestic Violence	555	862	1,005	412
Health Center	13,489	1,237,989	1,248,875	2,603
Circuit Clerk Interest	7,289	5,899	4,956	8,232
Law Library	2,232	3,717	1,043	4,906
Total	\$ 722,739	5,068,831	5,343,345	448,225

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 7,052,279	6,162,798	(889,481)	5,508,020	5,059,215	(448,805)
DISBURSEMENTS	7,221,511	6,077,676	1,143,835	6,050,479	5,337,346	713,133
RECEIPTS OVER (UNDER) DISBURSEMENTS	(169,232)	85,122	254,354	(542,459)	(278,131)	264,328
CASH, JANUARY 1	439,131	448,225	9,094	711,654	713,218	1,564
CASH, DECEMBER 31	269,899	533,347	263,448	169,195	435,087	265,892
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	245,158	265,919	20,761	235,799	258,613	22,814
Sales taxes	220,000	237,696	17,696	210,000	216,087	6,087
Intergovernmental	2,411,364	1,975,023	(436,341)	2,494,155	1,778,394	(715,761)
Charges for services	139,750	158,176	18,426	139,850	143,695	3,845
Interest	18,200	27,527	9,327	15,000	21,262	6,262
Bank loan	1,000,000	747,825	(252,175)	0	150,000	150,000
Other	78,650	109,363	30,713	72,850	73,125	275
Transfers in	33,260	31,100	(2,160)	26,700	26,400	(300)
Total Receipts	4,146,382	3,552,629	(593,753)	3,194,354	2,667,576	(526,778)
DISBURSEMENTS						
County Commission	83,775	81,617	2,158	82,860	81,852	1,008
County Clerk	120,759	117,369	3,390	95,503	89,175	6,328
Elections	44,600	46,506	(1,906)	21,500	16,889	4,611
Buildings and grounds	1,487,526	1,501,892	(14,366)	1,555,123	1,246,796	308,327
County Treasurer	33,347	29,717	3,630	31,365	29,645	1,720
County Collector	85,753	70,643	15,110	84,645	73,456	11,189
Ex Officio Recorder of Deeds	25,298	20,289	5,009	23,664	21,486	2,178
Circuit Clerk	24,946	19,310	5,636	31,961	25,505	6,456
Court administration	14,463	5,227	9,236	18,007	7,464	10,543
Public Administrator	20,950	38,564	(17,614)	18,538	17,874	664
Sheriff	261,418	276,744	(15,326)	250,580	248,481	2,099
Jail	1,311,463	1,097,554	213,909	892,204	891,939	265
Prosecuting Attorney	96,657	91,943	4,714	93,227	92,504	723
Juvenile Officer	38,234	21,077	17,157	57,014	38,531	18,483
County Coroner	9,480	6,403	3,077	10,570	7,456	3,114
Public defender	1,424	1,483	(59)	1,354	698	656
Emergency management	3,000	2,901	99	3,000	290	2,710
Public health and welfare services	800	800	0	800	800	0
Debt service	230,453	0	230,453	0	0	0
Other	73,200	42,650	30,550	70,483	41,835	28,648
Transfers out	35,000	20,000	15,000	35,000	25,000	10,000
Emergency Fund	115,200	0	115,200	120,041	0	120,041
Total Disbursements	4,117,746	3,492,689	625,057	3,497,439	2,957,676	539,763
RECEIPTS OVER (UNDER) DISBURSEMENTS	28,636	59,940	31,304	(303,085)	(290,100)	12,985
CASH, JANUARY 1	55,030	55,030	0	345,130	345,130	0
CASH, DECEMBER 31	83,666	114,970	31,304	42,045	55,030	12,985

Exhibit B

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	221,339	235,523	14,184	209,477	231,395	21,918
Intergovernmental	1,219,501	1,186,307	(33,194)	578,840	678,028	99,188
Charges for services	0	3,535	3,535	0	0	0
Interest	15,000	19,321	4,321	14,000	17,119	3,119
Other	71,000	16,337	(54,663)	8,000	38,268	30,268
Total Receipts	1,526,840	1,461,023	(65,817)	810,317	964,810	154,493
DISBURSEMENTS						
Salaries	260,000	248,379	11,621	260,000	236,349	23,651
Employee fringe benefits	82,610	73,994	8,616	73,884	67,840	6,044
Supplies	66,200	62,010	4,190	61,200	58,953	2,247
Insurance	14,500	12,254	2,246	12,800	11,640	1,160
Road and bridge materials	154,000	108,219	45,781	150,000	126,126	23,874
Equipment repairs	65,000	29,814	35,186	65,000	57,707	7,293
Rentals	1,000	543	457	1,000	184	816
Equipment purchases	140,000	106,416	33,584	140,000	129,145	10,855
Construction, repair, and maintenance	669,881	606,596	63,285	33,500	40,827	(7,327)
CART payments to special road districts	194,000	171,157	22,843	180,000	193,697	(13,697)
Other	7,050	5,022	2,028	6,350	6,754	(404)
Transfers out	26,860	27,088	(228)	24,300	24,000	300
Total Disbursements	1,681,101	1,451,492	229,609	1,008,034	953,222	54,812
RECEIPTS OVER (UNDER) DISBURSEMENTS	(154,261)	9,531	163,792	(197,717)	11,588	209,305
CASH, JANUARY 1	273,849	273,849	0	262,261	262,261	0
CASH, DECEMBER 31	119,588	283,380	163,792	64,544	273,849	209,305
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	92,465	92,095	(370)	91,879	85,026	(6,853)
Interest	0	1,755	1,755	1,100	968	(132)
Other	1,800	5,720	3,920	1,800	1,624	(176)
Transfers in	37,021	20,000	(17,021)	30,630	25,000	(5,630)
Total Receipts	131,286	119,570	(11,716)	125,409	112,618	(12,791)
DISBURSEMENTS						
Assessor	130,607	114,497	16,110	125,543	109,027	16,516
Total Disbursements	130,607	114,497	16,110	125,543	109,027	16,516
RECEIPTS OVER (UNDER) DISBURSEMENTS	679	5,073	4,394	(134)	3,591	3,725
CASH, JANUARY 1	10,906	10,906	0	7,315	7,315	0
CASH, DECEMBER 31	11,585	15,979	4,394	7,181	10,906	3,725

Exhibit B

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	2,228	2,228	0	1,643	1,643
Charges for services	6,500	1,761	(4,739)	4,000	5,250	1,250
Interest	300	599	299	100	432	332
Total Receipts	6,800	4,588	(2,212)	4,100	7,325	3,225
DISBURSEMENTS						
Sheriff	5,100	2,742	2,358	4,250	4,590	(340)
Total Disbursements	5,100	2,742	2,358	4,250	4,590	(340)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,700	1,846	146	(150)	2,735	2,885
CASH, JANUARY 1	8,567	8,567	0	5,832	5,832	0
CASH, DECEMBER 31	10,267	10,413	146	5,682	8,567	2,885
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,000	587	(413)	2,000	1,734	(266)
Interest	15	28	13	25	35	10
Total Receipts	1,015	615	(400)	2,025	1,769	(256)
DISBURSEMENTS						
Prosecuting Attorney	100	58	42	1,250	833	417
Transfers out	900	0	900	900	900	0
Total Disbursements	1,000	58	942	2,150	1,733	417
RECEIPTS OVER (UNDER) DISBURSEMENTS	15	557	542	(125)	36	161
CASH, JANUARY 1	165	165	0	129	129	0
CASH, DECEMBER 31	180	722	542	4	165	161
<u>LAKE PATROL FUND</u>						
RECEIPTS						
Intergovernmental	32,500	31,351	(1,149)	25,400	32,129	6,729
Interest	0	532	532	0	172	172
Total Receipts	32,500	31,883	(617)	25,400	32,301	6,901
DISBURSEMENTS						
Salaries	23,502	19,948	3,554	23,213	22,037	1,176
Office expenditures	890	627	263	550	856	(306)
Equipment	4,550	1,787	2,763	6,900	4,623	2,277
Mileage and training	2,700	2,210	490	2,000	2,644	(644)
Other	900	649	251	750	583	167
Total Disbursements	32,542	25,221	7,321	33,413	30,743	2,670
RECEIPTS OVER (UNDER) DISBURSEMENTS	(42)	6,662	6,704	(8,013)	1,558	9,571
CASH, JANUARY 1	9,629	9,629	0	8,071	8,071	0
CASH, DECEMBER 31	9,587	16,291	6,704	58	9,629	9,571

Exhibit B

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDERS MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	5,000	5,056	56	4,500	5,376	876
Interest	2,500	3,207	707	1,600	3,031	1,431
Total Receipts	7,500	8,263	763	6,100	8,407	2,307
DISBURSEMENTS						
Office expenditures	44,028	23,170	20,858	25,710	1,155	24,555
Total Disbursements	44,028	23,170	20,858	25,710	1,155	24,555
RECEIPTS OVER (UNDER) DISBURSEMENTS	(36,528)	(14,907)	21,621	(19,610)	7,252	26,862
CASH, JANUARY 1	54,401	54,401	0	47,149	47,149	0
CASH, DECEMBER 31	17,873	39,494	21,621	27,539	54,401	26,862
<u>PROSECUTING ATTORNEY ADMINISTRATIVE COST FUND</u>						
RECEIPTS						
Charges for services	3,600	4,235	635	5,000	3,798	(1,202)
Interest	400	844	444	250	595	345
Total Receipts	4,000	5,079	1,079	5,250	4,393	(857)
DISBURSEMENTS						
Transfers out	5,500	4,012	1,488	3,500	1,515	1,985
Total Disbursements	5,500	4,012	1,488	3,500	1,515	1,985
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,500)	1,067	2,567	1,750	2,878	1,128
CASH, JANUARY 1	11,010	11,010	0	8,132	8,132	0
CASH, DECEMBER 31	9,510	12,077	2,567	9,882	11,010	1,128
<u>SHERIFF DRUG FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	0	0
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Drug buy operations	500	0	500	500	0	500
Total Disbursements	500	0	500	500	0	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	0	500	(500)	0	500
CASH, JANUARY 1	1,001	1,001	0	1,001	1,001	0
CASH, DECEMBER 31	501	1,001	500	501	1,001	500
<u>FEDERAL PRISONER MEDICAL FUND</u>						
RECEIPTS						
Intergovernmental	27,000	16,560	(10,440)	18,000	13,551	(4,449)
Total Receipts	27,000	16,560	(10,440)	18,000	13,551	(4,449)
DISBURSEMENTS						
Prisoner medical	27,000	15,318	11,682	18,000	14,681	3,319
Total Disbursements	27,000	15,318	11,682	18,000	14,681	3,319
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,242	1,242	0	(1,130)	(1,130)
CASH, JANUARY 1	(798)	(798)	0	332	332	0
CASH, DECEMBER 31	(798)	444	1,242	332	(798)	(1,130)

Exhibit B

ST. CLAIR COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	7,000	7,332	332	8,000	7,341	(659)
Total Receipts	7,000	7,332	332	8,000	7,341	(659)
DISBURSEMENTS						
Office expenditures	9,000	5,624	3,376	10,000	9,485	515
Total Disbursements	9,000	5,624	3,376	10,000	9,485	515
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	1,708	3,708	(2,000)	(2,144)	(144)
CASH, JANUARY 1	6,061	6,061	0	8,205	8,205	0
CASH, DECEMBER 31	4,061	7,769	3,708	6,205	6,061	(144)
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	3,650	3,633	(17)	1,800	0	(1,800)
Interest	0	235	235	200	273	73
Total Receipts	3,650	3,868	218	2,000	273	(1,727)
DISBURSEMENTS						
Office expenditures	2,050	271	1,779	2,100	3,331	(1,231)
Mileage and training	650	403	247	650	308	342
Total Disbursements	2,700	674	2,026	2,750	3,639	(889)
RECEIPTS OVER (UNDER) DISBURSEMENTS	950	3,194	2,244	(750)	(3,366)	(2,616)
CASH, JANUARY 1	0	2,251	2,251	5,617	5,617	0
CASH, DECEMBER 31	950	5,445	4,495	4,867	2,251	(2,616)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	800	438	(362)	950	862	(88)
Total Receipts	800	438	(362)	950	862	(88)
DISBURSEMENTS						
Domestic violence shelter	800	600	200	1,150	1,005	145
Total Disbursements	800	600	200	1,150	1,005	145
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(162)	(162)	(200)	(143)	57
CASH, JANUARY 1	412	412	0	555	555	0
CASH, DECEMBER 31	412	250	(162)	355	412	57

Exhibit B

ST. CLAIR COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	147,700	148,500	800	141,565	146,021	4,456
Intergovernmental	920,256	492,383	(427,873)	1,092,450	928,198	(164,252)
Interest	0	2,570	2,570	2,500	1,992	(508)
Tax anticipation note	0	55,000	55,000	0	100,000	100,000
Other	83,600	244,596	160,996	69,600	61,778	(7,822)
Total Receipts	1,151,556	943,049	(208,507)	1,306,115	1,237,989	(68,126)
DISBURSEMENTS						
Salaries	880,000	648,028	231,972	996,600	959,591	37,009
Office expenditures	36,300	47,558	(11,258)	78,100	55,287	22,813
Equipment	12,000	0	12,000	19,200	14,636	4,564
Mileage and training	24,000	19,887	4,113	42,650	32,437	10,213
Tax anticipation note - including interest	44,227	71,451	(27,224)	4,600	2,533	2,067
Program costs	126,500	119,321	7,179	149,890	149,646	244
Other	29,510	28,690	820	27,000	34,745	(7,745)
Total Disbursements	1,152,537	934,935	217,602	1,318,040	1,248,875	69,165
RECEIPTS OVER (UNDER) DISBURSEMENTS	(981)	8,114	9,095	(11,925)	(10,886)	1,039
CASH, JANUARY 1	981	2,603	1,622	11,925	13,489	1,564
CASH, DECEMBER 31	0	10,717	10,717	0	2,603	2,603
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	2,300	3,755	1,455			
Total Receipts	2,300	3,755	1,455			
DISBURSEMENTS						
Circuit Clerk	7,700	1,591	6,109			
Total Disbursements	7,700	1,591	6,109			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,400)	2,164	7,564			
CASH, JANUARY 1	7,917	8,232	315			
CASH, DECEMBER 31	2,517	10,396	7,879			
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	3,500	4,132	632			
Interest	150	14	(136)			
Total Receipts	3,650	4,146	496			
DISBURSEMENTS						
Law library	3,650	5,053	(1,403)			
Total Disbursements	3,650	5,053	(1,403)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(907)	(907)			
CASH, JANUARY 1	0	4,906	4,906			
CASH, DECEMBER 31	\$ 0	3,999	3,999			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

ST. CLAIR COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of St. Clair County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United State of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Circuit Clerk Interest Fund and the Law Library Fund for the year ended December 31, 1999 and the Election Services Fund for the year ended December 31, 2000.

Warrants issued were in excess of budgeted amounts for the Law Enforcement Training Fund and the Local Emergency Planning Commission Fund in the year ended December 31, 1999 and the Law Library Fund in the year ended December 31, 2000. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, a deficit balance was budgeted in the Federal Prisoner Medical Fund for the year ended December 31, 2000.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The county's published financial statements for the years ended December 31, 2000 and 1999, included all funds presented in the accompanying financial statements.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance.

Supplementary Schedule

Schedule

ST. CLAIR COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Direct program -				
10.766	Community Facilities Loans and Grants	29-93-431872703	\$ 900,000	0
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9193	0	21,118
		ERO045-0193	23,581	10,338
		ERS045-1193W	14,101	0
	Program Total		37,682	31,456
10.559	Summer Food Service Program for Children	ERS146-0193I	57	0
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	B99DC290001	137,227	0
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ER01640389	17,788	8,040
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.unknown	U.S. Marshals Service Cooperative Agreement Program	05-45-98	1,129,308	370,692
Passed through:				
State Department of Public Safety -				
16.592	Local Law Enforcement Block Grants Program	99-LBVX-7175	4,968	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-093(6)	580,841	34,788
Passed through state Emergency Management Assistance:				

Schedule

ST. CLAIR COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	3,633	0
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	1,294	4,070
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct program -				
93.268	Immunization Grants	N/A	2,228	3,855
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	N/A	367	731
93.268	Immunization Grants	N/A	16,238	17,374
Department of Social Services -				
93.563	Child Support Enforcement	N/A	1,047	3,002
93.569	Community Services Block Grant	AOC00380269	77,796	62,441
Department of Health -				
93.575	Child Care and Development Block Grant	ERO146-9193CCH&SCS PGA067-0193C	0 140	1,508 0
	Program Total		<u>140</u>	<u>1,508</u>
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-90008 ERS161-00044 ER5161-10067	0 5,746 1,998	9,234 3,198 0
	Program Total		<u>7,744</u>	<u>12,432</u>
93.940	HIV Prevention Activities - Health Department Based	N/A	34	0
93.991	Preventive Health and Health Services Block Grant	N/A	193	207

Schedule

ST. CLAIR COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
93.994	Maternal and Child Health Services Block Grant to the States			
		ERO146-9193MCH	0	9,346
		ER5146-0193M	9,806	5,143
		ERS146-1193M	2,122	0
		ERO175-9193FP	0	5,003
		N/A	967	1,034
	Program Total		<u>12,895</u>	<u>20,526</u>
	Total Expenditures of Federal Awards		<u>\$ 2,931,480</u>	<u>571,122</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

ST. CLAIR COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by St. Clair County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$18,466 and \$21,229 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$193 and \$207 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$967 and \$1,034 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of St. Clair County, Missouri

Compliance

We have audited the compliance of St. Clair County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, St. Clair County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of St. Clair County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of St. Clair County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 9, 2001 (fieldwork completion date)

Schedule

ST. CLAIR COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to the financial statements
noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? _____ yes x no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.766	Community Facilities Loans and Grants
16.unknown	U.S. Marshals Service Cooperative Agreement Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

ST. CLAIR COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

ST. CLAIR COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

ST. CLAIR COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of St. Clair County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 9, 2001. We also have audited the compliance of St. Clair County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 9, 2001. We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the special-purpose financial statements of St. Clair County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but does not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Expenditures and County Officials' Compensation

- A. Bids were not always solicited or advertised by the county nor was bid documentation always retained for various purchases. Examples of items purchased for which bid documentation could not be located are as follows:

<u>Items purchased</u>	<u>Cost</u>
Two road graders (county leased graders)	\$174,747
Gravel (county purchases majority of gravel from one vendor)	129,568
Clay gravel (utilize one contractor)	32,580
Used truck	28,000
Phone system and installation	13,604

Section 50.660, RSMo 2000, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in county business. To show full compliance with state law, documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice when applicable, a copy of all bids received, a summary of the basis and justification for awarding the bid, documentation of all discussions with vendors, and bid specifications designed to encourage competitive bidding. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.

- B. The county received a \$45,490 overpayment of a federal bridge construction reimbursement in October 1999. The county contacted a regional Department of Transportation official regarding the overpayment and was instructed to retain it until completion of the project; however, upon our inquiry the central office indicated they were unaware of the overpayment and immediately issued an invoice to the county for the overpayment. The county paid this invoice in May 2001.

While the county initially pursued the overpayment, it does not appear reasonable that the county retained the federal road monies it was not entitled to. Federal bridge programs are handled on a reimbursement basis. In the future, any overpayments should be remitted to the appropriate party on a timely basis.

- C. County officials received a one percent cost of living adjustment (COLA) in January 2000. The county salary commission met on November 4, 1999, and discussed COLA increases; however, the salary commission minutes did not clearly document the approval of the COLA. Future salary commission minutes should clearly document all decisions regarding salary issues.
- D. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 St. Clair County's Associate County Commissioners salaries were each increased approximately \$5,450 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglas et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,900 for the two years ended December 31, 2000, should be repaid. In addition, in light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. In the future, any overpayments should be remitted to the appropriate party on a timely basis.
- C. Ensure all salary commission minutes clearly document all decisions made.
- D. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE:

The County Commission provided the following responses:

- A. *This will be done in the future.*
- B. *This will be done on all future projects.*
- C. *This will be done for all future salary commission meetings.*
- D. *At this time, the county is not going to pursue reimbursement of the salary amounts from the applicable officials due to possible litigation costs. However, we will review the issue on a statewide basis.*

2. Public Administrator's Fees

The Public Administrator deferred payment of \$5,113 of fees until 2000 (\$4,332 and \$781 earned and approved by the Associate Circuit Judge in 1999 and 1998, respectively). The Public Administrator indicated that he did this to reduce the amount of Social Security that would have been required to have been repaid in 2000 when he turned seventy and to increase the amount of compensation reported to the County Employees Retirement Fund during his last year of service to increase the amount of retirement received.

The Public Administrator and Associate Circuit Judge should review the annual settlements to ensure fees are paid during the calendar year earned and approved. In addition, the Public Administrator should contact the Internal Revenue Service (IRS) to ensure his fees are properly reported.

WE RECOMMEND the Public Administrator and Associate Circuit Judge ensure fees are paid to the Public Administrator during the calendar year earned and approved. In addition, the Public Administrator should contact the IRS to ensure these fees are properly reported.

AUDITEE'S RESPONSE:

The Public Administrator provided the following response:

The only reason compensation was deferred was to try to limit the amount of Social Security I would have to refund. As it turned out, Congress repealed this law in 2000, and Social Security recipients could earn any amount and not have to refund. This was not a decrease in my tax bracket. If this did in fact increase my retirement benefit, it would have been insignificant.

It did not inure to my benefit, tax-wise, to defer accepting these payments until 2000. In fact, it cost me \$1,700 extra in Federal Income Tax in 2000, due to putting me in a higher income bracket.

It is contrary to court procedure to report and collect all fees in the “calendar” year earned. The local court has always required guardians and conservators to file annual settlements during the anniversary month. This is the month the person was first appointed a guardian/conservator. Fees are submitted for approval with the annual settlement and approved or adjusted during this time. If I have an anniversary date in December, the court may not get around to approving it until January.

State statutes do not provide guidelines or restrictions on when fees must be drawn.

The Associate Circuit Judge provided the following response:

To the extent possible, payment of fees to the Public Administrator will be made during the calendar year when those fees were earned and approved.

Should funds be unavailable in the current year for which fees were approved it is possible that payment could occur in a subsequent year.

3. Prosecuting Attorney’s Records and Procedures

The Prosecuting Attorney's office collected court-ordered restitution and bad check related restitution and fees in 2000 and 1999 of approximately \$42,000 and \$50,000, respectively. Restitution payments are remitted directly to the merchants on a periodic basis, and bad check fees are transmitted to the County Clerk’s office daily. Our review noted the following concerns:

- A. Receipt slips are only issued upon request. To adequately account for all receipts, pre-numbered receipt slips should be issued for all monies received and the numerical sequence accounted for properly.
- B. Cashiers checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the deposit is made by the County Treasurer. To reduce the risk of loss or misuse of funds, cashiers checks and money orders should be restrictively endorsed immediately upon receipt.
- C. The Prosecuting Attorney’s secretary occasionally reduces the amount of bad check fees charged to the bad check writer without obtaining approval from the Prosecuting Attorney. To ensure bad check fees are properly charged and collected, the Prosecuting Attorney should approve all reductions of bad check fees.
- D. The Prosecuting Attorney does not prepare monthly reports of bad check fees collected. Section 50.370, RSMo 2000, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

- E. The duties of receiving, recording, and transmitting monies are all performed by the Prosecuting Attorney's secretary. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Prosecuting Attorney.

- F. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as the subsequent disposition of these complaints, has not been established. A bad check complaint log would provide a record of all such complaints filed with the Prosecuting Attorney and a record of all bad check receipts and disbursements. The log should contain information such as the merchant, the issuer of the check, the amount of the check, the amount of the administrative fee, and the disposition of the bad check, including the date payment was received and transmitted to the merchant and County Clerk or the criminal case number in which charges were filed or other disposition.

WE RECOMMEND the Prosecuting Attorney:

- A. Issue pre-numbered receipt slips for all monies received and account for the numerical sequence of receipt slips.
- B. Restrictively endorse cashiers checks and money orders immediately upon receipt.
- C. Approve reductions of bad check fees charged.
- D. Prepare monthly reports of bad check fees received as required by state law.
- E. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the accounting records.
- F. Implement procedures to adequately account for bad check complaints received as well as the ultimate disposition of each complaint through the use of a bad check complaint log.

AUDITEE'S RESPONSE:

The Prosecuting Attorney provided the following responses:

- A. This will be implemented in the next budget year.*
- B. We will discuss this with the County Treasurer and implement a procedure to allow for immediate endorsement.*
- C. This has been implemented.*
- D&E. These will be implemented next month.*
- F. We will discuss this issue with the County Commission and determine whether additional funding is necessary to provide staffing to accomplish the goal.*

4. Sheriff's Records and Procedures
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- A. The Sheriff's Department maintains inmates' personal monies in a separate bank account. During our review of the controls and procedures related to these monies, we noted the following concerns:
 - 1. The total inmate account balance has not been reconciled to the individual inmate account balances since December 1998. At our request, the Sheriff's Department bookkeeper prepared a listing of individual inmate account balances as of December 31, 2000. The reconciled bank account balance of \$5,438 exceeded the total amount on the listing by approximately \$238. The bookkeeper indicated the overage was caused by adding old outstanding inmate refund checks back to the book balance when the former inmates did not cash their checks in a timely manner; however, the bookkeeper failed to identify these amounts in her listing for inmate account balances. To ensure that all inmate monies are properly recorded and deposited, the balance in the inmate bank account should be reconciled monthly to the individual inmate balances. Any monies remaining unclaimed should be disposed of in accordance with state law.
 - 2. The method of payment is not always indicated on the inmate receipt slips. To ensure receipts are accounted for properly and deposited intact, the composition of receipts should be indicated on the receipt slips and should be reconciled to the composition of bank deposits.
 - 3. Accounting duties are not adequately segregated. Two clerks are primarily responsible for receiving monies, preparing checks and deposit slips, preparing bank reconciliations, and maintaining the accounting records of the

inmate account. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

B. Receipts were not deposited in a timely manner. Deposits into the inmate and fee account are made weekly. To ensure all monies are properly accounted for and to adequately safeguard cash receipts, deposits should be made intact daily or when accumulated receipts exceed \$100.

C. During the two years ending December 31, 2000 and 1999, the county expended approximately \$71,000 and \$69,000, respectively, on food costs for the jail. Our review of records and procedures related to jail food costs noted the following concerns:

1. The county did not solicit bids for food purchased for the jail. The county utilized six main suppliers for food purchased during 1999 and 2000.

Section 50.660, RSMo 2000, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

2. The jail does not maintain perpetual inventory records for all food. To maintain adequate control and accountability over food inventories, the jail should maintain a perpetual inventory of all food.
3. The prior sheriff did not retain records to document the number and the average cost of meals served to inmates during the two years ending December 31, 2000 and 1999. To properly account for all meals and the average cost of meals served, these records should be retained.
4. Sheriff department employees have been provided meals at no cost from the jail. During January 2001, the jail served 654 meals (approximately nine percent of meals served) with estimated costs of \$1,230 to sheriff's department employees. The county's personnel policy does not address whether employees of the sheriff's department are to be provided meals by the county. A written personnel policy addressing this issue is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings.

- D. Dispatchers and jailers who handle monies are not bonded. As a means of safeguarding assets and reducing the county's risk if a misappropriation of funds would occur, all employees handling monies should be adequately bonded.

WE RECOMMEND the Sheriff:

- A.1. Prepare a listing of individual inmate balances and reconcile the listing to the balance in the inmate account monthly and investigate any difference. Any monies remaining unclaimed should be disposed of in accordance with state law.
2. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
3. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit receipts daily or when accumulated receipts exceed \$100.
- C.1. Solicit bids for jail food in accordance with state law and maintain documentation of bids.
2. Ensure the jail maintains a perpetual inventory of food.
3. Ensure records are retained by the jail to account for the number and average cost of meals served to inmates.
4. Review whether sheriff department employees should be provided meals at county expense and if necessary, update the county personnel policy.
- D. Acquire a bond for all employees handling assets.

AUDITEE'S RESPONSE:

The Sheriff provided the following responses:

- A.1. *This is being done on a weekly basis in addition to the reconciliation process at the end of the month.*
2. *This is being done.*
3. *This will be reviewed.*
- B. *This has been implemented.*
- C.1. *The chief cook is now soliciting proposals for food purchases.*

- 2&3. *We will look into getting a computer to track food costs.*
4. *We will work with the County Commission in developing an appropriate policy addressing employee meals.*
- D. *This will be implemented.*

5.	Health Center's Financial Condition
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The health center's administration repeatedly ignored warnings and recommendations to improve controls and cut costs. As a result, the health center's financial condition has declined over the past several years. The following shows receipts, disbursements, and ending cash balances for the four years ended December 31, 2000:

	1997	1998	1999	2000
Cash balance, January 1,	\$ 43,514	37,620	13,489	2,603
Receipts	1,480,305	1,382,775	1,137,989	888,049
Tax anticipation note receipts **	0	30,000	100,000	55,000
Disbursements	1,443,708	1,436,906	1,246,342	863,484
Tax anticipation note principal disbursements	40,000	0	0	70,000
Tax anticipation note interest disbursements	2,491	0	2,533	1,451
Cash balance, December 31,	37,620	13,489	2,603	10,717

** The health center had \$40,000 in outstanding tax anticipation notes at December 31, 1996.

In addition, the health center had the following liabilities at December 31, 2000:

Tax anticipation note	\$ 115,000
Medicare paybacks	47,976
Accounts payable	38,330
Payroll taxes payable	27,012
Physician services	15,750
Pending litigation	11,148
Total liabilities	<u>\$ 255,216</u>

Because of its poor financial condition, the health center has used proceeds from tax anticipation notes (TAN) to fund normal operating expenses including payroll. Without the continued use of the TAN proceeds, the health center would be unable to operate.

The health center's independent CPA firm issued an Analysis of Operations report annually. In its reports for the last several years, the CPA firm has made recommendations regarding

the financial condition of the health center. For example, the health center administration was informed as early as 1995 that changes in the health industry would necessitate close monitoring of costs in relation to program cost limits. The administration was again advised in 1996 and 1997 to closely evaluate its programs' cost structures for potential cost-cutting areas. The CPA firm also instructed the administration to review the programs currently provided to determine if participation in some of the public health programs should be continued given the low reimbursement rates in comparison to the actual costs of participation.

In addition, the administration was advised in 1995 that the charges per visit at the rural health clinics held in Osceola and Appleton City were not adequate to cover the cost of the services. This problem was again repeated by the CPA firm in 1996 and 1997 for the Appleton City office. In 1998 a net loss of \$35,492 was reported for these rural health clinics. In 2000 the CPA firm recommended closing the Appleton City office. The Board of Trustees closed the Appleton City office in March 2000, however, the office was re-opened in April 2000. Since the re-opening, the Board has not adequately monitored the financial condition of the Appleton City office and has continued to expand its services. The financial information that has been provided to the Board regarding the Appleton City operations is not reliable due to inaccurate and incomplete accounting records as discussed in detail in MAR No. 6.

The health center's independent auditor reported to the board in 1997 that its accounts receivable balances had tripled due to not billing and collecting its coinsurance portion of rural health clinic charges from private pay patients and specifically the amounts not collected from secondary insurance policies. This was again reported in 1998 and 2000. They also advised the health center to monitor its accounts receivable agings on a monthly basis and investigate why charges are not being paid.

Other recommendations made by the CPA firm included increasing the charge for leased space for the Osceola office, lowering program costs, and reducing staffing levels.

In May 2000, two members of the five member Board of Trustees, the administrator, assistant administrator, and almost two-thirds of the employees resigned. An interim administrator and five employees were hired to replace those that left. As a result; accounting controls, procedures, and records that were in place were abandoned and were not properly reestablished. For example, the health center fell behind in billing several agencies for services provided which substantially decreased the health center's ability to generate revenues. These weaknesses are discussed in detail in MAR No. 6.

Numerous internal control weaknesses, lax controls over expenditures, and inefficient management practices have been identified and discussed in more detail throughout our Management Advisory Report (MAR). The Board of Trustees needs to ensure an effective system of accounting and administrative controls are in place, including an effective financial

reporting system and procedures to monitor budgeted and actual activity. The recommendations contained in the remaining MARs, if implemented will help establish these controls and procedures.

WE RECOMMEND the Board of Trustees take the necessary steps to improve the financial condition of the health center and develop a plan to allow the health center to repay their liabilities.

AUDITEE'S RESPONSE:

The Health Center Board of Trustees provided the following responses:

The current Board of Trustees concurs that the financial condition of the Health Center must be improved. To accomplish this, Personnel Policies have been adopted which prohibit the practice of incurring compensatory time and allow for employees to be classified as exempt or non-exempt according to the provisions contained in the Fair Labor Standards Act.

It was determined that the past employment of a nurse practitioner as half time administrator and half time health care provider at the rate of pay for a health care provider and as an hourly or non-exempt employee had not been an efficient use of resources. An administrator has been hired at a rate of pay commensurate with the pay rate for an administrator and with the classification of an exempt employee. One of her tasks will be to fully implement new Personnel Policies which have been adopted. The new policies require the adoption or updating of job descriptions and the identification of those positions which can legally be classified as exempt.

If these or similar policies had been in place in 2000, a significant amount of the compensatory wages which were paid in 2000 would not have been accrued by Health Center employees. Because there was no differentiation between exempt and non-exempt employees and because compensatory time and excessive annual leave were recorded in the records of the Health Center, the 2000 Board of Trustees was advised verbally by local legal professionals to pay those obligations and an attorney hired by the Health Center relative to a specific claim advised the Board both verbally and in writing to pay the compensatory and annual leave time recorded in the Health Center records.

During the past year, staff which were not essential were not replaced and remaining staff were required to serve a minimum number of clients per day per staff person in programs such as the Home Health program in order to keep costs and revenue aligned. For programs with few clients, such as Hospice, staff were hired on a PRN basis ("as needed") or in dual capacities so that costs have not been incurred or have been limited when there are no clients. These practices have enabled the Health Center to operate the Home Health program within the income generated by the program and has eliminated the previous practice of having large payback obligations.

Ordering of supplies was centralized to avoid the purchase of unneeded supplies. Charges to programs for supplies were updated so that supply costs could be fully absorbed by programs and fees for services have been updated to better reflect actual costs.

In June 2001, the Board began receiving an expanded financial report and in July the Board requested that Health Center staff collect and present information on the number of clients provided services by program and by location. Additional improvements in information collection and dissemination will be made as a clerical/bookkeeping position is added and the ability of staff improves with experience.

Since December 31, 2000 when the liabilities of the Health Center totaled \$255,216, a total of \$213,800 of those liabilities have been paid, at least \$59,000 of which were non-recurring expenses. The most current financial statement shows current liabilities of approximately \$188,000.

At this point, we believe that we have stopped the hemorrhage of funds and have made slight progress in reducing liabilities. We intend to maintain the present level of services if possible while gradually reducing accounts payable and other notes payable.

The Health Center Board of Trustees also provided an overall comment, see page 58.

6. Health Center's Accounting Controls

- A. Since the transition of the previous administration, the interim administrator has not provided the Board of Trustees with accurate financial reports on which they could make well-informed decisions. In addition, the Board of Trustees failed to adequately review the reports to ensure they were accurate. We noted the following areas that resulted in inaccurate financial information presented to the board during the period May 1 thru December 31, 2000:
1. Numerous bookkeeping errors were noted including items not being posted accurately to the general ledger and misclassifications of revenues and expenditures. For example, we noted approximately \$146,000 of erroneous entries to receipts, unrecorded payroll tax payments of \$19,000, and unrecorded interest of \$288. The health center interim administrator indicated that she posts revenues and expenditures to the general ledger as time allows and sometimes gets behind.
 2. Incorrect cash balances have been reported to the board due to the interim administrator preparing bank reconciliations that are not properly prepared. The health center reported a negative book balance for the checking account of (\$16,899) at December 31, 2000 when the actual reconciled book balance was \$8,299 (a difference of \$25,198). See Part C. below.
 3. The accounts payable listing presented to the board is not accurate. The accounts payable listing at December 31, 2000 did not include several unpaid invoices and some payables on the listing had already been paid and had not been removed from the listing.

Accurate financial reports are critical to ensure the board is properly informed of the financial condition of the health center and to assist the board in approving invoices and planning for upcoming expenditures.

- B. The financial activity presented in the 2001 budget prepared by the Health Center was inaccurate as follows:
1. Actual receipts for the year ended December 31, 2000 were understated by \$249,429.
 2. The cash reconciliations in the budget were inaccurate and did not agree to the book balances maintained by the Health Center.
 3. Significant misclassifications were noted in the health center's receipts and disbursements. The health center classified the majority of receipts as "Other" as opposed to the appropriate classification.

To be of maximum assistance to the health center and to adequately inform the public, the budget should accurately reflect the financial activity of the health center. In addition, accurate information is essential to provide reasonable estimates of anticipated receipts and disbursements so that the board may utilize the budget as a management planning tool and as a control over expenditures.

- C. Monthly bank reconciliations are not prepared for the health center's three bank accounts. The last accurate bank reconciliation prepared and documented was for the month of April 2000. Complete and accurate bank reconciliations are necessary to ensure accounting records are in agreement with the bank, and errors or discrepancies are detected and corrected timely.
- D. Receipts were not always deposited intact. On February 26, 2001, we located a \$499 receipt which had been received in July 2000 that had not been deposited. This check was subsequently deposited. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made intact daily or when receipts exceed \$100.
- E. Receipt slips are not issued for monies received. To help ensure receipts are properly recorded and deposited, prenumbered receipt slips should be issued for all monies received immediately upon receipt. The receipt slips should indicate the method of payment (i.e. cash checks, or money orders) and the composition should be reconciled to the bank deposits.
- F. The health center bills Medicare, Medicaid, Missouri Department of Health, and private insurance companies for services provided to county residents. An accounts receivable listing was maintained for amounts due until April 2000, at which time the health center fell behind in maintaining adequate receivable records (because of the

significant turnover in staff). We noted the following concerns related to these records and procedures:

1. The health center indicated that they have billed for some services provided since April 2000; however, the accounts receivable listing has not been updated to reflect these billings, and the health center was unable to determine the balance of accounts receivable in December 2000.
2. The balance of accounts receivable over 120 days old was more than \$130,000 in April 2000. Of this balance, approximately \$68,000 was for rural health clinics and home health services.

To maximize receipts and improve the financial condition of the health center, the health center should take immediate steps to update the accounts receivable records and bill the appropriate parties. In addition, proper follow-up procedures on all delinquent accounts is necessary to ensure all charges are collected on a timely basis.

WE RECOMMEND the Board of Trustees:

- A. Ensure financial reports are prepared in a complete and accurate manner and presented to the board in a timely manner.
- B. Ensure the budget is prepared accurately to reflect the financial activity of the health center. In addition, reasonable estimates of anticipated receipts, disbursements, and available resources should be included to assist the board in planning for the ensuing year.
- C. Prepare complete and accurate bank reconciliations on a monthly basis.
- D. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- E. Require prenumbered receipt slips to be issued for all monies received. In addition, the method of payment should be recorded on the receipt slips and the composition of receipts should be reconciled to deposits.
- F. Take immediate steps to update the accounts receivable records and bill the appropriate parties. In addition, proper follow-up procedures for the collection of delinquent accounts should be developed and pursued to ensure all charges are collected on a timely basis.

AUDITEE'S RESPONSE:

The Health Center Board of Trustees provided the following responses:

- A. *As previously mentioned, the interim administrator, with no background in Health Center programs, was trying to manage the Health Center and take care of the clerical and bookkeeping duties after losing key staff. She has been able to bring the financial records pretty much up to date as of May 2001. Some minor corrections still need to be made and billing is still somewhat behind. The first complete financial report was prepared and presented to the Board of Trustees by the interim administrator in June 2001.*

A regular administrator has been hired and is in process of hiring a clerk/bookkeeper. After initial training, this should ensure that financial records are up to date and provided to the Board of Trustees in a timely manner. The interim administrator has been providing orientation for the regular administrator and will be available to show the new bookkeeper how to use the necessary computer programs.

Many of the items noted by the auditor's office have been corrected and brought up to date prior to the exit conference. Specifically, the corrections and updates made to date include the general ledger which has now been brought up to date and has been reconciled, the billings which are almost up to date, and the checking accounts which have been reconciled and balanced.

In addition, fees for services have been reviewed and updated, targets established for various programs such as Home Health and the Rural Health Clinics, charges for supplies reviewed and standardized, and central purchase of common supplies initiated.

Compensatory time has been abolished and new policies adopted regarding the earning and use of leave. The new administrator has been charged with developing the procedures necessary to ensure the policies are implemented consistently.

Changes in charges of fees for services was delayed due to the necessity to adopt an ordinance and conflict that developed between the opinion of the Missouri Department of Health and the St. Clair County Commission over who should adopt the ordinance. Upon the advice of a private attorney, it was finally determined that the Board of Trustees could adopt the ordinance.

While the CPA firm recommended closing the Appleton City Rural Health Clinic, the recommendation was based upon expenses which included costs that should have been charged to other facilities and/or programs and income that was based upon inadequate charges and arbitrary decisions to not bill for services provided. The fiscal year ended June 30, 2000 actually showed a surplus for the fiscal year for both the rural health clinics. The income and expenses of the clinics along with the utilization of services will be reviewed to determine whether or not the clinics are being operated in a cost effective manner.

At the time the new Board was seated in 2000, indebtedness to Medicare had been incurred for prior quarters and for the current fiscal quarter as a result of the advancement of funds by Medicare which were not based upon actual services provided and the additional failure of the Health Center to adjust staffing to the level of services being provided. During the subsequent fiscal quarter, the interim administrator was eventually able to control expenses to eliminate the massive level of overspending that had been occurring in that program. The \$80,000 in debt incurred during that time frame has now been repaid.

- B. Neither staff nor the majority of Trustees had experience in the operations of the Health Center during the past year. Preparation of the budget should be more accurate in the coming year. Experience is needed to prepare a reasonable budget.*
- C. A clerical/bookkeeping staff person is in process of being hired. The additional staff will enable the Health Center's bank reconciliations to be done on a monthly basis. Bank reconciliations are now current through June 2001 and corrections have been made.*
- D. Deposits will be made on a timely basis.*
- E. Staff will be instructed to implement this recommendation.*
- F. In April 2000, billings were months behind for some programs and it appeared that no one was attempting to collect old receivables. When the billing staff and the assistant administrator/bookkeeper left, there was no one to bill and no accounts receivable to book. New billing software has been purchased, staff have since been hired and trained to perform billing, and billing is almost caught up. Accounts receivable will now be booked and kept up to date. Procedures will be implemented to ensure that collections are kept current. In the meantime, uncollectible accounts will be identified and written off.*

The Health Center Board of Trustees also provided an overall comment, see page 58.

7. Health Center Expenditures

- A. The former Board of Trustees did not monitor the compensatory time accrued by their employees. The former Administrator was allowed to accrue compensatory time in excess of the maximum allowed by the Fair Labor Standards Act (FLSA). The former Administrator was paid a total of \$9,824 for her accrued compensatory time upon her departure. Of the total paid, \$2,864 represented compensatory time hours in excess of the maximum allowed. The Board's decision to pay the former Administrator compensatory time is questionable because employees who serve in executive, administrative or professional capacities are exempt from the overtime requirements that allow compensatory time pay. The Board should monitor the compensatory time accrued by employees to ensure that the applicable guidelines are being followed.

In addition, the health center paid five employees for accumulated vacation leave in excess of the maximum hours allowed to be accrued totaling \$1,860. To ensure that all employees are treated equitably, the leave policy should be followed for all employees.

- B. Invoices are not noted as paid or otherwise canceled upon payment. During our review of the unpaid invoice files, we noted a duplicate payment was made for advertising expense. The possibility that an invoice will be paid twice is increased when invoices are not properly canceled.
- C. The Health Center approved payments to vendors without requiring or retaining adequate supporting documentation. For example, \$2,250 and \$1,039 was paid for contracted physician services and home health nursing services, respectively, without documentation supporting the number of hours worked and the services provided.

All disbursements should be supported by paid receipts or vendor-provided invoices. Such documentation is necessary to ensure the purchase is a proper disbursement of health center funds.

- D. The Board of Trustees does not review or approve invoices for payment. The board relies on the administrator or the program directors to approve invoices. During our review of expenditures, we noted several instances in which approval for payment was not documented by the administrator or program directors. Expenditures made from health center funds should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the health center. In addition, to adequately document the board's review and approval of all disbursements; a complete and detailed listing of bills should be prepared and signed or initialed by the board to denote their approval, and retained with the official minutes.
- E. Acknowledgment of receipt of goods or services is not noted on the invoices. Indication of receipt of goods or services is necessary to ensure that amounts presented for payment represent legitimate operating costs of the health center.
- F. Health center personnel did not monitor amounts received or expended on Comprehensive Family Planning (CFP) services during the audit period. In addition, the average cost per client of providing such services was not periodically calculated and monitored. The health center's CFP contract with the Missouri Department of Health provides the average cost of providing CFP services should be at least \$150 (excluding administrative costs). Failure to comply with the provisions of the contract could result in decreased funding of future services.

WE RECOMMEND the Board of Trustees:

- A. Monitor the compensatory time accrued by employees to ensure that they are in compliance with state law. In addition, the board should ensure compliance with the leave policy.
- B. Ensure invoices are properly cancelled upon payment.
- C. Ensure adequate documentation is received and maintained to support all expenditures.
- D. Review and approve all expenditures of health center funds. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.
- E. Require evidence of receipt of goods or services on each invoice before approving payment.
- F. Ensure CFP expenditures are in compliance with the contract and contact the Missouri Department of Health to resolve this situation.

AUDITEE'S RESONSE:

The Health Center Board of Trustees provided the following responses:

- A. *New Personnel Policies have been adopted which do not allow the accumulation of compensatory time. Employees are expected to adjust their work schedule if it is necessary to work over eight hours in one day or to work on a weekend. If a non-exempt employee is unable to adjust his/her work schedule during the pay period, over-time will be paid in that or the next pay period depending upon when the over-time was worked and the when payroll is scheduled for processing.*

New limits have been set for other leave. A time frame has been established for employees to bring their leave totals within the new limits. Part time employees who can not be released for leave and for whom temporary substitutes can not be found are being paid their annual leave incrementally. No new leave in excess of that allowed will be recorded for employees.

- B. *Invoices are now stamped "POSTED" and dated when entered into the computer. They are stamped "PAID" and the date and check number noted when checks are written.*
- C&E. *Invoices are noted as received and approved by the inventory clerk for medical supplies and by the RNs for vaccine ordered. The administrator will see that these and all other expenditures are supported by adequate documentation.*

- D. *The Board currently reviews a list of checks written for the month prior to the Board meeting and an accounts payable and invoice report. Minutes will reflect approval of these reports as well as approval to pay approved invoices as funds are available. This information will be maintained with the Board minutes.*
- F. *The Health Center has not provided service under the CFP contract since the current Board was seated in April 2000. We will instruct the new administrator to identify any unresolved contractual obligations which may exist from prior to that date.*

The Health Center Board of Trustees also provided the following overall comment:

As noted in the recommendations, the financial condition of the Health Center has declined over a period of years and recommendations to increase charges and control personnel costs were ignored to the point that the independent CPA firm preparing annual cost analysis functions recommended terminating programs. While some of these recommendations were made verbally to the Board of Trustees, the two Trustees remaining from past years do not recall all of the recommendations being made to them and do not recall being provided with copies of relevant reports. Multiple copies of the actual written reports from 1995-1998 which appear to be intended for the Trustees were found stored in the Health Center. Prior to May 2000, Trustees appeared to not always have been provided with complete information and were not allowed to keep copies of minutes, budgets, or any other records that were provided during Board meetings. Anything provided for review during a meeting was collected before the Trustees left the meeting.

When financial problems became acute and compliance with Sunshine Laws required the posting of meetings, St. Clair County citizens began attending meetings of the St. Clair County Health Center Board of Trustees and asking questions about its operations and financial condition. Some Trustees began to question the practices of the Health Center as problems became evident. It became apparent to those of us subsequently elected and appointed to the Board of Trustees that there were problems in allocating expenses, billing for services, salary comparability, staffing levels, and in many other areas.

Up to that point, there had been little interest in running for election as a Health Center Trustee and candidates were generally recruited by the Health Center, but only in sufficient numbers to fill seats so that placing the candidates on the ballot was not required. When filing was opened in 1999 for the 2000 election, some individuals reported being discouraged from running by Health Center staff, apparently because having more than one person on the ballot would cost the Health Center too much money. This effort to discourage filing was not successful.

When a new trustee was elected in April of 2000, the newly elected trustee immediately made an appointment to review past Board minutes, policies, and contracts of the Health Center to begin learning about its operations. The contract file provided was disorganized and incomplete and the information provided concerning personnel policies and procedures was confusing and incomplete.

As soon as the Board meeting opened at which the new trustee was seated, the administrator resigned. One of the trustees resigned during the meeting and a second trustee resigned prior to the next meeting.

The first order of business for the remaining trustees was to reopen the Appleton City Rural Health Clinic for a long enough period to determine whether or not staffing changes would allow it to operate in a cost effective manner. The Clinic had been closed at the end of March 2000 and it was discovered that new HHS regulations would prohibit it from reopening and would prohibit a new rural health clinic from opening in the county if the Appleton City facility was closed more than temporarily. Many low-income and uninsured residents with no transportation depended upon medical services from the clinic. In addition, recruiting health care professionals in a rural area is extremely difficult. It might not have been possible to recruit another part-time nurse practitioner if the existing one were to become employed elsewhere.

Of all the programs operated by the Health Center, it was believed that the Appleton City Rural Health Clinic had the most potential to support itself and help pay administrative overhead. According to Baird, Kurtz & Dobson, Certified Public Accountants, both the Osceola Rural Health Clinic and the Appleton City Rural Health Clinic were each showing a profit of \$27,000+ at June 30, 2000. In May 2000, five large stacks of unbilled accounts had been found along with the information that an arbitrary decision had been made to not bill for charges under \$30. Since the cost of an office visit was \$15, most office visits and copays were not being collected. Based upon the daily log sheets for the clinic, it was felt that reopening the Clinic was not only reasonable but essential.

The second order of business was to get the County Commission to fill the vacant trustee positions. With those seats filled, the Board then proceeded to hire an interim administrator to stabilize the cash flow and determine the fiscal condition of the Health Center.

Subsequently, as stated in your findings and recommendations, approximately two-thirds of the staff resigned. Within six weeks, the Health Center had lost the administrator, assistant administrator, billing clerks, receptionist, and department heads which left the Health Center pretty much without staff knowledgeable of the fiscal and administrative requirements for operating the Health Center and its programs.

The actual financial condition of the Health Center in April 2000 was probably best indicated by the discovery that Health Center files recorded a large amount of compensatory time to employees which had apparently been 'earned' by working their regular schedules but being paid for one day less and banking the remaining hours as compensatory time. At the time of her resignation, the assistant administrator requested immediate payment of all leave owed to her. As the person responsible for maintaining the fiscal records of the Health Center, she expressed the belief that the Health Center did not have the ability to make the next payroll. She expressed this belief in a meeting with Trustees and those staff who had chosen to remain with the Health Center. Her last two weeks in the office, she refused to make herself available to the interim administrator for training and information on the financial records of the organization and she refused to return her keys at the end of her last day stating that she would be back the next day for her personal possessions.

Upon arriving the next day, the interim administrator found most files gone from the assistant administrator's office and some of the furniture. Those fiscal records which were eventually found were stored in the basement in unorganized and unmarked boxes and in piles in the floor in various offices. Some records are yet to be found.

No record of many bills that had been outstanding for many months were ever found. Upon receiving statements for amounts due to vendors, the interim administrator had to spend many hours with some vendors to recreate account records. Some outstanding bills were old enough that the vendors were either unable or reluctant to spend the time necessary to document the specific item(s) the unpaid balance represented.

The loss of so many essential personnel combined with the financial situation of the Health Center resulted in the interim administrator serving as both administrator and fiscal/bookkeeping staff until July 2001. It was intended that the interim administrator would concentrate on the fiscal status of the Health Center for six months and that a regular administrator would be hired shortly thereafter. With the loss of most essential administrative staff, the first six months of her assignment was instead spent learning the basics concerning Health Center operations, replacing essential staff, and maintaining a cash flow which would allow payroll to be met on time. Computer programs had to be upgraded and replaced to allow more efficient processing of billings and staff had to be hired and trained to perform billings.

At the time that the state audit was being completed, the interim administrator had essential personnel in place, billings were in process of being brought up to date, and the interim administrator was just beginning to concentrate on bringing the financial records up to date.

Finally, the Board of Trustees would like it noted that there appear to have been some discrepancies in the financial records of the St. Clair County Health Center on or prior to January 2000. With the turnover in staff, these discrepancies were not able to be researched or corrected until recently. Work continues on bringing records up to date, on correcting discrepancies, and on trying to obtain a complete analysis of the actual financial status of the Health Center.

This report is intended for the information of the management of St. Clair County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

ST. CLAIR COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by St. Clair County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the three years ended December 31, 1996. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary and Reporting Practices

- A. Warrants were issued in excess of approved budgeted expenditures for various county funds.
- B. Formal budgets were not prepared for various county funds.
- C. Certain types of reimbursement transactions were not reflected on the annual budgets.
- D. The published financial statements did not include some county funds.

Recommendation:

The County Commission:

- A. Not authorize warrants in excess of budgeted expenditures.
- B. Ensure budgets are prepared or obtained for all county funds.
- C. Include all receipts and disbursements on the General Revenue Fund, the Special Road and Bridge Fund, and the Assessment Fund budgets.
- D. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

A&B. Partially implemented. The county has made improvements in both of these areas. Although not repeated in the current report, our recommendation remains as stated above.

C&D. Implemented.

2. Property Tax System and Computer Controls

- A. User Identification Codes (IDs) were not used and passwords were not changed on a periodic basis.
- B. The computer systems did not have the capabilities of producing usage logs.
- C. Backup disks were not stored at an off-site location.
- D. The county did not have a formal emergency contingency plan for the computer system.

Recommendation:

The County Commission:

- A. Implement a password system which requires each user be assigned a unique user ID and password, and require passwords to be changed periodically.
- B. Consider adopting changes to the computer systems to allow computer usage logs to be prepared and reviewed to ensure access has been restricted to appropriate job assignments.
- C. Ensure that monthly, or after major updating, backup disks are prepared and stored in a secure, off-site location.
- D. Develop a formal contingency plan for the county's computer system.

Status:

- A, B,
& D. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.
- C. Implemented.

3. Federal Financial Assistance

The county received federal funding from the Federal Emergency Management Agency (FEMA) in advance and accumulated interest totaling \$885 which was not remitted to FEMA.

Recommendation:

The County Commission work with the FEMA to resolve the questioned costs. In the future, the County Commission should establish procedures to reduce the time between receipt and use of federal funds.

Status:

Not implemented. The grantor agency requested repayment of these monies in June 2001. The county repaid these monies on August 13, 2001. Although not repeated in the current report, our recommendation remains as stated above.

4. Health Center Budgets

Warrants were issued in excess of approved budgeted expenditures.

Recommendation:

The Health Center Board of Trustees not authorize warrants in excess of budgeted expenditures.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

ST. CLAIR COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of St. Clair was named after General Arthur St. Clair, of the Revolutionary War. St. Clair County is county-organized, third-class county and is part of the Twenty-Seventh Judicial Circuit. The county seat is Osceola, Missouri.

St. Clair County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where St. Clair County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 501,442	10	490,008	14
Sales taxes	237,696	5	216,087	6
Federal and state aid	3,161,330	63	2,456,422	68
Fees, interest, and other	1,086,096	22	445,869	12
Total	\$ 4,986,564	100	3,608,386	100

The following chart shows how St. Clair County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 1,994,584	41	1,677,777	43
Public safety	1,498,105	30	1,279,899	33
Highways and roads	1,424,404	29	929,222	24
Total	\$ 4,917,093	100	3,886,898	100

The county maintains approximately 217 county bridges and 688 miles of county roads.

The county's population was 7,667 in 1970 and 8,457 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	2000	1999	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 44.6	43.6	34.4	12.2	8.5
Personal property	18.2	17.0	8.4	6.9	4.3
Railroad and utilities	9.5	9.8	5.5	6.5	4.0
Total	\$ 72.3	70.4	48.3	25.6	16.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

St. Clair County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	2000	1999
General Revenue Fund	\$ 0.3270	0.3300
Special Road and Bridge Fund*	0.2820	0.2800
Health Center Fund	0.2100	0.2100

* The county retains all tax proceeds from areas not within road districts. The county has seven road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),	
	2001	2000
State of Missouri	\$ 21,591	21,274
General Revenue Fund	237,917	236,397
Road Funds	398,986	390,035
Assessment Fund	34,563	33,987
Health Center Fund	149,237	146,949
Schools	2,355,160	2,334,750
Library Fund	116,651	104,221
Hospital Fund	112,378	110,201
Fire District Fund	11,968	5,830
Cities	14,639	15,072
County Employees' Retirement	21,699	20,644
Commissions and fees:		
General Revenue Fund	72,263	76,030
County Collector	106	226
Total	\$ <u>3,547,158</u>	<u>3,495,616</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),	
	2001	2000
Real estate	91 %	92 %
Personal property	91	91
Railroad and utilities	100	100

St. Clair County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$ 0.005	None	50 %

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
L. Wayne Scott, Presiding Commissioner	\$	24,684	24,440
Dale Atchison, Associate Commissioner		22,664	22,440
James K. Evans, Associate Commissioner		22,664	22,440
Donna Houston, County Clerk		34,340	34,000
Michael C. Dawson, Prosecuting Attorney		41,410	41,000
Leroy Conrad, Sheriff		34,340	34,000
Gail Ingle, County Treasurer		25,412	25,160
C. Randy Sheldon, County Coroner		5,555	5,500
M. Earle Zeiler, Public Administrator *		34,822	15,808
Irene Wilson, County Collector**, year ended February 28 (29),	34,446	34,283	
Bill Crabtree, County Assessor ***, year ended August 31,		35,127	34,900

* Includes fees received from probate cases.

** Includes \$106 and \$226, respectively, of commissions earned for collecting city property taxes.

*** Includes \$900 annual compensation received from the state.

State-Paid Officials:

James O. Naylor Jr., Circuit Clerk and Ex Officio Recorder of Deeds	46,127	44,292
Raymond T. Huesemann, Associate Circuit Judge	97,382	87,234

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	1	
Circuit Clerk and Ex Officio Recorder of Deeds	1	2
County Clerk	2	
Prosecuting Attorney	1	
Sheriff	50	
County Collector	3	
County Assessor	3	
Associate Division		1
Road and Bridge	13	
Health Center	20	
Total	<u>94</u>	<u>3</u>

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. St. Clair County's share of the Twenty-Seventh Judicial Circuit's expenses is 19.43 percent.

The county entered into a lease agreement with a not-for-profit corporation (NFP) in July 2000 and amended this agreement in July 2001. The terms of the agreement called for the NFP to obtain a USDA guaranteed bank loan of \$1,000,000 for the purpose of constructing a jail addition and for the NFP to lease the jail back to the county for payments totaling the principal and interest due on the twenty year loan and any operating costs incurred. The county borrowed \$747,825 during the year ending December 31, 2000 and plans to borrow the remaining \$252,175 during the year ending December 31, 2001. The first annual payment totalling \$132,731 which includes \$109,776 for debt service, \$10,978 for debt reserve, \$10,978 for replacement and extension, and \$1,000 for operations and maintenance is scheduled to be paid in July 2002.



**EIGHTEENTH JUDICIAL CIRCUIT
ASSOCIATE DIVISION III
MUNICIPAL DIVISION
COOPER COUNTY, MISSOURI
JANUARY 1, 1997 THROUGH MARCH 31, 2001**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-67
August 28, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

The Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri, is responsible for assessing, collecting, and distributing monies in connection with municipal traffic and ordinance violation cases.

During March 2001, court officials identified discrepancies in the court's collection of fines and court costs on a number of municipal ticket cases. The Associate Division III Judge notified the Cooper County Sheriff's Department on April 2, 2001, and requested the matter be investigated. On April 13, 2001, the Associate Division III Judge contacted the State Auditor's office regarding this situation. This audit was performed to review these discrepancies and more fully determine the extent of misappropriated court funds.

It appears payments totaling at least \$11,387 were received and not deposited from 1999 through March 2001.

A comparison of recorded receipts to deposits during January through March 2001, revealed that cash receipts totaling approximately \$2,860 were not deposited. It appears these monies were misappropriated.

A total of \$8,527, which pertains to eighty-one municipal tickets, appears to have been received by the court, but not properly recorded and deposited. Numerous alterations were made to the municipal receipt records through the use of "white-out" or by writing over the usual carbon in ink. The difference between the original and altered amounts were not deposited. Payments on many other municipal tickets were not recorded on the receipt records or deposited. For fifteen of the tickets, related to \$1,604 of the misappropriation, the defendants provided receipt slips issued by the court showing the full amount of the ticket paid. For forty of the tickets, related to \$3,472 of the misappropriation, the defendants provided either verbal or written statements indicating the full amount of the tickets paid or there was documentation of the actual payments in the manual case files. Several of the receipts slips provided by defendants or located in the manual case files had been prepared on plain paper, appeared to have no correlation to the official receipt records, and did not always include the date and method of payment or other pertinent information. The Associate Division III Judge and court personnel could provide no explanation for the use of these receipts slips. For the remaining twenty-six tickets, municipal cash bonds, initially receipted by the Boonville Police Department and totaling \$3,451, were apparently transmitted to the court, but not properly recorded or deposited into the municipal account.

(over)

YELLOW SHEET

Payments on a number of other tickets and bonds do not appear to have been properly handled and we are continuing to follow-up on these transactions. Documentation in the case files and/or alterations to the municipal records indicate unrecorded payments or payments that differ from the receipt records may have been made and it is likely additional monies related to at least some of the tickets were also misappropriated. Discrepancies related to these tickets and bonds total approximately \$6,465.

Pamela Potter, the court clerk primarily responsible for handling municipal ticket transactions worked in the court until March 30, 2001, was placed on leave without pay status on April 5, 2001, was terminated on April 12, 2001, and has been charged with and pled guilty to felony stealing.

The misappropriated funds and other discrepancies noted above were not detected or were not detected on a timely basis, due to various internal control weaknesses, deficiencies in some receipt and case records, and the lack of supervisory review over municipal transactions.

The duties of receiving, recording, depositing and disbursing monies are not adequately segregated.

As discussed in a prior report, receipts are not deposited on a timely basis and checks and money orders are not restrictively endorsed immediately upon receipt. Also, monies on hand are not stored in a secure location prior to deposit.

Also as discussed in a prior report, bank reconciliations are not prepared for any municipal bank accounts. In addition, no checkbook balance or book balance is maintained.

Monthly listings of open items (liabilities) have not been prepared since May 2000. At March 2001, identified liabilities exceeded the cash balance by approximately \$839.

The transmittal of bond monies from the Boonville Police Department to the court is not thoroughly documented. In addition, bond monies are not always receipted and deposited timely.

Disbursements to the state, city, and other entities for municipal fines and court costs collected are untimely.

Records and monitoring procedures of the court and Boonville Police Department to account for traffic and ordinance tickets assigned and issued, and the ultimate disposition, are not adequate.

EIGHTEENTH JUDICIAL CIRCUIT
ASSOCIATE DIVISION III
MUNICIPAL DIVISION
COOPER COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

Presiding Circuit Judge
and
Associate Circuit Judge, Division III
Eighteenth Judicial Circuit
Cooper County, Missouri

We have audited the municipal traffic and ordinance tickets and related collections handled by the Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri. The scope of this audit included, but was not limited to, the period of January 1, 1997 through March 31, 2001. The objectives of this audit were to:

1. Investigate discrepancies in the handling of municipal traffic and ordinance tickets and the related collections.
2. Determine the amount of court funds misappropriated.
3. Review and evaluate certain controls and procedures regarding the collection and processing of monies related to municipal traffic and ordinance tickets.
4. Follow up on action taken on findings in our prior audit report.

Our audit was conducted in accordance with applicable standards contained in Government Auditing Standards, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. We reviewed the records and procedures of the Associate Division III, Municipal Division, interviewed personnel of the division, and examined other records and documents as we considered necessary.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings and recommendations concerning the Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

June 22, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Marty Beck
Audit Staff:	David Zaiser
	Randal Schenewerk

EXECUTIVE SUMMARY

EIGHTEENTH JUDICIAL CIRCUIT
ASSOCIATE DIVISION III
MUNICIPAL DIVISION
COOPER COUNTY, MISSOURI
EXECUTIVE SUMMARY

From 1999 through March 31, 2001, it appears that at least \$11,387 of municipal court receipts was misappropriated. For the period January through March 2001, cash receipts totaling approximately \$2,860 were not deposited. In addition, payments on at least eighty-one municipal tickets were not recorded, or were altered to reflect a lesser payment amount. A total of \$8,527 appears to have been received by the court, but not properly recorded and deposited. For fifteen of the tickets, related to \$1,604 of the misappropriation, the defendants were able to produce receipt slips issued by the court showing the full amount of the tickets paid. For forty of the tickets, related to \$3,472 of the misappropriation, defendants provided either verbal or written statements supporting the full amount of the tickets paid. For the remaining twenty-six tickets, related to \$3,451 of the misappropriation, cash bonds had been initially receipted by the Boonville Police Department and transmitted to the Associate Division III, Municipal Division.

Payments on a number of other tickets and bonds do not appear to have been handled properly and it is likely additional monies related to at least some of these transactions were also misappropriated. The lack of some records, disorganization of the records, and numerous alterations to the records prevented us from assuring ourselves of the extent of missing monies.

The misappropriations could have been prevented or detected on a more timely basis if adequate oversight and review had been performed and if proper internal controls as noted in the prior audit findings and the accompanying Management Advisory Report had been established.

Donald Barnes serves as Presiding Judge of the Eighteenth Judicial Circuit. Kenton G. Askren serves as Associate Circuit Judge of Division III. Pamela Potter, the clerk primarily responsible for handling municipal ticket monies worked in the Associate Division until March 30, 2001, was placed on leave without pay status on April 5, 2001, was terminated on April 12, 2001, and has been charged with and pled guilty to felony stealing.

MANAGEMENT ADVISORY REPORT

EIGHTEENTH JUDICIAL CIRCUIT
ASSOCIATE DIVISION III
MUNICIPAL DIVISION
COOPER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT

The Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri, is responsible for assessing, collecting, and distributing monies in connection with municipal traffic and ordinance violation cases. Three bank accounts are maintained for fines and court costs related to cases for the cities of Boonville, Otterville, and Bunceton.

During March 2001, court officials in Cooper County identified discrepancies in the court's collection of fines and court costs on a number of municipal ticket cases. The Associate Division III Judge notified the Cooper County Sheriff's Department on April 2, 2001, and requested the matter be investigated. On April 13, 2001, the Associate Division III Judge contacted the State Auditor's office regarding this situation. This audit was performed to review these discrepancies and more fully determine the extent of misappropriated court funds.

Following are our comments regarding the misappropriated funds and the accounting controls and procedures over ticket receipts of the Municipal Division.

1.

Misappropriated Funds

It appears payments totaling at least \$11,387 were received and not deposited from 1999 through March 2001.

A comparison of recorded municipal receipts to deposits during January through March 2001, revealed that cash receipts totaling approximately \$2,860 were not deposited. It appears these monies were misappropriated.

A total of \$8,527, which pertains to eighty-one municipal tickets, appears to have been received by the court, but not properly recorded and deposited. Numerous alterations were made to the municipal receipt records through the use of "white-out" or by writing over the usual carbon in ink. The difference between the original and altered amounts were not deposited. Payments on many other municipal tickets were not recorded on the receipt records or deposited. For fifteen of the tickets, related to \$1,604 of the misappropriation, the defendants provided receipt slips issued by the court showing the full amount of the tickets paid. For forty of the tickets, related to \$3,472 of the misappropriation, defendants provided either verbal or written statements indicating the full amount of the tickets paid or there was documentation of the actual payments in the manual case files. Several of the receipts slips provided by defendants or located in the manual case files had been prepared on plain paper, did not appear to be official receipts of the court, and appeared to have no correlation to the official receipt records. In

addition, the information provided on these receipt slips varied and did not always include the date and method of payment or other pertinent information. The Associate Division III Judge and court personnel could provide no explanation for the use of these receipt slips and were not aware such receipt slips were being issued. For the remaining twenty-six tickets, municipal cash bonds, initially receipted by the Boonville Police Department and totaling \$3,451, were apparently transmitted to the court, but not properly recorded or deposited into the municipal account.

Payments on a number of other tickets and bonds do not appear to have been properly handled and we are continuing to follow-up on these transactions. Documentation in the case files and/or alterations to the municipal records indicate unrecorded payments or payments that differ from the receipt records may have been made and it is likely additional monies related to at least some of the tickets were also misappropriated. Discrepancies related to these tickets and bonds total approximately \$6,465.

Pamela Potter, the court clerk primarily responsible for handling municipal ticket transactions has been charged with and pled guilty to felony stealing.

The misappropriated funds and the other discrepancies noted above were not detected, or were not detected on a timely basis, due to various internal control weaknesses, deficiencies in some receipt and case records, and the lack of supervisory review over municipal transactions (See Management Advisory Report [MAR] No. 2).

WE RECOMMEND the Associate Division III Judge continue to work with law enforcement authorities and obtain restitution.

AUDITEE'S RESPONSE

The Associate Division III Judge indicated he does not believe it would be appropriate for him to respond to this recommendation because he does not have the authority to seek restitution.

The Prosecuting Attorney provided the following response:

Please be advised that the above-referenced criminal case is currently pending against Ms. Potter in the Circuit Court of Saline County, Missouri, on a change of venue. Ms. Potter has previously entered a plea of guilty to the class C felony of stealing and a Pre-Sentence Investigation is being prepared for the court's review. It is a policy of this office to request restitution in appropriate cases where criminal defendants are placed on probation. Ms. Potter is scheduled to appear for sentencing in Saline County on August 17, 2001. In the event Ms. Potter is placed on probation by the court, this office will request, among other things, full restitution for all monies appropriated by Ms. Potter from court funds. I understand that this amount has not been finally determined yet, but that your office will provide information to assist in such determination.

2. Accounting Controls and Procedures over City Cases
--

- A. Improvements are needed in the segregation of duties in the Municipal Division. With regard to municipal ticket transactions, one clerk was primarily responsible for collecting and maintaining physical custody of receipts, depositing the receipts, recording payments, disbursing monies, and filing the closed cases. The clerk had access to the manual case files and had the ability to change or delete court dates, record case dispositions, and withdraw warrants issued.

To safeguard against possible loss or misuse of funds and to ensure that receipts are properly handled, the cash custody and record-keeping functions should be segregated where possible. If it is not feasible to segregate duties further, at a minimum, there should be an independent comparison of receipt slips to bank deposits and an independent review of bank reconciliations. In addition, supervisory review procedures should be established to periodically identify and review any municipal ticket cases that have had no recorded activity or have not been otherwise resolved for an extended period of time.

- B. As discussed in prior audit recommendations, receipts are not always deposited on a timely basis. Deposit frequency varied from one or two times a week to only once a month. For example, during September 2000, although six deposit slips totaling approximately \$3,102 were prepared throughout the month, all six were deposited on one day, September 29. In addition, checks and money orders are not restrictively endorsed immediately upon receipt and monies on hand are stored in an unlocked file cabinet until deposit. Also, the change fund is not maintained at a set amount.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100, checks and money orders should be endorsed immediately upon receipt, monies on hand should be stored in a secure location until deposited, and the change fund should be maintained at a set amount.

- C. As discussed in prior audit recommendations, bank reconciliations are not prepared for any of the municipal bank accounts. In addition, neither a current checkbook balance nor book balance is maintained for the municipal transactions.

Monthly bank reconciliations are necessary to ensure the bank account is in agreement with the accounting records and to detect errors on a timely basis. Maintaining current checkbook balances and book balances is necessary to prepare effective and accurate bank reconciliations, and ensure sufficient funds are available for disbursements.

- D. Monthly listings of open items (liabilities) have not been prepared for the municipal accounts since May 2000 and these listings were not reconciled to the cash balances. Comparisons of cash balances to identified liabilities indicated unreconciled differences existed at each year-end of the audit period and as of March 2001, for the Boonville municipal account. At March 2001, identified liabilities exceeded the cash balance by approximately \$839.

Monthly listings of open items are necessary to ensure accountability over open cases. The periodic reconciliation of liabilities with the cash balance provides assurance the records are in balance and that sufficient cash is available to meet liabilities.

- E. Bond monies collected by the Boonville Police Department are transmitted to the Municipal Division for deposit. However, the Municipal Division does not issue a receipt slip to the police department to document which bonds have been transferred and the date of the transfer. In addition, bond monies are not always receipted and deposited by the Municipal Division in a timely manner. Thirty-four bonds, totaling \$5,482, were held thirty or more days after receipt by the police department and before being recorded in the municipal receipt ledger. Most of the bonds collected for the municipal cases are cash. Because the dates of the transmittals were not generally documented, it was difficult to determine whether the delay was due to police department or court procedures. In addition, no independent reviews are performed comparing the monies transmitted by the police department to the court's receipt records.

To safeguard bond collections and reduce the risk of loss, theft, or misuse of these funds, these monies should be receipted immediately with a copy of the receipt being provided to the police department, and deposited in a timely manner. An independent review should be performed periodically comparing the monies received by the police department to what is recorded as received in the court's records.

- F. Disbursements to the state, city and other entities for municipal fines and court costs collected are untimely. Collections for the months of March, April, and May 2000 were not disbursed until July 28, 2000. The October and November 2000 collections were not distributed until February 22, 2001. As of June 2001, no distributions have been made for December 2000 through March 2001 activity.

Timely disbursements of fines and costs collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner.

- G. Neither the Boonville Police Department nor the Municipal Division maintains adequate records or monitoring procedures to account for traffic and ordinance tickets assigned and issued, and the ultimate disposition. The police department maintains a ticket log containing basic information for each ticket issued. The

police department places a checkmark beside each case upon final disposition by the court. This occurs when the police department receives a copy of the ticket noting the final disposition of the case. However, the police department does not appear to follow-up on the ultimate disposition of tickets when this information is not received from the Associate Division in a timely manner. Numerous tickets on the police department's ticket log from January 1, 1997 to present, did not indicate a final disposition. At least some of these tickets had been resolved.

Without a proper accounting of the numerical sequence and disposition of traffic tickets, the police department and the Municipal Division cannot be assured that all traffic tickets issued are properly submitted to the court for processing, voided, or not prosecuted. The Municipal Division should work with the Boonville Police Department and any other police departments of cities for which the court collects ticket monies to establish procedures to ensure tickets sent to the court are received and processed accordingly.

- H. Procedures for maintaining municipal records need improvement. Court personnel had difficulty locating various municipal records, case information related to some tickets was not complete, and ticket copies could not always be located. A portion of the March 2001, receipt ledger was never located. Also numerous case files, tickets, and monies had been removed from or misfiled within the court's offices. Numerous alterations were made to the receipt records and case docket information. Several instances were noted where receipt data was noted on a post-it note and attached to the related ticket or docket. Periodic reviews of case files and/or the receipt ledger could have revealed these conditions more timely.

Retention of accounting records is essential to establishing accountability for the court's financial activity. Case files include all relevant information related to court cases, and they should be properly controlled and filed to ensure they are readily accessible when needed. Procedures for periodic reviews of the accounting records and case files should be established.

WE RECOMMEND the Associate Division III Judge ensure:

- A. Duties surrounding the handling of municipal tickets and the related payments are segregated to the extent practical. At a minimum, there should be an independent comparison of receipt slips to bank deposits and an independent review of bank reconciliations. Also, procedures should be established to periodically identify and review any cases that have had no recorded activity or have not been otherwise resolved for an extended period of time.
- B. Receipts are deposited daily or when accumulated receipts exceed \$100, checks and money orders are endorsed immediately upon receipt, receipts are stored in a secure location until deposited, and the change fund is maintained at a set amount.

- C. Monthly bank reconciliations are performed and checkbook and ledger balances maintained.
- D. Monthly listings of open items are prepared and reconciled to the cash balance.
- E. Receipt slips which indicate the amount and date received are issued to the agencies transferring bond monies to the court.
- F. Monies collected are disbursed to applicable parties in a timely manner.
- G. Procedures are established with the police department to improve accountability for municipal tickets sent to the court.
- H. Periodic independent reviews of accounting records and case file information are performed.

AUDITEE'S RESPONSE

The Associate Division III Judge provided the following response:

I wish to commend you and your very professional staff for the promptness and thoroughness with which the criminal audit of Cooper County Circuit Court Division 3 has been conducted. The discovery of criminal conduct in this office was a painful and informative experience. Your staff helped to guide us through the process of the audit while we continued to meet the daily needs of the public.

The recommendations contained in the Draft Report listed A - H appear to be appropriate. Although these suggestions were thought by me to be in place, they obviously were not being followed with any regularity. This office will make every effort to fully implement the recommendations as set forth in the Draft Report.

The city of Boonville Police Chief provided the following response to E and G:

After reviewing your office's recommendations, I have come to agreement on two issues.

First, follow up on the disposition of tickets when that disposition is not received from the Associate Division will be made by the Police Department.

Secondly, the Police Department should receive receipts for any and all bonds collected by the Department and forwarded to the court.

We will do whatever we can on our end to follow through on action upholding these two recommendations.

This report is intended for the information of the management of the Eighteenth Judicial Circuit, Associate Division III, Municipal Division of Cooper County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

EIGHTEENTH JUDICIAL CIRCUIT
ASSOCIATE DIVISION III
MUNICIPAL DIVISION
COOPER COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Eighteenth Judicial Circuit, Associate Division III, Municipal Division, Cooper County, Missouri, on recommendations made in the Management Advisory Report (MAR) of our Cooper County audit report issued for the two years ended December 31, 1996. The prior recommendations which have not been implemented are repeated in the current MAR.

Associate Circuit Division's Controls and Procedures

- A. Receipts were not always deposited into the municipal bank accounts timely, and the change fund was not maintained at a constant amount.
- B. Checks were not restrictively endorsed until deposits were prepared.
- C. Formal bank reconciliations were not prepared for the municipal bank accounts.
- D. While monthly listings of liabilities (open items) were prepared, the listings were not reconciled to the cash balances.

Recommendation:

The Associate Circuit Judge:

- A. Ensure all receipts are deposited daily or when accumulated receipts exceed \$100, and ensure the change fund is maintained at a constant amount.
- B. Ensure all checks are restrictively endorsed immediately upon receipt.
- C. Ensure formal monthly bank reconciliations are prepared for all accounts.
- D. Ensure a complete and accurate open items list is maintained and reconciled to the cash balance monthly. Any discrepancies should be promptly investigated and resolved.

Status:

Not implemented. See MAR No. 2.

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**PUTNAM COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-66
August 27, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Putnam, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Putnam County was a financial and compliance audit of various county operating funds. The following concerns were noted:

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Putnam County's Associate County Commissioners salaries were each increased approximately \$5,000 yearly.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,000 for the two years ended December 31, 2000, should be repaid.

The audit also includes matters relating to the County Hospital's financial condition and the county's annual published financial statements. The county should consider these matters and take appropriate corrective action.

Copies of the audit are available upon request.

YELLOW SHEET

PUTNAM COUNTY, MISSOURI

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PUTNAM COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Putnam County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Putnam County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Putnam County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Putnam County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Putnam County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 21, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 21, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	John Luetkemeyer, CPA
In-Charge Auditor:	Robert L. McArthur II
Audit Staff:	Liang Xu
	Lucinda Elliott



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Putnam County, Missouri

We have audited the special-purpose financial statements of various funds of Putnam County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Putnam County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Putnam County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Putnam County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

June 21, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 84,051	417,412	432,622	68,841
Special Road and Bridge	176,443	990,072	963,652	202,863
Assessment	5,723	74,688	79,072	1,339
Law Enforcement Training	676	1,389	1,781	284
Prosecuting Attorney Training	694	369	263	800
Health Center	47,342	239,655	242,426	44,571
Law Enforcement Sales Tax	27,082	222,662	231,898	17,846
Local Emergency Planning Commission	13,279	3,069	373	15,975
K-9 & Poor	489	1,301	1,266	524
Domestic Violence	1	189	189	1
Prosecuting Attorney Bad Check	7,479	4,963	3,329	9,113
Recorder User Fees	7,086	2,690	0	9,776
Special Police Training	0	609	609	0
Enhanced 911	123,340	123,554	89,808	157,086
Associate Circuit Division Interest	739	327	583	483
Circuit Clerk Interest	2,341	325	0	2,666
Local Law Enforcement Block Grant	1	0	0	1
Law Library	184	2,784	2,280	688
Total	\$ 496,950	2,086,058	2,050,151	532,857

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PUTNAM COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 83,129	407,818	406,896	84,051
Special Road and Bridge	189,205	731,772	744,534	176,443
Assessment	553	70,396	65,226	5,723
Law Enforcement Training	828	1,381	1,533	676
Prosecuting Attorney Training	1,028	387	721	694
Health Center	51,290	253,635	257,583	47,342
Law Enforcement Sales Tax	24,491	214,175	211,584	27,082
Local Emergency Planning Commission	0	14,397	1,118	13,279
K-9 & Poor	745	2,026	2,282	489
Domestic Violence	340	251	590	1
Prosecuting Attorney Bad Check	4,952	4,815	2,288	7,479
Recorder User Fees	5,895	3,191	2,000	7,086
Special Police Training	0	773	773	0
Enhanced 911	8,185	115,904	749	123,340
Associate Circuit Division Interest	885	242	388	739
Circuit Clerk Interest	1,894	447	0	2,341
Local Law Enforcement Block Grant	10	1,513	1,522	1
Law Library	377	2,629	2,822	184
Total	\$ 373,807	1,825,752	1,702,609	496,950

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PUTNAM COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 2,102,227	2,083,274	(18,953)	1,972,852	1,821,610	(151,242)
DISBURSEMENTS	2,306,604	2,047,871	258,733	1,998,312	1,698,265	300,047
RECEIPTS OVER (UNDER) DISBURSEMENTS	(204,377)	35,403	239,780	(25,460)	123,345	148,805
CASH, JANUARY 1	496,765	496,765	0	375,019	373,420	(1,599)
CASH, DECEMBER 31	292,388	532,168	239,780	349,559	496,765	147,206
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	200,000	187,284	(12,716)	180,000	192,560	12,560
Sales taxes	121,000	138,146	17,146	109,500	120,375	10,875
Intergovernmental	8,681	5,716	(2,965)	5,205	13,563	8,358
Charges for services	57,209	49,870	(7,339)	55,814	52,254	(3,560)
Interest	9,000	7,924	(1,076)	11,000	8,543	(2,457)
Other	23,394	28,472	5,078	19,728	20,523	795
Transfers in	28,545	0	(28,545)	24,435	0	(24,435)
Total Receipts	447,829	417,412	(30,417)	405,682	407,818	2,136
DISBURSEMENTS						
County Commission	69,121	67,517	1,604	69,121	69,152	(31)
County Clerk	58,691	59,977	(1,286)	56,024	54,224	1,800
Elections	26,054	26,913	(859)	6,240	7,159	(919)
Buildings and grounds	47,550	43,336	4,214	71,650	35,423	36,227
Employee fringe benefits	26,139	24,883	1,256	30,676	29,780	896
County Treasurer and Ex Officio						
County Collector	32,446	31,972	474	30,508	28,013	2,495
Circuit Clerk and Ex Officio						
Recorder of Deeds	26,071	25,162	909	28,215	21,430	6,785
Associate Circuit Court	7,725	5,177	2,548	10,681	7,931	2,750
Associate Circuit (Probate)	900	871	29	900	305	595
Court administration	1,244	2,783	(1,539)	1,709	979	730
Public Administrator	11,311	10,560	751	10,761	10,725	36
Prosecuting Attorney	68,509	69,652	(1,143)	62,915	61,609	1,306
Juvenile Officer	10,832	5,575	5,257	21,383	15,484	5,899
County Coroner	3,704	3,639	65	3,704	3,616	88
Other	62,588	53,405	9,183	59,100	57,260	1,840
Public health and welfare services	1,200	1,200	0	1,200	1,200	0
Emergency Fund	16,329	0	16,329	13,520	2,606	10,914
Total Disbursements	470,414	432,622	37,792	478,307	406,896	71,411
RECEIPTS OVER (UNDER) DISBURSEMENTS	(22,585)	(15,210)	7,375	(72,625)	922	73,547
CASH, JANUARY 1	84,051	84,051	0	82,992	83,129	137
CASH, DECEMBER 31	61,466	68,841	7,375	10,367	84,051	73,684

Exhibit B

PUTNAM COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	30,000	27,821	(2,179)	25,000	26,134	1,134
Intergovernmental	909,000	942,382	33,382	859,000	683,459	(175,541)
Interest	12,000	10,566	(1,434)	16,000	12,235	(3,765)
Other	10,500	9,303	(1,197)	14,500	9,944	(4,556)
Total Receipts	961,500	990,072	28,572	914,500	731,772	(182,728)
DISBURSEMENTS						
Salaries	86,424	86,424	0	83,833	83,833	0
Employee fringe benefits	12,512	10,938	1,574	11,313	11,326	(13)
Supplies	6,100	1,179	4,921	7,550	2,229	5,321
Insurance	1,500	1,500	0	3,000	689	2,311
Road and bridge materials	451,000	407,571	43,429	331,000	364,687	(33,687)
Equipment repairs	12,000	67	11,933	11,000	684	10,316
Rentals	1,200	1,300	(100)	1,200	1,200	0
Construction, repair, and maintenance	460,000	427,237	32,763	400,000	248,263	151,737
Other	50,200	27,436	22,764	40,600	31,623	8,977
Transfers out	28,845	0	28,845	27,435	0	27,435
Total Disbursements	1,109,781	963,652	146,129	916,931	744,534	172,397
RECEIPTS OVER (UNDER) DISBURSEMENTS	(148,281)	26,420	174,701	(2,431)	(12,762)	(10,331)
CASH, JANUARY 1	176,443	176,443	0	188,928	189,205	277
CASH, DECEMBER 31	28,162	202,863	174,701	186,497	176,443	(10,054)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	83,012	68,182	(14,830)	79,000	69,066	(9,934)
Charges for services	100	264	164	200	205	5
Interest	500	772	272	600	775	175
Other	390	470	80	765	350	(415)
Transfers in	7,588	5,000	(2,588)	10,000	0	(10,000)
Total Receipts	91,590	74,688	(16,902)	90,565	70,396	(20,169)
DISBURSEMENTS						
Assessor	91,590	79,072	12,518	78,646	65,226	13,420
Total Disbursements	91,590	79,072	12,518	78,646	65,226	13,420
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(4,384)	(4,384)	11,919	5,170	(6,749)
CASH, JANUARY 1	5,723	5,723	0	551	553	2
CASH, DECEMBER 31	5,723	1,339	(4,384)	12,470	5,723	(6,747)

Exhibit B

PUTNAM COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,500	1,389	(111)	2,000	1,381	(619)
Total Receipts	1,500	1,389	(111)	2,000	1,381	(619)
DISBURSEMENTS						
Sheriff	1,500	1,781	(281)	2,000	1,533	467
Total Disbursements	1,500	1,781	(281)	2,000	1,533	467
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(392)	(392)	0	(152)	(152)
CASH, JANUARY 1	676	676	0	825	828	3
CASH, DECEMBER 31	676	284	(392)	825	676	(149)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	500	369	(131)	500	387	(113)
Total Receipts	500	369	(131)	500	387	(113)
DISBURSEMENTS						
Prosecuting Attorney	500	263	237	500	721	(221)
Total Disbursements	500	263	237	500	721	(221)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	106	106	0	(334)	(334)
CASH, JANUARY 1	694	694	0	0	1,028	1,028
CASH, DECEMBER 31	694	800	106	0	694	694
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	75,400	73,746	(1,654)	73,500	78,648	5,148
Intergovernmental	170,718	154,653	(16,065)	183,850	164,537	(19,313)
Charges for services	3,000	3,712	712	3,500	3,030	(470)
Interest	3,800	3,258	(542)	3,500	3,698	198
Other	4,200	4,286	86	11,250	3,722	(7,528)
Total Receipts	257,118	239,655	(17,463)	275,600	253,635	(21,965)
DISBURSEMENTS						
Salaries	193,000	189,890	3,110	189,000	179,445	9,555
Office expenditures	25,790	25,507	283	26,767	26,600	167
Equipment	500	0	500	500	0	500
Travel	7,800	7,329	471	7,556	6,607	949
Professional services	27,178	16,853	10,325	51,777	40,684	11,093
Women, infants, and children	2,850	2,847	3	0	4,247	(4,247)
Total Disbursements	257,118	242,426	14,692	275,600	257,583	18,017
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(2,771)	(2,771)	0	(3,948)	(3,948)
CASH, JANUARY 1	47,342	47,342	0	51,290	51,290	0
CASH, DECEMBER 31	47,342	44,571	(2,771)	51,290	47,342	(3,948)

Exhibit B

PUTNAM COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	133,700	138,618	4,918	126,500	133,706	7,206
Intergovernmental	2,900	5,245	2,345	8,050	15,118	7,068
Charges for services	70,100	77,246	7,146	66,500	64,550	(1,950)
Interest	700	1,553	853	0	801	801
Total Receipts	207,400	222,662	15,262	201,050	214,175	13,125
DISBURSEMENTS						
Salaries	160,686	159,251	1,435	152,354	143,384	8,970
Office expense	8,310	7,947	363	6,640	8,805	(2,165)
Vehicle expense	31,081	29,730	1,351	30,582	30,978	(396)
Other	29,550	34,970	(5,420)	35,550	28,417	7,133
Total Disbursements	229,627	231,898	(2,271)	225,126	211,584	13,542
RECEIPTS OVER (UNDER) DISBURSEMENTS	(22,227)	(9,236)	12,991	(24,076)	2,591	26,667
CASH, JANUARY 1	27,082	27,082	0	24,385	24,491	106
CASH, DECEMBER 31	4,855	17,846	12,991	309	27,082	26,773
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	2,000	2,367	367	2,000	2,444	444
Interest	0	702	702	0	0	0
Transfers in	0	0	0	0	11,953	11,953
Total Receipts	2,000	3,069	1,069	2,000	14,397	12,397
DISBURSEMENTS						
Postage	64	100	(36)	32	33	(1)
Equipment	0	260	1,240	7,000	0	7,000
Training & mileage	1,500	13	(13)	500	1,085	(585)
Total Disbursements	1,564	373	1,191	7,532	1,118	6,414
RECEIPTS OVER (UNDER) DISBURSEMENTS	436	2,696	2,260	(5,532)	13,279	18,811
CASH, JANUARY 1	13,279	13,279	0	11,953	0	(11,953)
CASH, DECEMBER 31	13,715	15,975	2,260	6,421	13,279	6,858
<u>K-9 & POOR FUND</u>						
RECEIPTS						
Intergovernmental	3,000	1,301	(1,699)	350	2,026	1,676
Interest	0	0	0	10	0	(10)
Total Receipts	3,000	1,301	(1,699)	360	2,026	1,666
DISBURSEMENTS						
K-9 care & food	3,000	1,266	1,734	400	2,282	(1,882)
Total Disbursements	3,000	1,266	1,734	400	2,282	(1,882)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	35	35	(40)	(256)	(216)
CASH, JANUARY 1	489	489	0	157	745	588
CASH, DECEMBER 31	489	524	35	117	489	372

Exhibit B

PUTNAM COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	250	189	(61)	300	251	(49)
Total Receipts	250	189	(61)	300	251	(49)
DISBURSEMENTS						
Shelters	250	189	61	600	590	10
Total Disbursements	250	189	61	600	590	10
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(300)	(339)	(39)
CASH, JANUARY 1	1	1	0	339	340	1
CASH, DECEMBER 31	1	1	0	39	1	(38)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	6,000	4,963	(1,037)	6,000	4,815	(1,185)
Total Receipts	6,000	4,963	(1,037)	6,000	4,815	(1,185)
DISBURSEMENTS						
Statutes and law books	1,000	0	1,000	0	168	(168)
Equipment	4,000	2,829	1,171	5,500	1,620	3,880
Other	500	500	0	500	500	0
Total Disbursements	5,500	3,329	2,171	6,000	2,288	3,712
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,634	1,134	0	2,527	2,527
CASH, JANUARY 1	7,479	7,479	0	4,938	4,952	14
CASH, DECEMBER 31	7,979	9,113	1,134	4,938	7,479	2,541
<u>RECORDER USER FEES FUND</u>						
RECEIPTS						
Charges for services	3,000	2,690	(310)	3,500	3,191	(309)
Total Receipts	3,000	2,690	(310)	3,500	3,191	(309)
DISBURSEMENTS						
Bookbinding	2,000	0	2,000	2,000	2,000	0
Equipment	0	0	0	2,070	0	2,070
Total Disbursements	2,000	0	2,000	4,070	2,000	2,070
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	2,690	1,690	(570)	1,191	1,761
CASH, JANUARY 1	7,086	7,086	0	5,878	5,895	17
CASH, DECEMBER 31	8,086	9,776	1,690	5,308	7,086	1,778

Exhibit B

PUTNAM COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL POLICE TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	800	609	(191)	600	773	173
Total Receipts	800	609	(191)	600	773	173
DISBURSEMENTS						
State training fund	800	609	191	600	773	(173)
Total Disbursements	800	609	191	600	773	(173)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>ENHANCED 911 FUND</u>						
RECEIPTS						
Sales taxes	119,000	121,331	2,331	68,000	115,904	47,904
Interest	0	2,223	2,223	0	0	0
Total Receipts	119,000	123,554	4,554	68,000	115,904	47,904
DISBURSEMENTS						
Salaries	27,500	2,623	24,877	0	0	0
Meetings and training	2,000	666	1,334	620	610	10
Office expenses	1,300	2,087	(787)	200	139	61
Equipment	3,500	1,261	2,239	0	0	0
Consultant fees	90,790	82,790	8,000	0	0	0
Telephone expense	1,200	381	819	0	0	0
Other	6,000	0	6,000	80	0	80
Total Disbursements	132,290	89,808	42,482	900	749	151
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,290)	33,746	47,036	67,100	115,155	48,055
CASH, JANUARY 1	123,340	123,340	0	0	8,185	8,185
CASH, DECEMBER 31	110,050	157,086	47,036	67,100	123,340	56,240
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	240	327	87	1,245	242	(1,003)
Total Receipts	240	327	87	1,245	242	(1,003)
DISBURSEMENTS						
Equipment	170	583	(413)	300	388	(88)
Total Disbursements	170	583	(413)	300	388	(88)
RECEIPTS OVER (UNDER) DISBURSEMENTS	70	(256)	(326)	945	(146)	(1,091)
CASH, JANUARY 1	739	739	0	889	885	(4)
CASH, DECEMBER 31	809	483	(326)	1,834	739	(1,095)

Exhibit B

PUTNAM COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	500	325	(175)	950	447	(503)
Total Receipts	500	325	(175)	950	447	(503)
DISBURSEMENTS						
Shelving	500	0	500	0	0	0
Equipment	0	0	0	800	0	800
Total Disbursements	500	0	500	800	0	800
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	325	325	150	447	297
CASH, JANUARY 1	2,341	2,341	0	1,894	1,894	0
CASH, DECEMBER 31	\$ 2,341	2,666	325	2,044	2,341	297

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

PUTNAM COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Putnam County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Enhanced 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Local Law Enforcement Block Grant and Law Library Funds for the years ended December 31, 2000 and 1999.

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Associate Circuit Division Interest	2000 and 1999
Law Enforcement Training	2000
Law Enforcement Sales Tax	2000

Prosecuting Attorney Training	1999
K-9 and Poor	1999
Special Police Training	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2000 and 1999, did not include the Law Library Fund.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

At December 31, 2000, the reported amount of the county's deposits was \$462,368 and the bank balance was \$519,011. Of the bank balance, \$100,000 was covered by federal depositary insurance and \$419,011 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depositary bank's customers.

At December 31, 1999, the reported amount of the county's deposits was \$485,961 and the bank balance was \$534,627. Of the bank balance, \$100,000 was covered by federal depositary insurance and \$434,627 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depositary bank's customers.

At December 31, 2000, the reported amount of the Emergency 911 Board's deposits was \$107,086 and the bank balance was \$114,863. Of the bank balance, \$100,000 was covered by federal depositary insurance and \$14,863 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depositary bank's customers.

Of the Emergency 911 Board's bank balance at December 31, 1999, \$100,000 was covered by federal depositary insurance and \$23,340 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depositary bank's customers.

Investments

The investment of the various county funds at December 31, 2000 and 1999, included repurchase agreements with reported amounts of \$215,000 and \$200,000, respectively, (which approximated fair value). These investments represent uninsured and unregistered investments for which the securities were held by the dealer bank's trust department or agent in the county's name.

Supplementary Schedule

Schedule

PUTNAM COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS0451-186W	\$ 18,692	5,400
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety -				
16.592	Local Law Enforcement Block Grants Program	98-LBG-076	0	1,522
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	2,055	1,091
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-086(4)	2,996	203,410
		BRO-086(12)	242,435	2,768
		BRO-086(13)	197,474	3,503
	Program Total		<u>442,905</u>	<u>209,681</u>
State Emergency Management Agency -				
20.703	Interagency Hazardous Material Public Sector Training and Planning Grant	N/A	1,625	0
U. S. DEPARTMENT OF EDUCATION				
Passed through state Department of Elementary and Secondary Education -				
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	N/A	1,468	609

Schedule

PUTNAM COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ER0146-9186CLPP	794	1,282
93.268	Immunization Grants	N/A	13,374	9,485
		PGO0064-9186IAP	0	1,690
	Program Total		<u>13,374</u>	<u>11,175</u>
93.575	Child Care and Development Block Grant	ER0146-9186CCH	815	1,195
93.991	Preventive Health and Health Services Block Grant	N/A	124	80
93.994	Maternal and Child Health Services Block Grant to the States	ER0146-9186MCH	12,518	16,213
		N/A	622	398
	Program Total		<u>13,140</u>	<u>16,611</u>
	Total Expenditures of Federal Awards		\$ <u><u>494,992</u></u>	<u><u>248,646</u></u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

PUTNAM COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Putnam County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Of the amounts for Immunization Grants (CFDA number 93.268), \$13,374 and \$9,485 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the

years ended December 31, 2000 and 1999. Amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991) represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$622 and \$398 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Putnam County, Missouri

Compliance

We have audited the compliance of Putnam County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Putnam County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Putnam County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Putnam County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 21, 2001 (fieldwork completion date)

Schedule

PUTNAM COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to the financial statements
noted? _____ yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? _____ yes x no

Identification of major program:

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PUTNAM COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PUTNAM COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

PUTNAM COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Putnam County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 21, 2001. We also have audited the compliance of Putnam County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 21, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Putnam County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Associate Commissioner Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Putnam County's Associate County Commissioners salaries were each increased approximately \$5,000 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,000 for the two years ended December 31, 2000, should be repaid.

The County Commission indicated that the Salary Commission believed it was following existing state law when setting these salaries, and the County Commission has requested legal counsel to provide a recommended course of action.

2. Hospital Financial Condition

As separately reported by another independent auditor in their audit report for the two years ended June 30, 2000, issued on October 5, 2000, the Putnam County Hospital has been experiencing a deteriorating financial condition over the last few years. While cutbacks have been made and more changes are planned, the Hospital Board of Trustees should continue to closely monitor the financial condition of the hospital.

3. County Financial Statements

The annual published financial statements did not include receipt and disbursement detail for several of the smaller county funds, as required by Section 50.800, RSMo 2000.

This Letter on Other Matters is intended for the information of the management of Putnam County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**DEPARTMENT OF ECONOMIC DEVELOPMENT -
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS,
AND MISSOURI COMMUNITY SERVICE COMMISSION**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-65
August 24, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Department of Economic Development, Administrative Services, Economic Development Groups, and Missouri Community Service Commission.

The Department of Economic Development may have potentially wasted or lost over \$775,400 in state funds and increased the state's level of risk for the Urban Enterprise Loan Program. Each year the department receives an appropriation of approximately \$2 million to be used equally in St. Louis and Kansas City under the Urban Enterprise Loan Program. The Department of Economic Development contracts with local lending institutions to provide loans and these contracts are specific regarding the maximum loan amount per business. The following highlights the audit findings:

- The Department of Economic Development did not adequately monitor the Urban Enterprise Loan Program to ensure the organizations complied with their contracts. Both organizations administered loans to small businesses that exceeded the loan limits set by their contracts with the department. Since 1996, 57 business loans in excess of \$4 million were authorized in St. Louis and Kansas City. Of these 57 loans, 25 exceeded the maximum amount allowed, 11 loans had defaulted, with ten of the 11 loans receiving more than the maximum allowed.
- The organization in Kansas City failed to provide the Department of Economic Development with required loan information or quarterly reports. A year-end report noted the organization had included business loans that were not Urban Enterprise loans and several of the business loans stated the wrong loan amount.
- A prior contract organization in St. Louis had failed to return approximately \$419,400 in Urban Enterprise monies to the department. At the end of the two-year contract in June 1998, the department requested the unspent loan monies held by this organization be placed in a separate account for use by the new contractor administering the program in St. Louis. Nothing was done with these monies until March 2001, when they were returned to the department.
- The Department of Economic Development has no recovery plans for the loss of over \$700,000 in Urban Enterprise Loan monies. The department guaranteed two business loans with Urban Enterprise monies outside of the organizations they had contracted with to administer the program. Neither of these loan guarantees followed the procedure similar to those established by the department contractors.

(over)

YELLOW SHEET

The Department of Economic Development did not adequately monitor Neighborhood Assistance Program projects to ensure they were completed as approved. Numerous program files did not contain the required quarterly progress reports, final reports for completed projects, or any evidence that site visits were made on projects. Without this documentation there is little evidence or assurances that the program projects exist or have been completed as approved.

In 1999, the Department of Economic Development issued two Interim Financing Loans that exceeded the limits set by the Consolidated Action Plan by a total of \$740,000. By issuing these loans under the Interim Financing Loan program, the department is did not comply with the Consolidated Action Plan and could put the Housing and Urban Development's continued funding at risk.

The Missouri Community Service Commission holds required quarterly commission and program director meetings throughout Missouri. The commission paid all meal and lodging costs associated with these meetings. The total lodging and meal costs of these meetings in fiscal years 2000 and 1999 were approximately \$20,000 and \$37,000, respectively. It does not appear necessary to incur some of the meal and lodging costs for a one-hour business meeting or reception. Our audit noted that none of the expenditures reviewed included an accurate listing of attendees for meal and lodging, and the number of individuals listed did not agree to the number of rooms or meals provided.

In fiscal years 2000 and 1999, the Department of Economic Development paid \$715,315 and \$666,222, respectively, in travel expenses, and \$66,880 and \$77,437, respectively, in department provided meal expenses. We noted seventeen instances where invoices were paid without adequate documentation. In eight instances department employees flew business class. In two of these instances we were able to determine that the business class tickets cost \$9,096 while coach fare would have cost \$2,795. There was no documentation indicating any prior approval by a supervisor for incurring the additional cost for the business class flights.

The Department of Economic Development has not developed criteria for determining who is allowed to access the Statewide Advantage for Missouri System (SAM II), the purpose and level of the access, and who determines and grants the access. There are no policies for documenting and reporting management authorization of new access, changes to existing access, or removal of current access when an employee terminates or transfers.

DEPARTMENT OF ECONOMIC DEVELOPMENT –
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS,
AND MISSOURI COMMUNITY SERVICE COMMISSION

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ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS,
AND MISSOURI COMMUNITY SERVICE COMMISSION

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Joseph L. Driskill, Director
Department of Economic Development
Jefferson City, MO 65102

We have audited the Department of Economic Development-Administrative Services, Economic Development Groups, and Missouri Community Service Commission. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objective of this audit was to review certain management control procedures, legal compliance issues, policies, and management practices.

Our audit was conducted in accordance with applicable standards contained in Government Auditing Standards, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the department's revenues, expenditures, contracts, and other pertinent procedures and documents, and interviewed department personnel.

As part of our audit, we assessed the department's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit was limited to the specific matter described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the Department of Economic Development-Administrative Services, Economic Development Groups, and Missouri Community Service Commission.

The accompanying Management Advisory Report Section presents our findings arising from our audit of the Department of Economic Development-Administrative Services, Economic Development Groups, and Missouri Community Service Commission.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

November 3, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Blattel, CPA
In-Charge Auditor:	Terrie Laswell, CPA
Audit Staff:	Troy Royer
	Alana Flint
	Ayana Merchant
	Maggie Hao

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF ECONOMIC DEVELOPMENT –
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS,
AND MISSOURI COMMUNITY SERVICE COMMISSION
SUMMARY OF FINDINGS

1. Neighborhood Assistance Program (NAP) (pages 7-9)

The Department of Economic Development (DED) did not adequately monitor the NAP projects to ensure they were completed as approved. A review of NAP projects indicated the DED had issued approximately \$321,625 in tax credits for incomplete projects or capital projects where the building was not even started.

2. Urban Enterprise Loan (UEL) Program (pages 9-12)

The DED did not adequately monitor the UEL program to ensure the administering organizations in St. Louis and Kansas City were in compliance with their contracts, which resulted in loans exceeding the maximum allowed by a total of \$787,217. The organization in Kansas City fails to provide the DED with required loan information as stated in their contract. A prior organization in St. Louis has failed to return approximately \$419,000 in UEL monies to DED. The DED has no recovery plans for the loss of approximately \$775,413 in UEL monies.

3. Interim Financing Loan Program (pages 12-13)

The DED issued Interim Financing Loans that exceeded the limits set by the Consolidated Action Plan.

4. Quarterly Meetings (pages 13-14)

The Missouri Community Service Commission incurs unnecessary costs for quarterly commission and program director meetings. Supporting documents for the quarterly meeting is not adequate.

5. Travel and Department Provided Meal Expenses (pages 14-15)

Invoices are paid without adequate supporting documentation. The DED is not following state travel regulations when employees use air travel. Two instances were noted where an employee purchased business class airfare tickets instead of coach class tickets for an additional total cost of \$6,300.

6. Innovation Centers (pages 15-17)

Accounting duties are not adequately segregated. Financial records are not maintained in a manner to ensure the DED's funds are spent only for allowable purposes. Expenditures

were made for non-operating expenses. There are no guidelines for meal and lodging reimbursements.

7. Center for Advanced Technology (CAT)
and Electronic Materials Applied Research Center (EMARC) (pages 17-18)

Time sheets are not prepared for time charged to the CAT or EMARC projects. CAT and EMARC expenditures are not approved for payment.

8. Fixed Asset Records (page 18)

The DED has not performed a physical inventory of fixed assets since August 1998.

9. Performance Appraisal (page 19)

The DED is not completing performance appraisals on a timely basis.

10. Information System Access Controls (pages 19-20)

The DED has not developed criteria for determining who is allowed access to SAM II.

DEPARTMENT OF ECONOMIC DEVELOPMENT-
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS,
AND MISSOURI COMMUNITY SERVICE COMMISSION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Neighborhood Assistance Program

Each year the Department of Economic Development (DED) awards Neighborhood Assistance Program (NAP) tax credits for community projects. The DED receives approximately 250-300 community project applications, and approves and awards tax credits to approximately 150-200 each year. The DED awarded approximately \$12 million in NAP credits in fiscal year 1999 and \$18 million in fiscal year 2000. The recipients are to raise funds for their approved project with the donors receiving 50 to 70 percent of the contribution in tax credits. The recipients, depending on the project, have between one and three years to raise the necessary funds and complete the project. Starting in fiscal year 2000, the recipients are required to submit a quarterly report indicating contributions received and the progress of their projects, with a final report due at the end of the award period. Before fiscal year 2000, the recipients were required to file a status report which did not indicate the projects progress. In addition, since the inception of the NAP, the DED has performed random site visits to determine if projects were proceeding as approved. Our review of the NAP noted the following areas in need of improvement:

- A. The DED did not adequately monitor the NAP projects to ensure they were completed as approved. Four out of ten NAP files reviewed indicated that NAP recipients had received approximately \$250,000 in contributions and the DED had issued approximately \$160,800 in tax credits for incomplete community projects.

Our review of NAP projects also noted that numerous NAP files did not contain the required quarterly progress reports, final reports for completed projects, or any evidence that site visits were made on projects. Without this documentation there is little evidence or assurances that NAP projects exist or have been completed as approved.

Starting July 1, 1996, NAP recipients sign a contract that gives the recipients three choices when a recipient cannot complete a project. One, the contributions received can be spent on another DED approved NAP project. Two, the contributions received can be returned to the donors with issued tax credits nullified. Three, the amount of the tax credits already issued can be returned to the State in an equivalent amount of cash. After our review of the four NAP files, the DED contacted one of the recipients and a check was received in the amount of \$8,750 for the tax credits that had already been issued.

It appears that an adequate monitoring system for the NAP projects would have detected problems with the above projects and prompted an investigation into the

problems. Such a system would ensure recipients were not allowed to keep the contributions that were donated for a specific purpose and spend those contributions for unapproved purposes. In addition, when tax credits are issued on an incomplete project the State of Missouri loses tax revenue and the communities do not receive the promised benefits from the projects.

- B. In 1995, the DED approved a NAP building project in which the recipient received \$229,750 in contributions and the DED issued \$160,825 in 70 percent tax credits for a construction project that was never started. The 1995 NAP contract did not include provisions for incomplete projects and the DED allowed the recipient to keep the contributions that were donated for the construction project to spend the monies as the recipient chose. However, the NAP contract did state that all NAP cash donations were to be maintained in a separate NAP fund account and that six months after the project period ended any remaining funds should be placed in an escrow account established specifically for the approved project. We noted that the monies were not placed in an escrow account and the monies were being spent on the recipient's daily operations. Thus, it appears that the DED failed to adequately monitor the project, failed to protect the state's investment in this project, and ensure that the recipient was in compliance with the NAP contract. The DED should ensure these contributions are either spent on another NAP project or the \$160,825 of tax credits issued is returned to the state.

WE RECOMMEND the DED:

- A. Contact the recipients of the incomplete projects noted above and request the amount of the tax credits already issued to be promptly returned to the State in an equivalent amount of cash. In addition, we recommend the DED ensure that established NAP compliance procedures and policies are followed in a timely manner and that all prior NAP projects be reviewed to ensure that projects were completed as approved. If projects are not completed, immediate action should be taken to return applicable monies to the state.
- B. Inform the recipient that the contributions must be spent on another approved NAP project or the value of the tax credits issued be repaid to the State, immediately.

AUDITEE'S RESPONSE

We believe that we have done a satisfactory job of compliance review given the limited resources we have been provided to perform this function. The Department has requested more resources for audit staff to provide compliance reviews of such programs on an ongoing basis, but we have yet to obtain the necessary funding.

As for the four projects noted in the audit report to be incomplete and for which a recovery of the benefits provided should be pursued, one project has already made a cash payment to the state for the amount of the credits and we are actively pursuing the resolution of the remaining three to bring closure to the projects identified.

It is notable that for several years now, pursuant to the authority granted us by law, it is a standard provision in our NAP agreements that the organization repay the state for any tax credits awarded on projects that fail to succeed. For any older projects without this provision in the agreement, we will assess the potential for recovery based upon an equitable claim versus a contract claim.

In summary, the Department:

- Since program year 96 has ensured that it has implemented its statutory authority to “clawback” benefits from projects that fail to succeed by including such a provision in the program agreement;*
- Identifies such failed projects to the fullest extent possible given our limited resources for audits in this program; and*
- Once a failed project is identified, pursues enforcement of the contractual clawback provision. For projects awarded credits prior to the clawback provision being authorized to be included in the contract, we have identified equitable remedies that might be pursued.*

2. Urban Enterprise Loan Program

Each year the DED receives an appropriation of approximately \$2 million to be used equally in St. Louis and Kansas City under the Urban Enterprise Loan Program (UEL). The purpose of the program is to insure or secure small business loans in designated areas of St. Louis and Kansas City to help small businesses obtain finance leveraging. The DED contracts with an organization in St. Louis and Kansas City to administer a small business-lending program for eligible businesses in each city under the UEL program. For a business to be eligible, they must have fewer than 100 employees and reside in the federally established urban enterprise zone. The DED contracts with local lending institutions to provide loans. These contracts are specific regarding the maximum loan amount per business. The UEL contract states that the maximum loan per business is the lower of \$20,000 per new job created or retained; \$100,000; or 50 percent of the total project cost. The DED paid loan administration fees to the two organizations of approximately \$178,000 and \$116,000 in fiscal years 2000 and 1999, respectively. Our review of the UEL program noted the following areas of concern:

- A.1. The DED did not adequately monitor the UEL program to ensure the organizations were in compliance with their contracts. Both organizations administered loans to small businesses that exceeded the loan limits set by their contracts with the DED. We noted that since 1996 thirty-seven business loans were authorized in St. Louis and twenty in Kansas City, resulting in fifty-seven loans in the amount of \$4,098,210. Of these fifty-seven loans, twenty-five (43 percent) exceeded the maximum amount allowed by a total of \$787,217. By lending more than is allowed, the State has assumed a higher level of risk if the business fails, and has reduced the amount available for future loans to eligible businesses. In fact, we noted that of these fifty-seven loans, eleven (19 percent) of these loans had defaulted, with ten of the eleven loans receiving more than the maximum allowed. These eleven loans totaled \$778,250 of which \$314,217 was more than the maximum allowed.

It appears that an adequate monitoring system of the UEL program would have detected that the loans were in excess of the maximum allowed and prompted an investigation to ensure that the loans authorized were proper. This could have resulted in a lower risk to the State and increased the amount available for future loans.

2. The organization in Kansas City fails to provide the DED with required loan information, as stated in their contract. The UEL contract states that the organization is to submit specific business information to the DED for final approval before loans are authorized. We noted that the DED had not been notified or given the final approval for one of the business loans issued in the amount of \$100,000. In addition, the organization is to provide a quarterly listing of the name of each new borrower (since the last report), the amount of UEL funds loaned, the amount of other funds involved in the project, the race and gender of the primary owners, existing number of employees, and the number of new or retained jobs. The Kansas City organization does not provide the quarterly report; however, at the request of the DED they do provide a year-end report. Upon review of the June 30, 2000 year-end report, we noted several errors. The organization had included business loans that were not Urban Enterprise loans and several of the business loans stated the wrong loan amount.

Without timely and accurate reporting, the DED is unable to properly monitor the UEL program and ensure that the program is properly administered by the organization.

Based on the problems noted above, the DED could save the administrative costs and improve controls over the UEL program by administering this program itself.

- B. A prior contract organization in St. Louis has failed to return approximately \$419,400 in UEL monies to the DED. At the inception of the UEL program, the DED contracted with a St. Louis organization to administer the UEL program. The contract was for two years, which ended June 30, 1998. At the end of the contract, DED requested the unspent UEL monies held by this organization be placed in a separate account to be used by the new contractor administering the UEL program in St. Louis. As of October 2000, the monies had not been placed in a separate account or returned to the DED. By the contractor not returning the UEL monies as requested and the DED not ensuring state funds were properly managed, the state has lost the use of this money for any program and all interest that could have been earned in these funds since June 1998.
- C. The DED has no recovery plans for the loss of approximately \$775,413 in Urban Enterprise Loan monies. The DED guaranteed two business loans with UEL monies outside of the organizations they had contracted with to administer the UEL program. Both businesses defaulted on their loans with the applicable banks, and, as a result, the DED had to pay the guaranteed amounts. One of the businesses was located in Kansas City and one in St. Louis; neither of these loan guarantees followed the procedure similar to those established by the DED for the

contractors administering the small business-lending program of the UEL program. In addition to the loan guarantees, the DED paid \$80,000 in UEL monies to consultants that assisted the businesses in areas such as developing business plans and obtaining licenses.

By not developing guidelines similar to those established for the UEL contractor administered program, the DED may have increased the state's level of risk for the loan program, reduced the amount available to other eligible businesses, and potentially has wasted or lost over \$775,400 in state funds.

WE RECOMMEND the DED:

- A. Administer the UEL program directly to reduce costs and improve controls.
- B. Work with the prior organization for an immediate return of the UEL monies to the state treasury.
- C. Establish program guidelines to minimize the state's risk when securing loans under the Urban Enterprise Loan program. In addition, the DED should seek recovery of the lost monies if any recovery is possible.

AUDITEE'S RESPONSE

- A. *Since its inception this program has been administered by organizations or local government authorities for important reasons. The program, by its authorizing law, is for projects in St. Louis and Kansas City. It is more efficient to contract for the administration of these programs to entities in those cities that already perform similar activities with non-state resources. Reduced costs can be realized by having administrative costs shared by several funds versus it being borne only by the state. Also, the non-state resources can be matched with the UEL funds, resulting in more businesses being assisted with the same amount of state resources. DED does not have the authority to commit non-state funds in such a way. Nor can we, in as cost-effective and productive a manner, coordinate with other locally based entities that have their own resources for the focus area. The entities that we contract with have shown expertise and experience in administering loan portfolios. They have a history in the communities they serve and a good network of contacts to market the program and leverage other monies for the projects. For what is actually a low administrative fee authorized by law for this program, the synergy these entities provide means that the program benefits from the services of several people who promote and administer the program. We believe the result achieved by the program being administered locally is actually more efficient and productive than administering it in-house.*

If we are receiving less than satisfactory results from the entity we have a contract with, we can contract with another entity after an RFP process. The failure of an organization to continue to produce desired results at some point does not negate their effectiveness in the past. Should we, in the future, determine that an organization we contract with is performing unsatisfactorily, for whatever reason, and we do not find local organizations that we determine can administer the program more successfully and efficiently than we could in-house, we would certainly consider in-house administration.

- B. *The Department has already been successful in securing the return of the funds. These funds were received on March 1, 2001, and deposited in the Business Extension Service Team Fund.*
- C. *The Department requires our contractors to pursue recovery upon default. Recovery is sought where there is a possibility of recovery. It would not be a prudent practice, however, to bring lawsuits where the costs of pursuing recovery exceed the assets from which a recovery is secured – where there is little or nothing to be recovered. Even with satisfactory due diligence, this will sometimes happen, especially in light of the nature of the loans in this program. To have a loan portfolio that contains only low-risk transactions simply puts government in competition with the private sector and that is certainly not the role of public lending or of this program in particular. This program, like other public loan programs, is intended to aid those higher-risk applicants who cannot obtain conventional financing. What is important is that in assessing the propriety of an Urban Enterprise Loan Program portfolio, one must recognize that more of the borrowers will be higher-risk and therefore the default rate will be higher. We believe that we, through our contractors, do have an appropriately balanced loan portfolio given that this is a public lending program not intended to compete with the private financial sector.*

3. Interim Financing Loan Program
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In 1999, the DED issued two Interim Financing Loans that exceeded the limits set by the Consolidated Action Plan by a total of \$740,000. Each year a Consolidated Action Plan is prepared which details how the Community Development Block Grant (CDBG) monies will be used and disbursed. The plan is required and approved by the U.S. Department of Housing and Urban Development (HUD), or, without the HUD's approval, the state cannot receive CDBG funds. The plan outlines specific funding limits per project, which can change each year, for each of the CDBG loan programs. The purpose of the Interim Financing Loan (IFL) program is to provide cash flow relief for a company when the need for such assistance can be demonstrated to cause a project to occur. In 1999, the funding limits for the IFL program was the lower of \$25,000 per new job created or retained; \$5,000,000; or 30 percent of the total project cost. The DED issued an IFL in the city of Nevada in the amount of \$260,000, which exceeded the maximum allowed by \$26,000. The other IFL was issued in the city of Mexico in the amount of \$1,800,000, which exceeded the maximum allowed by \$714,000.

By issuing these loans under the IFL program, the DED is not in compliance with the Consolidated Action Plan and HUD's continued funding could be at risk. In addition, by exceeding the maximum allowed the risk assumed by the state for the loan program is increased.

WE RECOMMEND the DED comply with the guidelines established in the Consolidated Action Plan.

AUDITEE'S RESPONSE

The State Auditor's staff reviewed nearly 80 CDBG loans covering the time period 1992 to the end of the audit period. These loans amounted to nearly 60 million dollars. The audit report cites two instances where the amount loaned exceeded the formula in our Consolidated Action Plan submitted to the U.S. Department of Housing and Urban Development. We believe that for the amount of loans and the time period, two instances of noncompliance, particularly where one clearly appears to have been due to a computational error of rounding up, are minimal. Additionally, the formula is one that we develop and submit for HUD's acceptance – we are not required by state or federal law to use the particular formula that we do.

Nevertheless, we strive for zero error and have already taken steps to ensure that the responsible program administrators are properly calculating and applying the formula for any given year. It is also notable that the Department contracted with the National Development Council for technical assistance in this and its sister CDBG loan program (Action Fund Loan) as part of our ongoing efforts to continually improve upon these programs, irrespective of any audit findings.

4. Quarterly Meetings

The Missouri Community Service Commission (MCSC) holds quarterly commission and program director meetings throughout Missouri. The meetings, which are required by federal regulation, include lodging and meals for the commissioners and the program directors. Attendance at these meetings ranges from twenty to thirty individuals. The total lodging and meal costs of these meetings in fiscal years 2000 and 1999 were approximately \$20,000 and \$37,000, respectively. Our review of the quarterly meeting's lodging and meal costs noted the following areas of concern:

- A. Some of the lodging and meal costs incurred for these meetings appear to be unnecessary. We noted that the agenda for some of the quarterly meetings included the following:

Day one	One-hour business meeting or reception, followed by dinner
Day two	Full day of training, with breakfast, lunch, and dinner provided
Day three	Half day of training, with breakfast and lunch provided

The commission paid all meal and lodging costs associated with these meetings. It does not appear necessary to incur meal and lodging costs for a one-hour business meeting or reception. The business matters addressed at this one-hour meeting or reception, if necessary, could have been handled at the start of day two or at the completion of the training on day three with no additional costs incurred.

The commission needs to reevaluate the agenda for some of the quarterly meetings in an effort to eliminate any unnecessary costs and ensure the efficient use of time and resources.

- B. We noted that none of the expenditures reviewed included an accurate listing of attendees for meals and lodging. Although all of the expenditures reviewed included a list of individuals, the number of individuals listed never agreed to the number of rooms or meals provided. Personnel at the MCSC gave several reasons why the list of attendees included with the invoices did not agree with the invoices. Some of the reasons were: there was an oversight and individuals were left off the list that should have been included, the MCSC had guaranteed with the meeting a certain number of individuals attending and some of those individuals did not attend, and some of the commissioners and program directors live in the area where the meeting is held, thus, they did not need lodging or meals. Adequate documentation is necessary to ensure the propriety of these expenditures.

WE RECOMMEND the commission:

- A. Review each meeting agenda to ensure the time and costs for each meeting are reasonable and necessary.
- B. Require adequate and complete documentation for all expenditures.

AUDITEE'S RESPONSE

- A. *The Department concurs and will implement a procedure, to at least include a review of an agenda before it is finalized, to ensure that an appropriate balance is struck among the following interests:*
- *complying with the statutory requirement of quarterly meetings;*
 - *accommodating the schedules and travel requirements of the commission members, who serve without remuneration;*
 - *providing adequate time for the Commission to conduct its business; and*
 - *increasing the efficiency of the scheduling of meetings as to start and end dates and times, which should also result in a decrease in unnecessary costs associated with inefficient scheduling.*
- B. *The Department concurs and will require that adequate and complete documentation be provided to support expenditures.*

5. Travel and Department Provided Meal Expenses
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In fiscal years 2000 and 1999, the Department of Economic Development (DED) paid approximately \$715,315 and \$666,222, respectively, in travel expenses, and \$66,880 and \$77,437, respectively, in department provided meal expenses. The travel expenses represented amounts billed to the department from various travel agencies, lodging providers, and amounts reimbursed to employees through expense accounts. The department provided meal expenses represented amounts billed to the department from various food service providers. During our review of the travel and department provided meal expenses, we noted the following areas of concern:

- A. In seventeen instances, out of sixty-one invoices reviewed, invoices were paid without adequate supporting documentation. We noted instances where invoices were paid for meals or lodging without an accurate listing of who the meals or lodging was provided for. Adequate documentation is necessary to ensure the propriety of these expenditures.
- B. In eight instances DED employees flew business class. In two of the instances we were able to determine that the business class tickets cost \$9,096 while coach fare would have cost \$2,795. There was no documentation indicating any prior approval by a supervisor for the business class flights. Rule 5 of the state travel regulations states that air travel is limited to no more than coach fare. All unusual travel expenses paid by the DED should have prior approval or be in compliance with state travel regulation.

WE RECOMMEND the DED:

- A. Require adequate documentation for all expenditures. In addition, when meals and lodging are provided, supporting documentation should include a list of all individuals who received lodging and meals.
- B. Require prior approval for all unusual travel expenses or follow the established state travel regulations.

AUDITEE'S RESPONSE

- A. *The Department follows the Office of Administration guidelines related to required documentation of expenditures.*
- B. *We will require clear documentation of any need for and formal prior approval of any atypical travel expenditures.*

6.	Innovation Centers
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The DED contracts with four innovation centers located in Columbia, Kansas City, Rolla, and St. Louis. These centers are organized as not-for-profit corporations. The innovation centers' objectives are to provide technical, managerial, financial, marketing, and other assistance to science and technology-based firms with potential for job creation and the associated economic growth. Our review of the innovation centers noted the following concerns:

- A. Accounting duties over innovation center activities in Columbia and Kansas City are not adequately segregated. Currently, one individual receives monies, records receipts and disbursements, writes checks, receives bank statements, and performs bank reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and

assets are adequately safeguarded. Proper segregation of duties helps to provide this assurance and could be achieved by segregating the functions of receiving and disbursing the monies from maintaining the accounting records. If proper segregation of duties cannot be achieved, at a minimum, there should be a documented review by an independent individual.

- B. The financial records for the innovation centers in Kansas City and Rolla are not maintained in a manner to ensure the DED's funds are spent only for allowable purposes. The innovation centers do not account for funding received from the DED and the related expenditures separately from funding and expenditures from other sources. The DED contract with the innovation centers state that funds received may only be used for salaries and operating expenses. When the DED's funding and the related expenditures are not tracked separately, there is no assurance that the DED's funds are being used only for the purpose they were intended.
- C. The Kansas City innovation center spent approximately \$950 for Christmas gifts and Christmas and Thanksgiving luncheons for the board members and employees during fiscal years 2000 and 1999. In addition, we noted several instances where the Rolla innovation center purchased cake and ice cream for employee birthdays. These expenditures do not appear to be legitimate operating expenses that should be paid with the DED's funds.
- D. We noted that the Rolla innovation center has not established guidelines for the maximum dollar amounts for meal and lodging reimbursements to employees. The employee is responsible for ensuring the expenses were reasonable and necessary. We noted an instance when the lodging cost was \$171 per night and a meal for the same time period was \$141. In addition, the expense reports and credit card charges do not include a purpose or provide adequate support to ensure the purchase is a proper expenditure. In the absence of established guidelines for maximum meal and lodging reimbursements, the center may be reimbursing employees for excessive or unnecessary costs. In addition, without adequate support, the center can not ensure purchases were proper.

WE RECOMMEND the DED:

- A. Require innovation centers to segregate accounting duties to the extent possible. At a minimum, an independent individual should perform documented reviews of the work performed.
- B. Require the innovation centers to maintain their accounting records in a manner that would ensure the DED's funding is spent only for allowable purposes.
- C. Establish a policy disallowing the practice of paying for Christmas gifts, luncheons, and other unnecessary food for board members and employees with state funds.

- D. Require the innovation center to establish maximum meal and lodging reimbursement guidelines and maintain adequate support for all state expenditures.

AUDITEE'S RESPONSE

We will work with the Innovation Centers to ensure that accounting duties are properly segregated. We will seek to require in future contracts that internal controls and safeguards be developed to assure that funding is spent appropriately, will disallow payments of unnecessary expenses, and establish reimbursement guidelines for all expenditures.

7. Center for Advanced Technology and Electronic Materials Applied Research Center

The DED contracts with two universities as Centers for Advanced Technology (CATS) and one university as an Electronic Materials Applied Research Center (EMARC). The objective of the CAT program is to encourage the interaction of Missouri's academic, business, and industrial communities to develop and commercialize new technologies. The objective of the EMARC program is to accelerate the commercialization of electronic materials technologies by member companies by providing advanced technical support in research and development. Our review of the CATS' and EMARC noted the following concerns:

- A. Professors and graduate students at the Rolla center do not prepare time sheets for the time charged to the CAT or EMARC projects. Time sheets are necessary as a means of documenting work actually performed and support for project expenditures.
- B. Although the Rolla CAT and EMARC centers approve project proposal budgets prepared by applicable professors, they do not review supporting documentation for the expenditures throughout the year. Rather, the professors responsible for the projects submit the invoices for payment without supervisory approval. We noted several instances where expenditures were charged to the wrong project. We also noted travel expenditures charged to CAT and EMARC projects that had no travel budgeted.

Without supervisory expenditure approval, the Rolla center cannot ensure the validity of the expenditures.

WE RECOMMEND the DED ensure that the Rolla CAT and EMARC:

- A. Require professors and graduate students to record actual time worked on CAT and EMARC projects.
- B. Require the centers to review and give approval of all project expenditures.

AUDITEE'S RESPONSE

- A. *While we agree it is important to have necessary safeguards in place to review and give approval for all project expenditures, we do not feel it necessary for the professors and graduate students to prepare time sheets for work on CAT and EMARC projects. Monthly financial reports are submitted and reviewed which includes salary and wage figures for the previous quarter. However, we will discuss the implementation of this recommendation in future negotiations of CAT and EMARC contracts.*
- B. *The Department concurs with this recommendation. We have been and will continue to work with the Rolla-CAT and EMARC to put controls in place to ensure that expenditures are properly charged and that the centers review and approve actual expenditures.*

8. Fixed Asset Records

A physical inventory of the fixed assets is not performed on an annual basis as required by the Code of State Regulations at 15 CSR 40-2.031. An individual who is responsible for all of the record keeping duties performed the last fixed asset physical inventory verification in August 1998. The DED fixed assets at June 30, 2000 were valued at more than \$3 million. Additions to the records during fiscal year 2000 were approximately \$634,000 and deletions were nearly \$145,000.

Annual physical inventories are necessary to establish proper accountability over fixed assets. Documentation of the physical inventory should be retained to show compliance with the state regulations. In addition, employees who are independent of the record keeping responsibilities should perform the physical inventory.

WE RECOMMEND the DED conduct an annual physical inventory and reconcile the physical inventory to the fixed asset records. Documentation of the physical inventories should be retained to show compliance with state regulations. The department should also ensure the individual who performs the physical inventory is independent of the record keeping duties.

AUDITEE'S RESPONSE

The reason it was apparent that the Department had not conducted a physical inventory since August 1998 was because of the need to redirect our staff toward SAM II implementation during the relevant period in 1999. We did complete a majority of the fiscal year 1999 physical inventory, and fully completed our physical inventory for fiscal year 2000 in a timely manner. This finding was a one-time instance due to extenuating circumstances given the staffing needs for the implementation of SAM II.

Additionally, duties have been realigned so that persons performing the record-keeping duties will no longer participate in the physical audit.

9.

Performance Appraisal

The DED is not completing performance appraisals on a timely basis. Our test of thirty-two employees noted seven had never received a performance appraisal and nineteen had not received a performance appraisal for at least two years, including an employee who received his last performance appraisal in July 1994. To adequately evaluate employee performance and to assist the agency in personnel decisions, the agency should complete employee performance appraisals on an annual basis. In addition, 1 CSR 20-3.050 requires periodic performance appraisals be considered when personnel decisions are made.

WE RECOMMEND the DED implement procedures to ensure annual performance appraisals are completed for all employees.

AUDITEE'S RESPONSE

In 2000, the Department undertook an effort to redesign our "performance management" system and as a result of focus groups and planning sessions, a new system is being developed. This system should be implemented in a majority of the development groups and administration in July 2001. Implementation for the remainder will follow.

10.

Information System Access Controls

The DED processes all financial accounting activity including budget, purchasing, revenues, and expenditures (on-line) using the Statewide Advantage for Missouri System (SAM II). The SAM II system includes over 570 on-line screens for data entry, inquiry, or modification. The significance of the information processed through SAM II requires that controls be in place to adequately restrict access to the system. To provide access control over SAM II, employees are assigned a unique user identification code (user ID). The DED is responsible for determining what each user is allowed to do in SAM II, and grants these permissions by assigning specific access rights to each user ID. This control technique provides a method to limit employees' access rights, including data entry and document approval capabilities, to only the functional areas of SAM II that are necessary for the employees to perform their assigned job duties. Therefore, controls over the issuance and maintenance of user IDs and access rights are critical to the effectiveness of system access.

During our review of access to SAM II system, we noted the DED has not developed criteria for determining who is allowed to access SAM II, the purpose and level of the access, and who determines and grants the access. In addition, there are no policies for documenting and reporting management authorization of new access, changes to existing access, or removal of current access when an employee terminates or transfers. As a result, assurance is lacking that management properly authorized employee access and that employees' access is limited to appropriate SAM II data.

Security standards to document the criteria to be used in granting and maintaining access to SAM II represent the minimum control standards that should be in place to ensure that the DED can safeguard its information assets and properly record authorized transactions. This is the first step and a key concept in the development of adequate security architecture.

WE RECOMMEND the DED develop security standards to document the criteria to be followed for granting, maintaining, and monitoring access to SAM II.

AUDITEE'S RESPONSE

The Department believes authorization has been given to appropriate staff, based on our undocumented security standards. However, the Department will formalize our security standards, documenting the criteria to be followed for granting, maintaining, and monitoring access to SAM II.

This report is intended for the information of the management of the Department of Economic Development-Administrative Services, Economic Development Groups, and Missouri Community Service Commission and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF ECONOMIC DEVELOPMENT
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT
GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri Department of Consumer Affairs, Regulation and Licensing was created July 1, 1974, with the Omnibus State Reorganization Act. Effective September 7, 1984, the department's name was changed to the Department of Economic Development (DED) as a result of the adoption of a constitutional amendment. The department is composed of several agencies organized to execute statutory requirements and department policies in the areas of economic development, regulation of business and financial institutions, and professional registration.

Carl Koupal Jr. served as the Director of the DED from January 1985 to February 1992. David C. Harrison served as the Director from March 1992 to April 1993 when Joseph L. Driskill became the Director.

The Administrative Services, Economic Development Groups, and Missouri Community Service Commission had approximately 226 full-time employees as of June 30, 2000.

ADMINISTRATIVE SERVICES

The director appointed by the governor and confirmed by the Senate, is the chief executive officer of the department. The director appoints the central management staff and principal division directors, supervises the departmental agencies, and advises the governor and General Assembly on matters relating to the department.

The deputy director, who acts as director in his absence, is primarily responsible for program development within the department. The deputy director maintains staff and advisory relationships with selected divisions, assists in legislative efforts and performs functions as delegated by the department director. David Mitchem currently serves in this position.

The director of administration is responsible for the department's administrative support and operations functions, accounting, budget, management information systems, personnel, as well as staff and advisory relationship with selected divisions.

ECONOMIC DEVELOPMENT GROUPS

The Economic Development Group staff (formerly Economic Development Programs) assists in creating jobs and capital investment in the state of Missouri. They administer and coordinate numerous programs, which contribute to the improvement of social and economic conditions in Missouri communities. The department offers direct assistance to new and existing business and industry, communities and regions, interested citizens, and various organizations to help them achieve their objectives for economic development. The department's economic development groups are organized into the following areas:

Business Development Group

The Business Development Group helps businesses to experience growth in sales and increased investment in their operations. The Business Development Group is organized into five primary sections: Office of International Marketing, Office of Productivity, Office of Business Finance, Office of Minority Business, and Office of Business Information. The current director of the Business Development group is Dennis Roedemeier.

The Office of International Marketing assist Missouri businesses in increasing their international and domestic sales through its offices in Jefferson City, St.Louis, and Kansas City, Missouri; London, England; Duesseldorf, Germany; Tokyo, Japan; Seoul, Korea; Singapore; Bangkok, Thailand; Santiago, Chile; Sao Paulo, Brazil; and Guadalajara and Mexico City, Mexico.

The Office of Productivity provides resources that are designed to increase the efficiency, productivity and profitability of Missouri manufacturers through a series of state programs and networks with other organizations in Missouri, which assist manufacturers.

The Office of Business Finance administers programs to increase private investment in Missouri's small businesses, incubators, and research activities. The programs include state tax credits and Urban Enterprise loans.

The Office of Minority Business provides personalized counseling to minority and women-owned businesses in Missouri.

Business Expansion and Attraction Group

The Business Expansion and Attraction Group assist businesses in the retention and expansion of existing business and the attraction of businesses to Missouri. The Business Expansion and Attraction Group are organized into four primary sections: Business Attraction, Business Expansion, Incentives, and Missouri Film Office. The current director of the Business Expansion and Attraction group is Phil Tate.

The Business Attraction section markets the state and its communities as profitable sites for business location and expansion through international advertising, trade shows, trips to major industrial and business centers, direct mail, and telemarketing.

The staff of the Business Expansion section is located in Jefferson City and in regional offices throughout the state. This section works with existing Missouri companies and communities to retain and expand job opportunities and investment.

The Incentives section provides business financing and tax credit incentives to help businesses expand and locate in Missouri and help the state compete effectively with other states for locations and expansions.

The Missouri Film Office works with filmmakers to find suitable locations for shooting movies or commercials and acts as a liaison between film production companies and local communities.

Community Development Group

The Community Development group offers programs to promote community investment, planning and leadership development in Missouri communities and neighborhoods. The group offers these programs from locations in Jefferson City, Kansas City, St. Louis, Dexter, Moberly, Houston, Trenton and Springfield. The Community Development group is organized into two primary sections: Community Investment and Planning and Leadership Development. The current director of the Community Development group is Dianna P. Moore.

The Community Investment programs include the Community Development Block Grant, the Neighborhood Assistance Tax Credit, the Youth Opportunities and Violence Prevention, the Missouri Main Street, the Historic Preservation Tax Credit, and the Community Development Corporation.

The Community Development Block Grant program is designed to improve local communities by providing funds to develop suitable living environments and expand economic opportunities, principally for low- and moderate-income persons.

The Neighborhood Assistance Tax Credit program provides a tax credit incentive to encourage business participation in community development projects operated by not-for-profit organizations.

The Youth Opportunities and Violence Prevention program provides a tax credit program directed toward programs which are designed to prevent youth from engaging in violent behavior and enable youth to improve themselves through education, job training, and apprenticeship activities.

The Missouri Main Street program is a training program which helps community leaders to better understand how they can use various tools and their own knowledge to help revitalize their downtown areas.

The Historic Preservation Tax Credit program provides for a tax credit equal to 25 percent of the total costs and expenses incurred during the rehabilitation of a nationally designated historic property or property located in a historic district.

The Community Development Corporation program assists in the development of nonprofit organizations that promote the industrial, economic, entrepreneurial, commercial, and civic development of a community.

The Planning and Leadership Development Programs include the Missouri Community Betterment, the Rural Economic Assistance, and the Enterprise Zone.

The Missouri Community Betterment program is designed to increase community development efforts and economic growth by providing strategic planning technical assistance to those communities requesting help and incentives to promote meaningful and successful projects.

The Rural Economic Assistance program assist rural communities with grant programs that provides seed capital to initiate local economic development programs.

The Enterprise Zone program provides tax incentives for companies located in areas of the state which meet certain distressed criteria.

MISSOURI COMMUNITY SERVICE COMMISSION

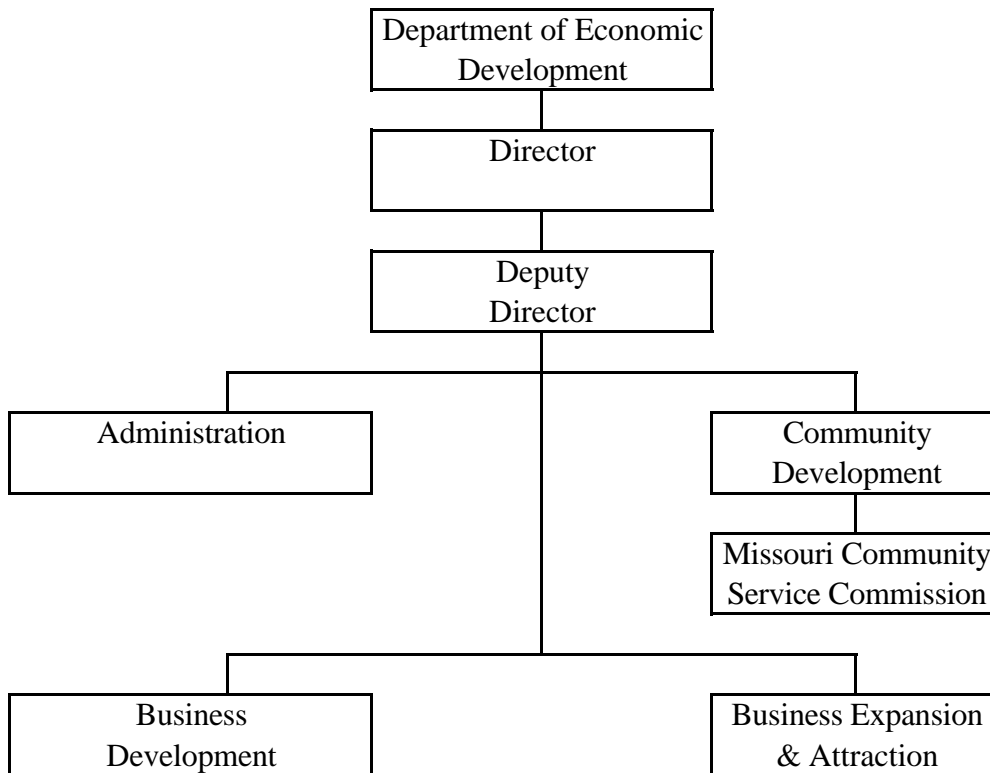
The Missouri Community Service Commission was established by an act of the Missouri Legislature in 1994 as a direct response to the National Service Act of 1993. Its twenty-four members are appointed by the governor and meet quarterly across the state. Overseeing the AmeriCorps program is the commission's primary administrative responsibility. The Commissioners at June 30, 2000, were as follows:

<u>Name</u>	<u>Term Expires*</u>
Dr. Larry Dorrell, Chairperson	December 15, 2001
Dr. Mark Kenney	December 15, 2001
Robin Greger	December 15, 2001
Gwendolyn Swearingin	December 15, 2001
Betty Lou Cunningham	December 15, 2000
Marilyn E. Daffer	December 15, 2000
Ida Early	April 23, 2001
Amy L. Hilgemann	December 15, 2000
Walter L. Friedhofen	December 15, 1998
Cassandra Herrman	December 15, 2002
Rep. Craig Hosmer	August 3, 2001
Cheryl Maxwell	January 15, 2001
Betty R. Marver	December 15, 2000
Ida Goodwin Woolfolk	November 15, 2001
Harry Kujath	December 15, 2000
Rep. Emmy McClelland	December 15, 2000
JoAnne F. Griffin	December 15, 2000
Donald Otto Jr.	December 15, 1997
Jolene Schulz	December 15, 2002
Gretchen Davis	December 15, 2002
Lt. Governor Roger Wilson	December 15, 2000**
Barbara Wolken	December 15, 2000
Deborah Swanegan	December 15, 2002
Jocelyn Osborne	December 15, 2002

*Commissioner serves until replaced or reappointed, regardless of term date.

**Lt. Governor Roger Wilson was replaced by Joe Maxwell on November 15, 2000.

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES,
ECONOMIC DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY
SERVICE COMMISSION
ORGANIZATION CHART
JUNE 30, 2000



APPENDIX A-1

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC
DEVELOPMENT GROUPS, AND MISSIOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND-STATE			
Missouri Works	\$ 751,671	726,896	24,775
Administrative Services	262,925	251,223	11,702
Business Development	2,868,650	2,708,855	159,795
Community Development Corporations	1,966,018	706,842	1,259,176
Administrative Services	2,235,930	2,202,867	33,063
Community Development Corporations	591,915	93,426	498,489 (1)
Business Expansion	3,346,987	3,168,866	178,121
Community Development Programs	1,696,795	1,498,547	198,248
Missouri Community Service Commission	72,981	70,792	2,189
Rural Development Grants	320,000	272,662	47,338
Community Development Corporations	1,844,477	1,321,507	522,970 (1)
Total General Revenue Fund - State	15,958,349	13,022,483	2,935,866
DEPARTMENT OF ECONOMIC DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT (PASS-THROUGH) FUND			
Community Development Programs	41,000,000	38,926,795	2,073,205
Total Department of Economic Development - Community Development Block Grant (Pass-Through) Fund	41,000,000	38,926,795	2,073,205
DEPARTMENT OF ECONOMIC DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT (ADMINISTRATION) FUND			
Administrative Services	51,737	33,727	18,010
Business Expansion	70,654	19,754	50,900
Community Development Programs	923,965	576,930	347,035
Total Department of Economic Development - Community Development Block Grant (Administration) Fund	1,046,356	630,411	415,945
DEPARTMENT OF ECONOMIC DEVELOPMENT - FEDERAL AND OTHER FUND			
Administrative Services	81,047	0	81,047
Business Development	59,657	18,234	41,423
Community Development Corporations	250,000	0	250,000
Community Development Job Training	1	0	1 (1)
Business Expansion	45,389	18,234	27,155
Community Development Programs	112,276	89,522	22,754
Mid-America Manufacturing Technology Center	500,000	0	500,000
Mid-America Manufacturing Technology Center	500,000	0	500,000
Total Department of Economic Development - Federal and Other Fund	1,548,370	125,990	1,422,380
DIVISION OF JOB DEVELOPMENT AND TRAINING FUND			
Administrative Services	5,159,466	3,380,976	1,778,490
Total Division of Job Development and Training Fund	5,159,466	3,380,976	1,778,490

APPENDIX A-1

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC
DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
MISSOURI TECHNOLOGY INVESTMENT FUND			
Business Development	1,950	0	1,950
Innovation Centers	974,640	958,500	16,140
Small Business Development	474,010	459,790	14,220
Centers for Advanced Technology	940,532	774,000	166,532
Mid-America Manufacturing Technology Center	2,170,000	2,121,197	48,803
Electronic Materials Applied Research Center	150,000	150,000	0
Total Missouri Technology Investment Fund	4,711,132	4,463,487	247,645
COMMUNITY SERVICE COMMISSION - FEDERAL AND AND OTHER FUND			
Missouri Community Services Commission	2,501,274	2,266,460	234,814
Total Community Service Commission - Federal and Other Fund	2,501,274	2,266,460	234,814
BUSINESS EXTENSION SERVICE TEAM FUND			
Entrepreneurial Development Activities	1,408,287	1,250,862	157,425
Business Extension Service Team Program	2,060,000	605,000	1,455,000
Total Business Extension Service Team Fund	3,468,287	1,855,862	1,612,425
DEPARTMENT OF ECONOMIC DEVELOPMENT ADMINISTRATIVE FUND			
Administrative Services	5,000	140	4,860
Business Development	109,249	56,435	52,814
Community Development Corporations	250,000	0	250,000
Administrative Services	2,846,014	1,489,167	1,356,847
Total Department of Economic Development Administrative Fund	3,210,263	1,545,742	1,664,521
INTERNATIONAL TRADE SHOW REVOLVING FUND			
Business Development	75,000	52,673	22,327
Total International Trade Show Revolving Fund	75,000	52,673	22,327
MISSOURI MAIN STREET PROGRAM FUND			
Community Development Program	100,000	90,000	10,000
Total Missouri Main Street Program Fund	100,000	90,000	10,000
YOUTH OPPORTUNITIES AND VIOLENCE PREVENTION FUND			
Youth Opportunities and Violence Prevention Program	250,000	0	250,000
Total Youth Opportunities and Violence Prevention Fund	250,000	0	250,000
PROPERTY REUSE FUND			
Brownfields Redevelopment Program	4,900,000	591,334	4,308,666
Total Property Reuse Fund	4,900,000	591,334	4,308,666

APPENDIX A-1

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC
DEVELOPMENT GROUPS, AND MISSIOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
MISSOURI SUPPLEMENTAL TAX INCREMENT FINANCING FUND			
State TIF Program	3,017,380	439,298	2,578,082
Total Missouri Supplemental Tax Increment Financing Fund	3,017,380	439,298	2,578,082
Total All Funds	\$ 86,945,877	67,391,511	19,554,366

(1) Biennial appropriations set up in the current fiscal year are re-appropriations to the next year. After the June month-end processing has been completed, the unexpended appropriation balance for a biennial appropriation is established in the new fiscal year. Therefore, there is no lapsed balance for a biennial appropriation at the end of the first year.

APPENDIX A-2

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC
DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE			
General administration - Personal Service and/or Expense and Equipment	\$ 2,425,631	2,232,376	193,255
Purchase of land for the extension of the north/south runway at the Lee's Summit Municipal Airport	150,000	150,000	0
Entrepreneurial Development Activities - Personal Service and/or Expense and Equipment	529,597	504,346	25,251
Business Development Activities Personal Service and/or Expense and Equipment	2,677,122	2,470,731	206,391
Business Development Activities- funding programs in response to changes in federal fiscal policies with regard to welfare reform	1,928,458	1,336,542	591,916
Business Attraction and Expansion Activities - Personal Service and/or Expense and Equipment	3,080,625	2,890,948	189,677
Community Development Activities - Personal Service and/or Expense and Equipment	1,111,421	1,085,847	25,574
Missouri Community Services Commission, all expenditures	72,981	70,772	2,209
Rural Development Grants	320,000	299,565	20,435
Business Development Activities- funding programs in response to changes in federal fiscal policies with regard to welfare reform	1,966,018	62,560	1,903,458
Total General Revenue Fund - State	14,261,853	11,103,687	3,158,166
DEPARTMENT OF ECONOMIC DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT (PASS-THROUGH) FUND			
Community Development Programs	35,000,000	29,976,153	5,023,847
Total Department of Economic Development - Community Development Block Grant (Pass-Through) Fund	35,000,000	29,976,153	5,023,847
DEPARTMENT OF ECONOMIC DEVELOPMENT - COMMUNITY DEVELOPMENT BLOCK GRANT (ADMINISTRATION) FUND			
General administration - Personal Service and/or Expense and Equipment	67,970	29,615	38,355
Business Attraction and Expansion Activities - Personal Service and/or Expense and Equipment	67,654	61,205	6,449
Community Development Activities - Personal Service and/or Expense and Equipment	902,623	599,010	303,613
Total Department of Economic Development - Community Development Block Grant (Administration) Fund	1,038,247	689,830	348,417
DEPARTMENT OF ECONOMIC DEVELOPMENT - FEDERAL AND OTHER FUND			
General administration - Personal Service and/or Expense and Equipment	43,973	38,582	5,391
Entrepreneurial Development Activities - Personal Service and/or Expense and Equipment	56,702	53,347	3,355
Business Development Activities- funding programs in response to changes in federal fiscal policies with regard to welfare reform	1	0	1

APPENDIX A-2

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC
DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
Business Attraction and Expansion Activities - Personal Service and/or Expense and Equipment	76,549	65,907	10,642
Community Development Activities - Personal Service and/or Expense and Equipment	109,740	67,030	42,710
Mid-America Manufacturing Technology Center, all expenditures	500,000	0	500,000
Mid-America Manufacturing Technology Center, all expenditures	500,000	0	500,000
Total Department of Economic Development - Federal and Other Fund	1,286,965	224,866	1,062,099
MISSOURI TECHNOLOGY INVESTMENT FUND			
Technology and Business Assistance Programs - Grants for economic development activities including Mid-America Manufacturing Technology Center, Innovation Centers, Centers for Advanced Technology and Small Business Development Center Satellites - Expense and Equipment	250,000	250,000	0
Entrepreneurial Development Activities - Personal Service and/or Expense and Equipment	974,640	962,860	11,780
Small Business Development Center Satellites	299,010	290,040	8,970
Business Development Activities Personal Service and/or Expense and Equipment	940,532	700,133	240,399
Mid-America Manufacturing Technology Center, all expenditures	1,800,000	1,769,259	30,741
Electronic Materials Applied Research Center	150,000	150,000	0
Total Missouri Technology Investment Fund	4,414,182	4,122,292	291,890
COMMUNITY SERVICE COMMISSION - FEDERAL AND OTHER FUND			
Missouri Community Services Commission, all expenditures	3,500,180	2,900,955	599,225
Total Community Service Commission - Federal and Other Fund	3,500,180	2,900,955	599,225
BUSINESS EXTENSION SERVICE TEAM FUND			
Loans and matching grants pursuant to Section 620.1023 RSMo and to rules and regulations promulgated by the Department of Economic Development, and subject to loans being made to businesses with the capacity of those businesses to pay back said loans	1,261,654	1,259,428	2,226
Business Extension Service Team Program	2,060,000	651,713	1,408,287
Total Business Extension Service Team Fund	3,321,654	1,911,141	1,410,513
DEPARTMENT OF ECONOMIC DEVELOPMENT ADMINISTRATIVE FUND			
General administration - Personal Service and/or Expense and Equipment	3,208,610	1,683,102	1,525,508
Entrepreneurial Development Activities - Personal Service and/or Expense and Equipment	53,605	0	53,605

APPENDIX A-2

DEPARTMENT OF ECONOMIC DEVELOPMENT - ADMINISTRATIVE SERVICES, ECONOMIC
DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
Business Development Activities- funding programs in response to changes in federal fiscal policies with regard to welfare reform	1	0	1
Business Development Activities- Personal Service and/or Expense and Equipment	52,907	49,621	3,286
Total Department of Economic Development Administrative Fund	3,315,123	1,732,723	1,582,400
INTERNATIONAL TRADE SHOW REVOLVING FUND			
Business Development Activities Personal Service and/or Expense and Equipment	75,000	19,688	55,312
Total International Trade Show Revolving Fund	75,000	19,688	55,312
MISSOURI MAIN STREET PROGRAM FUND			
Community Development Activities- Personal Service and/or Expense and Equipment	100,000	98,732	1,268
Total Missouri Main Street Program Fund	100,000	98,732	1,268
YOUTH OPPORTUNITIES AND VIOLENCE PREVENTION FUND			
Youth Opportunities and Violence Prevention Program	1	0	1
Total Youth Opportunities and Violence Prevention Fund	1	0	1
PROPERTY REUSE FUND			
Brownfields Redevelopment Program	4,900,000	1,303,666	3,596,334
Total Property Reuse Fund	4,900,000	1,303,666	3,596,334
MISSOURI SUPPLEMENTAL TAX INCREMENT FINANCING FUND			
State TIF Program	5,000,000	0	5,000,000
Total Missouri Supplemental Tax Increment Financing Fund	5,000,000	0	5,000,000
Total All Funds	\$ 76,213,205	54,083,733	22,129,472

APPENDIX B-1

DEPARTMENT OF ECONOMIC DEVELOPMENT
ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),
AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2000

	Community Development Block Grant (Pass-Through) Fund	Community Development Block Grant Administration Fund	Department of Economic Development Federal & Other Fund	Missouri Community Service Commission Fund	Business Extension Service Team Fund	International Trade Show Revolving Fund	Property Reuse Fund	Total (Memorandum Only)
RECEIPTS								
Federal	\$ 36,139,583	776,702	166,376	2,684,062	0	10,213	0	39,776,936
Cost reimbursements	2,778,022	7,352	49,264	82	0	0	1,100,000	3,934,720
Miscellaneous	0	0	0	0	0	45,031	0	45,031
Interest	0	0	0	0	0	0	184,427	184,427
Contributions / Intergovernment	0	0	0	100	0	0	0	100
Total Receipts	38,917,605	784,054	215,640	2,684,244	0	55,244	1,284,427	43,941,214
DISBURSEMENTS								
Personal service	0	476,295	87,791	22,955	0	0	0	587,041
Expense and equipment	0	163,252	33,412	138,517	0	40,496	0	375,677
Program	38,937,480	0	0	2,585,102	1,320,612	0	681,840	43,525,034
Total Disbursement	38,937,480	639,547	121,203	2,746,574	1,320,612	40,496	681,840	44,487,752
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES	(19,875)	144,507	94,437	(62,330)	(1,320,612)	14,748	602,587	(546,538)
OTHER FINANCING SOURCES (USES)								
Transfers in	0	0	0	0	1,998,200	0	0	1,998,200
Transfers out	0	(136,204)	(28,206)	(6,609)	0	(1,138)	(4,302)	(176,459)
RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(19,875)	8,303	66,231	(68,939)	677,588	13,610	598,285	1,275,203
CASH AND INVESTMENTS, JULY 1	25,597	26,790	4,685	73,544	3,570,702	8,416	3,204,516	6,914,250
CASH AND INVESTMENTS, JUNE 30	\$ 5,722	35,093	70,916	4,605	4,248,290	22,026	3,802,801	8,189,453

APPENDIX B-2

DEPARTMENT OF ECONOMIC DEVELOPMENT
 ADMINISTRATIVE SERVICES, ECONOMIC DEVELOPMENT GROUPS, AND MISSOURI COMMUNITY SERVICE COMMISSION
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES),
 AND CHANGES IN CASH AND INVESTMENTS
 YEAR ENDED JUNE 30, 1999

	Community Development Block Grant (Pass-Through) Fund	Community Development Block Grant Administration Fund	Department of Economic Development Federal & Other Fund	Missouri Community Service Commission Fund	Business Extension Service Team Fund	International Trade Show Revolving Fund	Property Reuse Fund	Total (Memorandum Only)
RECEIPTS								
Federal	\$ 24,981,736	822,387	252,724	2,289,757	0	0	0	28,346,604
Refund	4,215,230	12,055	0	4,148	109,000	0	0	4,340,433
Interest	0	0	0	0	0	0	188,312	188,312
Contributions / Intergovernment	0	0	0	0	0	23,907	0	23,907
Total Receipts	29,196,966	834,442	252,724	2,293,905	109,000	23,907	188,312	32,899,256
DISBURSEMENTS								
Personal service	0	534,122	192,439	19,694	0	0	0	746,255
Expense and equipment	0	162,024	33,897	211,076	0	19,688	0	426,685
Program	29,965,468	0	0	2,231,694	2,117,541	0	979,837	35,294,540
Total Disbursement	29,965,468	696,146	226,336	2,462,464	2,117,541	19,688	979,837	36,467,480
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING SOURCES	(768,502)	138,296	26,388	(168,559)	(2,008,541)	4,219	(791,525)	(3,568,224)
OTHER FINANCING SOURCES (USES)								
Transfers in	0	0	0	0	2,497,750	0	873,000	3,370,750
Transfers out	0	(140,708)	(50,607)	(5,521)	0	(3,925)	(4,951)	(205,712)
RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(768,502)	(2,412)	(24,219)	(174,080)	489,209	294	76,524	(403,186)
CASH AND INVESTMENTS, JULY 1	794,099	29,202	28,904	247,624	3,081,493	8,122	3,127,992	7,317,436
CASH AND INVESTMENTS, JUNE 30	\$ 25,597	26,790	4,685	73,544	3,570,702	8,416	3,204,516	6,914,250

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**DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION AND THE
MISSOURI STATE BOARD OF NURSING**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-64
August 22, 2001
www.auditor.state.mo.us**

AUDIT REPORT

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION AND THE
MISSOURI STATE BOARD OF NURSING

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Joseph L. Driskill, Director
Department of Economic Development
and
Marilyn Williams, Director
Division of Professional Registration
and
Members of the Missouri State Board of Nursing
Jefferson City, MO 65102

We have audited the Department of Economic Development, Division of Professional Registration (DPR) and the Missouri State Board of Nursing (Board). The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the Board's concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions, as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we examined DPR and Board financial and management records, made inquiries of DPR and Board employees, and examined other papers and documents as determined appropriate for the audit.

As part of our audit, we assessed the DPR's and the Board's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the DPR's and Board's management and was not subjected to the procedures applied in the audit of the DPR and the Board.

The accompanying Management Advisory Report Section presents our findings arising from our audit of the DPR and the Board.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 30, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Blattell, CPA
In-Charge Auditor:	Joyce Nielson, CPA
Audit Staff:	Mark Rodabaugh

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION AND THE
MISSOURI STATE BOARD OF NURSING
SUMMARY OF FINDINGS

1. Financial Condition of the Missouri State Board of Nursing (pages 7-9)

Inadequate financial information, planning, and monitoring by the Missouri State Board of Nursing and the Division of Professional Registration (DPR) significantly impacted the financial condition of the board. It was necessary for the board to obtain a loan of approximately \$1.9 million from the Office of Administration to continue operations.

2. Licensing and Optical Imaging Systems (pages 9-11)

The boards were not informed timely or accurately of the costs of licensing and optical imaging systems. As a result, the boards did not have adequate time to prepare for the costs that were allocated to them. The DPR stopped the installation of the optical imaging system after the DPR had already incurred costs of approximately \$197,000 for computer equipment and system design. This equipment remains idle and may become obsolete.

3. Department of Economic Development's Cost Allocation Plan (pages 11-12)

As of March 31, 2001, the department had not yet completed a cost allocation plan for fiscal year 2001. In the absence of a cost allocation plan, costs billed are based on estimates using the fiscal year 2000 plan and an adjustment to reflect fiscal year 2001 costs. Since the Board of Nursing is already in a deficit situation, these estimates add to the difficulty in managing fiscal matters.

4. Division of Professional Registration's Cost Allocation Plan (pages 12-15)

The DPR allocated costs to the various boards of approximately \$3.4 million during the year ended June 30, 2000. The three-year licensee average does not appear to be an equitable method to allocate indirect costs to the boards. The DPR does not allocate indirect costs to new boards until the new boards issue licenses. The DPR and board personnel duplicate some work. The DPR's Management Information System employees' time charges do not reflect the actual time worked for each board. Time spent by the Central Investigation Unit (CIU) employees on the Office of Athletics was not included in the cost allocation calculation. This resulted in personal service overhead costs not being allocated to the Office of Athletics.

5. Vehicle Usage (pages 16-17)

Fleet vehicles were used approximately 31 percent of the time the vehicles were available for use. The cost to maintain and replace the DPR director's vehicle was only allocated to twenty-seven of the division's thirty-two boards.

6. Investigations (pages 17-18)

The investigators do not prepare a plan or estimate of the time required to complete investigations. The board does not obtain information regarding the status of investigations to use in monitoring those investigations. The number of board employees who perform investigations is not sufficient to complete investigations timely.

7. Multiple Databases (page 19)

The board maintains three databases that require some of the same information be entered into all three.

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION AND THE
MISSOURI STATE BOARD OF NURSING
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1. Financial Condition of the Missouri State Board of Nursing Fund

Because of weak financial planning and monitoring, and inadequate or incomplete information over a period of years, in August 2000 the Missouri State Board of Nursing (board) Fund was depleted. Both the Division of Professional Registration (DPR) and the board failed to recognize in a timely manner the declining financial condition of the board's funds and take appropriate measures to stabilize the fund. Emergency measures were necessary to stabilize the fund and to maintain board operations. These emergency measures affected both the state and the members of the nursing profession.

On August 21, 2000, the DPR notified the board that the board's fund had been depleted. As a result, the board did not have sufficient cash to pay expenses from August 2000 through March 2001. During this period the board incurred a deficit estimated to be approximately \$1.9 million. This estimate was based on personal service of \$460,000; expense and equipment \$609,000; DPR costs of \$388,000, Department of Economic Development (DED) costs of \$99,000, fringe benefits costs of \$144,000, and other costs of \$200,000. On September 18, 2000, the board received approval for a \$1.9 million loan from funds of the Office of Administration designated for cash flow assistance to various state funds. From September 2000 through March 2001, the amounts borrowed by the board ranged from \$171,000 to \$880,000. The board's use of these loan funds resulted in interest charges of more than \$12,500.

The board has a biennial license renewal cycle, with the largest number of renewals in odd-numbered years for registered nurses (RNs). License renewal fees have remained the same since 1993 and other fees since 1983. In addition, the number of licensed nurses has been decreasing. The following table shows the fluctuations in revenues and other financial information of the nursing board fund:

		Year Ended June 30,				
		1996	1997	1998	1999	2000
Beginning balance	\$	1,215,488	1,025,669	2,337,799	1,296,919	1,558,440
Revenues		1,737,467	3,097,465	1,041,452	2,686,608	1,025,185
Expense and equipment		(1,082,410)	(1,133,520)	(1,191,633)	(1,282,871)	(1,304,413)
Transfers		(844,876)	(652,315)	(890,699)	(1,142,216)	(1,063,481)
Ending balance	\$	1,025,669	2,337,799	1,296,919	1,558,440	215,731

During fiscal year 2000, the executive director and account clerk knew the fund balance was getting low, but were hoping to make it to January 2001 when the board would begin receiving RN renewals. In December 1999, the executive director began working on a request to increase fees. The board submitted a proposal to the DED on March 30, 2000, to increase all board fees. In May 2000, the DED asked the board to review and resubmit that proposal to include only an increase in renewal fees. In addition, the DED requested the board obtain approval from the nursing associations for these fee increases. On May 9, 2000, the board submitted the revised proposal to the DED. The DED approved the revised proposal to be effective with the 2001 renewal licenses. On June 1, 2000, this rule was filed with the Joint Committee on Administrative Rules and the Secretary of State and was scheduled to become effective on November 30, 2000. These actions were too late to avoid the depletion of the nursing board fund.

Although an increase in renewal fees had been approved, the board did not initiate enforcement of the rule for 2001 license renewals because the financial information used by the board to support the proposed fee increase was determined to be inaccurate and incomplete. The cost information provided by the DPR for costs to be allocated to the board was based on the fiscal year 1999 actual expenditures and excluded several significant cost increases planned for fiscal years 2000 and later. In addition, the board did not consider fluctuations in fund cash flow. Nursing board fund cash flow needed to be considered because of differences in the timing of revenue collections and the payment of board and DPR costs. The effect of these matters caused the board to reconsider their fee increases because additional revenue was needed to cover these additional costs.

On October 13, 2000, the board proposed an increase in most board fees and an emergency amendment to the proposed increase so the license renewal fees could be effective in January 2001. On January 1, 2001, the emergency amendment became effective and expired on June 29, 2001. On June 30, 2001, the proposed rule became effective and replaced the emergency rule and included all other fee increases.

In addition to the fee increases, other financial procedures have been changed to better inform the board. The DPR now discusses expenditures of \$1,000 or more at the executive director's meetings.

The board and the DPR share responsibilities for the fiscal management and control of the board's fund. Weaknesses in the board's financial planning and monitoring prevented the board from initiating fee increases in a timely manner that would have averted the depletion of the board's fund. Furthermore, financial monitoring and information provided by the DPR was also deficient which affected the board's ability to monitor fund operations. To ensure the board fund maintains a sufficient balance to pay board expenditures, the DPR and board need to more closely monitor revenues, expenditures, and fund balances. In addition, revenue and expenditure projections should be accurate and prompt. When adjustments in fees are required, the board should propose those adjustments in a timely manner.

WE RECOMMEND the DPR and board closely monitor the revenues, expenditures, and fund balance of the board's fund; and ensure projections are accurate and timely. When necessary, fee increases or decreases should be proposed and implemented in a timely manner.

AUDITEE'S RESPONSE

Division Response:

We concur with this recommendation.

The Division of Professional Registration has implemented several measures to ensure that each board's financial condition is closely monitored by enhancing existing reports and developing new ones.

The Division, through a cooperative effort with the boards, has enhanced the 5-year projection report. This report is used as a tool to accurately and in an appropriate time frame reflect projected costs and revenues, and is also used to assist boards in determining any necessary fee increases or decreases.

Board Response:

The Missouri State Board of Nursing has appointed a Finance Committee consisting of board members, board staff, and the Division's Chief Accountant. This committee meets quarterly to evaluate the board's financial condition.

2. Licensing and Optical Imaging Systems

Since 1997, the DPR has been pursuing the acquisition and implementation of an automated licensing system and an interactive optical imaging system, both of which would be used by all of its boards. A team made up of staff from each board worked on these acquisitions. The costs of these new systems would be allocated to the various boards. In March 1998, the DPR accepted an offer of \$778,722 for the licensing system and \$708,960 for the optical imaging system. The licensing system was first used in September 1999. The actual cost of the licensing system was \$661,379. The optical imaging system has not yet been installed. Our review of these systems noted the following:

- A. The DPR boards were not informed timely or accurately of the costs of these systems. During the planning stages for these systems, the former DPR chief accountant told the boards that the licensing system would cost between \$300,000 and \$400,000, for an "off the shelf" system. The boards thought these costs would be made up from the savings from needing fewer division employees and no longer needing the work of the DED's information system employees.

The plans and costs of the new systems changed, but the boards were not promptly informed of cost changes. First, the planned costs of the licensing system doubled. Secondly, the optical imaging system was added to the project. Third, it was determined the anticipated savings from the new licensing system (if any) would not be realized for at least three years because of the cost allocation practices used by the department. The DPR did not officially notify the boards of these significant cost issues until November 1998, more than eight months after the DPR had agreed to purchase the new systems. The actual costs of the new licensing system were charged to the various boards' funds as follows:

<u>Fiscal Year</u>	<u>Amount</u>
1998	\$ 1,729
1999	619,848
2000	6,734
2001	33,068

These costs placed financial hardships on some boards' funds. Had more timely and accurate costs information been provided to the boards, measures could have been taken (such as fee increases) that could have alleviated some of these hardships. To ensure the various boards have adequate time to prepare for costs that will be allocated to the boards, the DPR needs to adequately communicate costs of large purchases to the boards on a timely and accurate basis.

- B. During the optical imaging system implementation, the Office of Administration determined certain conditions regarding a subcontractor were unacceptable. In August 2000, the contract for the optical imaging system was cancelled prior to its completion. At the time of this cancellation, the DPR had already incurred computer equipment and system design costs of approximately \$197,000. We were informed the DPR plans to complete the optical imaging system through the use of existing staff and the acquisition of a new software provider. The DPR has not established a timetable for the completion of the optical imaging system.

While the DPR is contemplating the completion of the optical imaging system, the equipment that has been purchased remains idle. If the DPR delays the completion too long, some of this equipment could become obsolete. To ensure the state realizes a return on its investment in this equipment, the DPR should pursue the prompt completion of the optical imaging system.

WE RECOMMEND the DPR:

- A. Inform the boards timely and accurately of large expenditures that will be allocated to the boards.

- B. Establish a timetable to promptly complete the optical imaging project. If the project must be rebid, any new contract should include a timetable for completion and the new vendor should be given the option to bid both using the equipment already purchased and designing a system using other equipment.

AUDITEE'S RESPONSE

Division Response:

- A. *We concur and have implemented improvements in this area.*
- B. *We concur with this recommendation. The Division of Professional Registration has established a timetable for the optical imaging project and that timetable has been shared with all the managers at the division. The division has started working with a potential vendor that is on the current State of Missouri optical imaging contract administered by the Office of Administration. The potential vendor has reviewed the current equipment and has discussed the fact the current equipment can still be used. The division and the vendor have also reviewed the possibility of trading in the existing equipment on newer equipment, but that is not a requirement of the current project. The vendor has also been given the option to propose the optical imaging system using other equipment and software.*

3. Department of Economic Development's Cost Allocation Plan

The DED allocated nearly \$550,000 of departmental costs to the DPR during the year ended June 30, 2000. These costs are expected to be approximately \$525,000 for fiscal year 2001. These costs included personal service and expense and equipment for administrative services, management information services, quality economic development, and mailroom.

As of March 31, 2001, the DED had not yet completed a cost allocation plan for fiscal year 2001. The DED billed fiscal year 2001 costs to the DPR based on the fiscal year 2000 cost allocation plan. The DPR continues to distribute to the boards the DED costs in the same manner as was done in fiscal year 2000 and plans to make an adjustment when the DED distributes the actual costs. However, the DPR cannot adequately plan for these costs until the actual costs are known. Since the nursing board is already in a deficit situation as noted earlier in this report, these estimated allocations add to the boards' difficulty in planning and managing budget and fiscal matters.

WE RECOMMEND the DED complete on a timely basis its cost allocation plan to allow the DPR and its boards to adequately plan for the allocation of these costs.

AUDITEE'S RESPONSE

Department Response:

DED concurs with the recommendation that the cost allocation plan should be completed earlier in the fiscal year. All efforts will be made to complete the cost allocation plan earlier and forward information to all parties impacted.

4. Division of Professional Registration's Cost Allocation Plan

The DPR allocates various costs to the boards in accordance with their cost allocation plan (plan) that has been in effect for at least ten years. The DPR allocated costs to the boards of approximately \$3.4 million during the year ended June 30, 2000. The DPR made adjustments in several areas of the plan for fiscal year 2001. In addition, the DPR is in the process of preparing a new plan which, if approved by the board presidents and DED, would become effective July 1, 2002. During our review of these plans we noted the following concerns:

- A. The three-year licensee average does not appear to be an equitable method to allocate costs to the boards. This method uses the number of licenses issued, which is not always reflective of the amount of work the DPR performs for each board. Costs allocated to twenty-seven of the boards using the three-year licensee average include the following:
 - 1. Salary and fringe benefits of DPR employees who do not use allocated time sheets.
 - 2. Personal service overhead charges (e.g., annual leave, holiday, sick leave).
 - 3. Expense and equipment for DPR employees use and other expense and equipment for use by all boards.

The DPR should charge each board directly for the services each board uses. The current method requires five boards to pay approximately 80 percent of the allocated costs. No evidence was found that the work of these employees benefited the boards in the same relationship as the costs allocated to them. To ensure costs are allocated equitably, the DPR should allocate costs in relation to the work being done for the boards.

- B. The DPR does not allocate indirect costs to the new boards until they issue licenses, although the DPR employees provide services to those boards prior to this time. For example, personal service and expense and equipment costs are allocated to only twenty-seven of the thirty-two boards. The DPR should allocate all costs to all boards based on the services provided to the boards.

- C. Duplicate procedures are performed by DPR and Missouri State Board of Nursing (board) accounting employees. For example, when paying board expenses both DPR and board employees review the math on invoices, both review the documentation for expense account reimbursements, and both verify out-of-state travel authorizations.

The DPR director is responsible for assuring expenditures are in accordance with Section 620.010, RSMo 2000. The board wants to ensure expenditures are accurate and in compliance with its policies. Although the DPR and the board are reviewing expenditures for different reasons, it appears that duplicate procedures should be minimized.

- D. The DPR's Management Information System (MIS) employees' time charges do not appear to reflect the actual time worked directly for each board. For the thirty-one months ended January 31, 2001, help desk calls from specific boards and the DPR were approximately 79 percent and 21 percent, respectively. However, the MIS help desk employees' time sheets for August through December 2000 indicated time charged to specific boards ranged from 13 percent to 38 percent.

To ensure the allocation of these costs is fair, the DPR should allocate these costs based on the direct hours of service since the hours of service for each board can vary significantly from month to month.

- E. The DPR and its boards do not review the department's MIS time charges report included in the department's monthly cost allocation billing. This report lists MIS direct time charges for the division and the boards. The department uses these direct time charges in calculating a three-year average, which is then used to allocate MIS costs. To ensure time charges are allocated accurately, the DPR and boards should review these charges.

- F. The DPR Central Investigation Unit (CIU) conducts investigations for all boards upon request. Generally, CIU costs are allocated to the boards for which investigations are completed.

1. The DPR did not include time spent by employees in the CIU on the Office of Athletics in the cost allocation calculation; therefore, personal service overhead costs (e.g., annual leave, holidays, sick leave) were not allocated to the Office of Athletics but instead were paid by all of the boards.
2. One investigator allocated time spent reading E-mail correspondence related to specific investigations to administration. As a result, the DPR allocated this administration time to twenty-seven boards based on the three-year licensee average rather than to the board for which the investigation was completed.

To ensure the various boards are paying only for its board's costs, the DPR needs to revise its allocation method to charge costs to the various boards as equitably as possible.

WE RECOMMEND the DPR:

- A. Allocate all costs in relation to the work being done for the boards.
- B. Allocate costs to the new boards and set a period of time during which these boards may pay these costs after license fees are collected.
- C. Review the payment procedures with the board and eliminate duplication where possible.
- D. Allocate MIS employee costs based on direct service hours.
- E. Along with its boards, review the department's monthly MIS time charges report for accuracy.
- F.1. Include the Office of Athletics in the CIU cost allocation calculation. In addition, make adjustments to prior allocations and reimburse the applicable boards for overcharges.
- 2. Ensure investigators' time is recorded properly and allocated in accordance with the cost allocation plan.

AUDITEE'S RESPONSE

Division Response:

- A. *In FY 2000, division staff reviewed the division's cost allocation plan which does include some usage-based allocations. Upon completion of the review, the Division Director created a Cost Allocation Team on July 10, 2000 to assist in evaluating the plan. The team consisted of division staff as well as Executive Directors from all boards that wished to participate. A complete review was conducted and the team has made several revisions that will allocate more individual staff time to boards based on usage. Also, the Cost Allocation Team will continue to review the plan on an on-going basis.*
- B. *We concur with this recommendation. The Division of Professional Registration is in the process of implementing a new cost allocation plan with a projected effective date of July 1, 2002. This plan establishes a minimum allocation for new boards until they have completed initial licensure. Once initial licensure is completed, the licensee count will be used to allocate division-wide costs. When determining an appropriate fee, projections are completed to estimate all costs including those that have been incurred prior to receiving revenue. This will ensure the appropriate fee is established to cover all costs.*

- C. *According to 620.010.14 (4) RSM0., it is the responsibility of the Division Director to provide a system of accounting and budgeting, in cooperation with the director of the department, the Office of Administration, and the State Auditor's Office, to ensure proper charges are made to the various boards for services rendered to them. The Division will review the payment procedures with the board and eliminate duplication where possible if it is determined that it will not alter the statutory responsibilities of the Division Director.*
- D. *Although it may appear allocation by direct service hours (help desk ticket hours) would be a more effective allocation method, the Division of Professional Registration concludes there are many factors that prove this method is currently not suitable for time allocation and would not be as accurate as the existing usage-based method currently being utilized.*

The MIS help desk system is a call and/or a trouble ticket tracking system and not a time tracking system. This system does not reflect the actual hours worked on a project but the hours a ticket is left open. A ticket could be left open for several months for various reasons, however, staff would not necessarily be working continuously on that particular ticket. In most cases, when the ticket is completed the current date and time is entered reflecting the hours the ticket is open in the system and not the actual hours worked by staff on that ticket.

Although staff are encouraged by the division to use the help desk system, there are instances when they will contact division MIS staff directly without going through the help desk system. The division MIS staff will reflect the time spent in this particular situation on their timesheets, thus causing a difference between the time allocated on the help desk ticket and the time allocated on the division's MIS employees' timesheets.

While efforts are being made to make the MIS help desk system more accurate with regard to time tracking, it is still not a proper measure of time spent working for specific boards. The current configuration of the MIS help desk is not intended to be a time tracking system, but rather a call or trouble ticket tracking system. DED MIS also must use a separate time system to track time that is allocated to divisions within the department.

- E. *We concur with this recommendation and have implemented a review process.*
- F.1. *We concur with this recommendation. The Division of Professional Registration is in the process of implementing a new cost allocation plan with a projected effective date of July 1, 2002. This plan will allocate personal service overhead costs for CIU to the Office of Athletics. In addition, an adjustment will be made to the FY 2001 allocation of personal service overhead to include the Office of Athletics.*
- F.2. *We concur and have provided additional instruction to the investigators in this area.*

AUDITOR'S COMMENT

- D. *The only suitable, accurate, and fair method to allocate DPR MIS costs is to charge the boards based on direct service hours by the MIS.*

5.**Vehicle Usage**

We noted the following concerns regarding the use of DPR vehicles.

- A. The DPR maintained a fleet of eight vehicles for the use of all thirty-two boards during the year ended June 30, 2000. The cost to maintain these vehicles is charged to twenty-seven boards. The maintenance charge is based on the three-year licensee average. Fuel is charged to the board using the vehicle or, when the Central Investigation Unit (CIU) is using the vehicle, to the board for which the CIU is investigating a case.

The DPR fleet of vehicles does not appear necessary. Fleet vehicles were used approximately 31 percent of the time the vehicles were available for use. The DPR Administration, CIU, and Office of Athletics used the fleet vehicles approximately 69.4 percent of the time that the vehicles were in use. Out of the thirty-two boards, twenty-one boards (65 percent) used a fleet vehicle at least once during the year ended June 30, 2000. The Fiscal Year 2001 Administration budget included four replacement vehicles for the fleet. The DPR staff stated that because the fleet vehicles are not very reliable, staff choose to use their own vehicles when the most reliable fleet vehicle is not available.

It appears that the DPR could reduce or eliminate the fleet of vehicles. If any vehicles are retained, the CIU and Office of Athletics could share one vehicle and Administration could maintain one vehicle. The CIU and Office of Athletics vehicle's costs should be charged to the boards for which the CIU is investigating cases and to the Office of Athletics when it uses the vehicle. The Administration vehicle's costs should be charged to all thirty-two DPR boards.

- B. The cost to maintain and replace the DPR director's vehicle was allocated to twenty-seven of the thirty-two boards based on the three-year licensee average. The DPR director works for all of the boards. To ensure the reasonableness of this cost allocation, the DPR should allocate these costs to all thirty-two boards.

The DPR needs to reevaluate its fleet usage to ensure the boards are charged only for the necessary costs in an equitable manner.

WE RECOMMEND the DPR:

- A. Eliminate the fleet of vehicles or maintain only one vehicle for Administration and one vehicle to be shared by CIU and the Office of Athletics. In addition, the DPR should allocate the costs of the Administration vehicle to all thirty-two boards and the costs to operate and maintain the CIU and Office of Athletics vehicle to the boards using CIU services and to the Office of Athletics.

- B. Allocate the cost to maintain and replace the DPR director's vehicle to all thirty-two boards.

AUDITEE'S RESPONSE

Division Response:

- A. *After extensive review of the vehicle usage requirements within the division, a new vehicle policy has been implemented. This plan provides a better distribution of vehicles to the users within the division that require them.*

Each fiscal year the number of miles driven by each vehicle will be evaluated to determine if the vehicles are being utilized to the fullest extent intended and if a change in the fleet size is needed.

- B. *We concur with this recommendation. The Division of Professional Registration is in the process of implementing a new cost allocation plan with a projected effective date of July 1, 2002. This plan will allocate to all thirty-two boards.*

6. Investigations

More than 840 complaints requiring investigations were filed with the Missouri State Board of Nursing (board) during the year ended June 30, 2000. The number of complaints filed in the year ended June 30, 1996 was about 500.

- A. A written plan for investigating a case or an estimate of the time required to complete the investigation is not prepared. In addition, the board has not reviewed the procedures used for investigations. Once the board has assigned a case to an investigator, the board has little or no involvement with the case until the investigator submits the final report.

To ensure investigations are completed timely and to allow the board to manage its expenditures, the investigators should submit a plan and an estimate of the time required to complete an investigation to the board for their approval before the investigator begins work on the case. An alternative would be for the board to establish time estimates for completing investigations by type of case. Then the board should require the investigators to inform the board when an investigation cannot be completed within the established estimates of time.

- B. Investigations performed by consultants are much more costly than investigations performed by board employees. The board employs a chief investigator and two staff investigators. In addition, the board uses the DPR Central Investigative Unit (CIU) and consultants.

For the year ended June 30, 2000, the average cost to investigate a case was \$629 for board employees (excluding the chief investigator who completes mainly investigations that can be done without travel), \$612 for the CIU, and \$900 for consultants. Contract investigators completed 480 cases in the year ended June 30, 2000. As a result, the board spent \$130,080 more on consultants than if the board had a sufficient number of employees to complete these investigations.

The board could easily employ an additional three investigators. Each investigator should complete approximately seventy cases each year. As a result, the board would save an average of \$271 per case on 210 cases or more than \$50,000 per year. The board should continually evaluate the number of employees necessary to complete the investigations and employ additional investigators as needed in future years.

WE RECOMMEND the board:

- A. Require its investigators submit a plan and an estimate of the time required to complete an investigation to the board for its approval before the investigator begins work on the case. As an alternative, the board could establish time estimates to complete investigations by type of case and require investigators to inform the board when an investigation cannot be completed within the established time estimate.
- B. Request three additional employees for investigators to reduce the number of investigations that must be given to consultants.

AUDITEE'S RESPONSE

Board Response:

- A. *The Board of Nursing concurs with the alternative. With the current complaint/investigations system, the Board is not able to establish time estimates to complete investigations by type of case. With the complaint-tracking component of the new licensure system, the board will be able to assign a category to each case and enter the total cost of a case, total hours, and calculate the length of time for each case. After the board has entered one year of cases, the members of the board will review this information and establish parameters for total hours, length of time and cost based on each complaint category. These parameters will be communicated to investigators. If an investigation falls outside of these parameters, the investigator will be required to provide a justification.*
- B. *The board concurs with this recommendation. The board has submitted a request to the Division of Professional Registration to hire two additional staff investigators and one clerical assistant for investigations. The Board will measure the number of cases investigated, the total cost of each case, the quality of each investigation, and the time to complete each investigation. This will allow the Board to determine if they can maintain the high quality and volume of investigations using less money.*

7.**Multiple Databases**

The board enters information on its licensees into three separate databases, including the new licensure system, the discipline database, and the investigation database. This is very inefficient since all three databases contain similar information on the same licensees which means the same information has to be entered three times. In addition, when the board is looking at an individual licensee, the board must review all three databases to obtain all of the needed information. To improve efficiency and reduce staff time, the board should consolidate the licensee information into the new licensing system.

WE RECOMMEND the board consolidate the information from the discipline and the investigation databases into the new licensing system to eliminate the maintenance of duplicate information in multiple databases.

AUDITEE'S RESPONSE*Board Response:*

The Board of Nursing concurs with this recommendation. The Division of Professional Registration began using a new licensing system in September 1999. Since that time, the complaint and discipline tracking system has undergone a series of system modifications. Training for the complaint and discipline-tracking component of the system is scheduled to begin in July/August 2001. As soon as pertinent staff are trained, all cases received beginning July 1, 2001, will be tracked using the new system.

This report is intended for the information of the management of the DPR and the board and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

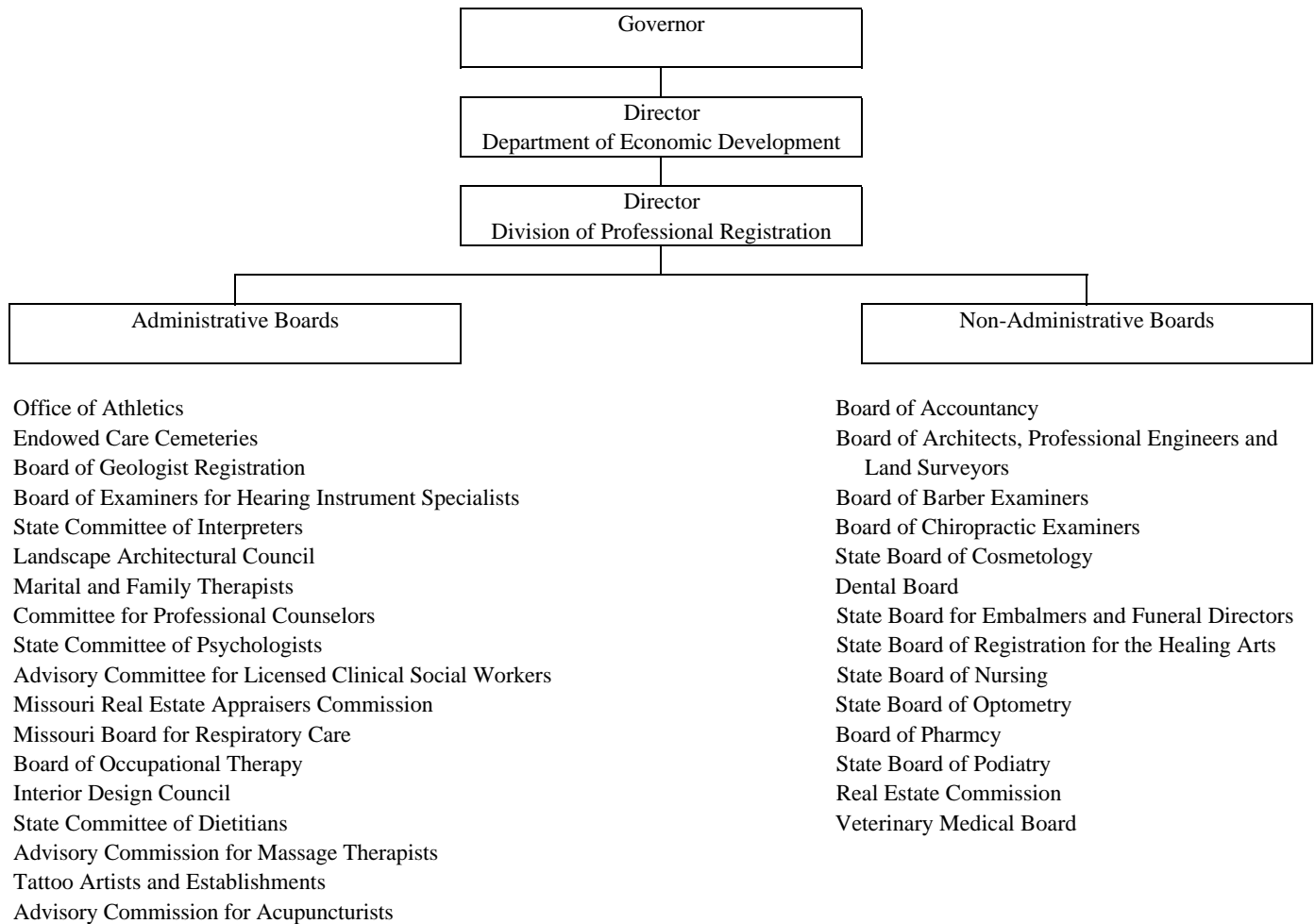
The Division of Professional Registration was established by the Omnibus State Reorganization Act of 1974. The division's administrative section establishes a system of accounting and budgeting for the various boards and provides various clerical services to the boards.

The members of the administrative and non-administrative boards are generally appointed by the governor with the advice and consent of the Senate. The non-administrative boards hire their own Executive Director who oversees the day-to-day operations of the board. The non-administrative boards also hire their own staff to provide clerical and other staff services relating to the issuance and renewal of licenses. The Director of the Division of Professional Registration assigns an Executive Director for the administrative boards and provides all staff needed for clerical and other staff services relating to the issuance and renewal of licenses.

The Division of Professional Registration is headed by a director who is appointed by the Director of the Department of Economic Development with the advice and consent of the Senate. Randall J. Singer served as director from May 1993 through January 19, 2001. Marilyn Taylor Williams became acting director on January 22, 2001, and was confirmed as director on January 25, 2001. At June 30, 2000, the Division of Professional Registration and the non-administrative boards had approximately 222 employees and 218 board members who provide the services necessary for the licensing and regulating of the licensees of the various boards.

An organization chart follows:

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
ORGANIZATION CHART
JUNE 30, 2000



DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI STATE BOARD OF NURSING
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri State Board of Nursing (board) was created in 1909 by the 45th General Assembly passing the first Nurse Practice Act. From 1909 to 1953 only Registered Nurses (R.N.) and R.N. nursing programs were recognized. The 1953 law allowed the licensure of Practical Nurses (L.P.N.). The Omnibus State Reorganization Act of 1974 transferred the board to the Division of Professional Registration.

The board's mandate is to protect the public with safe nursing care. The board approves nursing education programs, licenses nurses, and disciplines nurses who violate the Nurse Practice Act. Currently, the Board has issued 72,419 R.N. licenses and 23,109 L.P.N. licenses. The board has also issued 3,863 Documents of Recognition to Advanced Practice Nurses.

The board consists of nine members of whom one is a public member, two are L.P.N.'s, two are nurse educators, two provide nursing service, and two are A.P.N.'s. The Board members as of June 30, 2000 were:

<u>Member</u>	<u>Term Expires</u>
Robin Vogt, R.N., President	June 1, 2001
Pat Porterfield, R.N., Vice-President*	June 1, 2000
Janet Anderson, R.N., Secretary	June 1, 2002
Arthur Bante, R.N., Member * *	August 13, 2000
Ian Davis, L.P.N., Member*	June 1, 2000
Cordelia Esry, R.N., Member	June 1, 2001
Paul Lineberry, Public Member	June 1, 2003
Pat Versluis, R.N., Member*	June 1, 2000
Charlotte York, L.P.N., Member	June 1, 2001

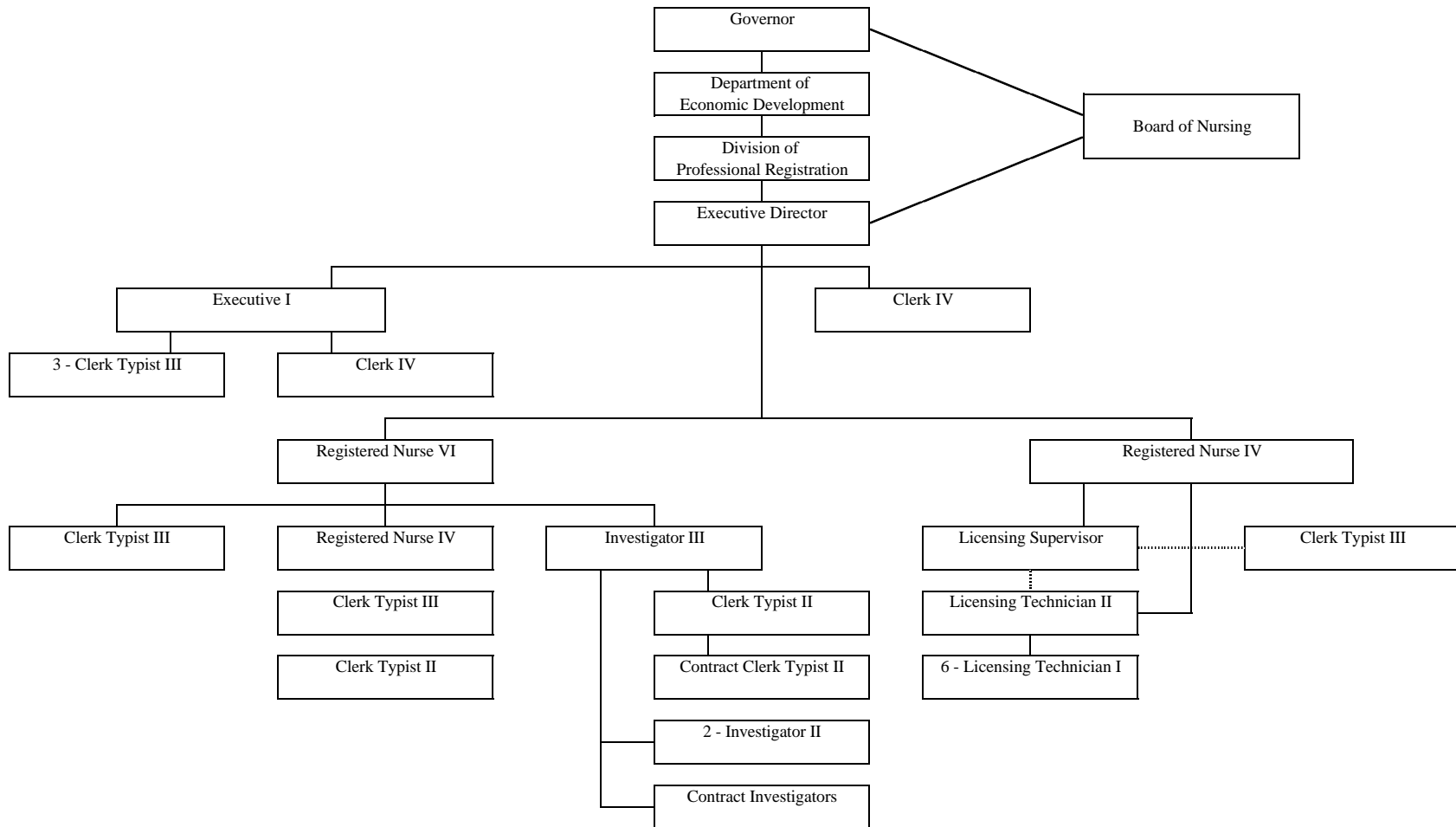
* Full member until a replacement is appointed.

** Arthur Bante, R.N., replaced Laura Murphy-Dellos, R.N., on December 3, 1998, and will serve as a full member until a replacement is appointed.

Board members receive a \$50 per diem compensation and expenses while performing their duties. The board appoints an executive director to perform the administrative duties of the board and the director hires other staff as necessary to carry out the decisions and responsibilities of the board. Marcia Flesner, M.S.N., R.N. served as Executive Director from October 1997 through August 6, 1999. Calvina Thomas, R.N., PhD has served as Executive Director since August 6, 1999. At June 30, 2000, the Missouri State Board of Nursing had 22 employees.

An organization chart follows:

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI STATE BOARD OF NURSING
ORGANIZATION CHART
JUNE 30, 2000



APPENDIX

DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF PROFESSIONAL REGISTRATION
MISSOURI STATE BOARD OF NURSING FUND
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS, TRANSFERS, AND CHANGES IN CASH AND INVESTMENTS
FIVE YEARS ENDED JUNE 30, 2000

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Receipts	\$ 1,025,185	2,686,608	1,041,452	3,097,965	1,737,467
Board controlled disbursements:					
Personal service	638,746	658,065	619,914	618,761	564,111
Per diem	3,803	16,085	15,190	10,991	9,478
Expense and equipment	661,864	608,721	556,529	503,768	508,821
Total disbursements	1,304,413	1,282,871	1,191,633	1,133,520	1,082,410
Board related transfers:					
Rent	65,427	59,269	67,865	60,415	58,387
Utilities	0	0	3,671	13,200	13,715
Workers comp fund	0	0	0	0	2,191
Hancock	28,324	142,927	103,470	0	0
General revenue	120,277	120,322	180,825	65,839	154,920
Fringe benefits	185,062	187,467	163,894	169,133	156,151
Refunds	1,258	2,314	0	0	0
Division transfers:					
Professional registration	536,187	308,867	268,711	267,609	328,626
Optical imaging	6,845	0	0	0	0
Licensing system	5,957	164,013	0	0	0
Department Transfers:					
Administration/MIS/QED/mailroom	114,144	157,037	102,263	76,119	130,886
Total transfers	1,063,481	1,142,216	890,699	652,315	844,876
Total disbursements and transfers	2,367,894	2,425,087	2,082,332	1,785,835	1,927,286
Receipts over (under) disbursements and transfers	(1,342,709)	261,521	(1,040,880)	1,312,130	(189,819)
Cash and Investments, July 1	1,558,440	1,296,919	2,337,799	1,025,669	1,215,488
Cash and Investments, June 30	\$ 215,731	1,558,440	1,296,919	2,337,799	1,025,669

* * * * *



MANAGEMENT OF OUTSTANDING WARRANTS

**From The Office Of State Auditor
Claire McCaskill**

Matching state databases with the Highway Patrol database will assist in apprehending felons.

Report No. 2001-63
August 16, 2001
www.auditor.state.mo.us

PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

August 2001

www.auditor.state.mo.us

More felons could be arrested with data matches between the Highway Patrol and various state databases

Missouri ranks in the top ten states for the total number of outstanding felony and non-felony warrants, according to federal authorities. This audit reviewed how well various state law enforcement agencies manage the state's approximately 728,000 outstanding warrants and determined system improvements to arrest more felons.

Federal escapee found with data match

Audit staff ran persons with warrants in the Highway Patrol system against at least 10 different state databases, including childcare vendors, school teachers and public assistance recipients. Auditors found 15,761 felony warrants that matched among the data. These matches often produced different addresses for the defendant, including a new location for a federal escapee. Authorities arrested the escapee a day after auditors provided the new information to law enforcement. (See page 5)

Data tests noted illegal benefits payments to defendants

State officials paid \$672,640 in food stamps and temporary assistance to 802 persons with outstanding warrants, which violates federal law. This figure represents individuals receiving benefits as of October 2000. The Department of Social Services and the Highway Patrol are now setting up routine matches to share information on fugitive felons and public assistance recipients. (See page 6)

Revenue remains uncollected with outstanding warrants

More than \$76 million could be collected from court costs, fees and fines if authorities served and adjudicated all current outstanding warrants. Of the \$76 million, \$14 million could go to the state and \$61 million could go to city and county officials. (See page 12)

Limited resources leave warrants unpursued

Outstanding warrants are not kept in one accessible, centralized system, but are housed in three main systems run by Kansas City police, St. Louis police and the State Highway Patrol. The three entities charge local law enforcement agencies usage fees to access warrant data. In addition, the information on these systems is not always accurate or valid. Development of an accessible statewide system could reduce outstanding warrants and increase revenues. (See page 12)

YELLOW SHEET

MANAGEMENT OF OUTSTANDING WARRANTS

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Charles R. Jackson, Director Department of Public Safety
and
Colonel Roger Stottlemire, Superintendent Missouri State Highway Patrol
and
Kathy Martin, Director Department of Social Services
Jefferson City, Missouri

The State Auditor's Office has audited the state's criminal warrant system. The audit was initiated because of concerns over the management of a high volume of outstanding warrants. The purpose of the audit was to determine whether improvements are needed in the management of outstanding warrants. Specific objectives included determining whether (1) the use of state databases could be effective in increasing apprehensions of felons and reducing benefits paid to felons; (2) law enforcement officials have ready access to information on outstanding warrants and whether that information is valid and accurate; and (3) there are impediments to pursuing individuals with outstanding warrants.

We concluded that:

- Increased use of state agency databases for matches against law enforcement databases could assist authorities in capturing suspected felons and reducing federal benefits paid by the state by \$672,640. Since August 1996, Federal law requires termination of federal benefits for people with felony warrants. In addition to federal benefits, approximately \$35,227 in state-funded benefits has been paid to individuals with outstanding felony warrants, however, the state does not prohibit this practice.
- Improvements are also needed in accessing warrant information so that law enforcement officials have timely information. Development of a statewide system that allows law enforcement officers access to all information on individuals with outstanding warrants, and that contains accurate information, would enable officers to better identify and apprehend felony and other serious offenders. This could also reduce the number of outstanding warrants and increase the revenue of local and county authorities.

- Law enforcement officials face impediments to reduce the number of outstanding warrants including the lack of resources, unwillingness to extradite individuals, and lack of coordination between law enforcement officials. Encouraging law enforcement officials to use innovative approaches and establishing warrant fees on a statewide basis would help reduce the number of outstanding warrants and provide millions in new revenue to local and county officials to use for law enforcement or related purposes.

The audit was made in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests of the procedures and records as were considered appropriate under the circumstances.



Claire McCaskill
State Auditor

March 30, 2001 (fieldwork completion)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
Audit Manager:	John Birdno, CPA, CIA
In-Charge Auditor:	Gary Boehmer, CPA
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	Liang Xu
	Hassan Abdallah

RESULTS AND RECOMMENDATIONS

1. The State Can Assist in Apprehending Felons by Matching Benefits and Licensure Databases with Law Enforcement Databases

Individuals with outstanding felony warrants could be identified and captured by matching state databases for benefits and licensure to the Highway Patrol database. Audit tests showed that over one-third of the 15,671 felony warrants matched from the Highway Patrol database as of January 19, 2001, have addresses for benefit payments that are different from the addresses on the warrants. With benefit matches, the state could assist law enforcement authorities in capturing suspected felons and eliminate benefits payments to ineligible recipients who we estimated received \$672,640 in ineligible benefits between August 1996 and October 2000.

Procedures for issuing and serving warrants

Municipal and state court officials issue warrants to apprehend persons for

- committing crimes,
- failing to appear in a court, and
- fleeing prosecution.

Department of Corrections and Division of Probation and Parole officials also issue warrants when the probationer or parolee violates the conditions of probation and parole or when a prisoner escapes.

Warrants are generally issued by court officials and given to law enforcement personnel to enter into databases although there are several municipal, associate and circuit courts that do not use law enforcement personnel to enter warrants. The law enforcement agency is given the responsibility of locating the person and bringing that person to court. Law enforcement agencies use the database systems where warrants are entered to retrieve information about whether a person has an outstanding warrant, has a current driver's license along with any traffic violations, or is on probation or parole from the Department of Corrections. According to the National Crime Information Center, Missouri ranks in the top ten states for the total number of outstanding warrants (felony and non-felony).

There are three major warrant database systems in the state of Missouri:

- Missouri Uniform Law Enforcement System, (Highway Patrol database), which is owned and operated by the Missouri State Highway Patrol in Jefferson City.
- Automated Law Enforcement Response Team, (Kansas City database), which is owned and operated by the Kansas City Police Department.
- Regional Enforcement Jurisdiction Information System, (St. Louis database), which is owned and operated by the Regional Enforcement Jurisdiction Information Services in St. Louis.

The Highway Patrol database, which has been maintained for over 20 years, is the central location in the state for all felony warrants and other warrants that law enforcement officials want to provide to the state. As of January 2001, the Highway Patrol database showed 214,684 outstanding warrants of which 28,302 (13.2 %) were felony warrants. (See *Appendix II, page 22, for definition of terms.*) Warrants designated as extraditable, those cases in which the cities or counties are willing to extradite a person from another state, are marked as such and sent on to the National Crime Information Center, which is operated by the Federal Bureau of Investigation. Local ordinance violation warrants may or may not go through the Highway Patrol database depending on the municipality and the agency that enters the warrants. Local warrants that do not go through the Highway Patrol's database usually stay within a city's jurisdiction and information on the outstanding warrants are maintained by local officials and may be shared with other municipalities such as St. Louis or Kansas City. Municipalities that use the St. Louis, Kansas City or Highway Patrol databases, pay for access to those systems. Warrants are not verified against any other state databases to determine whether a person is receiving state or federal monetary assistance or is presently employed.

Audit methodology

Auditors obtained the Highway Patrol database on all warrants in the system as of January 19, 2001. Matches between the Highway Patrol database and several state agency databases were made to identify individuals with outstanding warrants, especially felony warrants. The state agencies with databases used for matching information included:

- Department of Social Services
- Department of Elementary and Secondary Education
- Department of Corrections
- Department of Conservation
- Department of Health
- Department of Public Safety
- Office of Administration's Personnel Action Reporting System
- Department of Economic Development, Division of Professional Registration

A successful match between databases consisted of having an exact match of the social security number, name, and date of birth. Another match was made between the addresses of the successful matches against address information on the Highway Patrol database to determine if new address information could be given to law enforcement agencies. The matches represented in this report reflect information current as of the date of the match. Since warrants are frequently updated and personnel change employment, some warrants may no longer be open and some employees may no longer be employed. The purpose of the matches was to show agencies that valuable information can be obtained to ensure outstanding warrants on their employees or their clients are known and to facilitate appropriate corrective action.

State databases provide useful information on felons

Audit tests revealed that matching outstanding felony warrants listed in the Highway Patrol database, or other major databases, to information in state agency databases can result in apprehension of felons or identification of new addresses to facilitate apprehension of felons. For example, we performed matches of individuals with outstanding warrants in the Highway Patrol database with various state agency databases that revealed 15,671 felony matches. These matches represent raw hits, and because of the frequent updating of warrants some of the warrants may no longer be open and some of the employees may no longer be employed. Agency databases identified individuals with felony warrants as shown in the following table.

Felony
warrants
matched state
benefit records

Table 1.1: Matches Using Selected State Databases and the Highway Patrol Database

Highway Patrol Database to State Databases	Number of Felony Warrants ¹
Department of Social Services- Paid Child Care Vendors	492
Department of Elementary and Secondary Education-Certified Teachers ²	49
Division of Medical Services- Medicaid Eligible As of September 2000	781
Department of Corrections- Offenders Under Supervision	8,527
Department of Conservation- License Holders	2,546
Department of Health- Death Records	278
Department of Social Services- Maintenance Income/Food Stamps As of October 2000	2,235
Personnel Action Reporting System- All State Employees	66
Department of Economic Development- Division of Professional Registration	697
Total	15,671

Source: Match of agency databases on employees to Highway Patrol database

¹ Individuals with outstanding warrants could be included in one or more of the above databases or have more than one warrant outstanding. For teachers, the 49 warrants applied to 43 teachers.

² We updated the information on employment of teachers as of June 26, 2001 and 8 teachers with 8 warrants are still employed as teachers and 20 teachers although not currently employed as teachers are lifetime certified as teachers. The remaining 15 teachers are not employed as teachers and are no longer certified. The update did not include new warrants issued between January and June 2001.

Approximately 38 percent, or 5,998 of the 15,671 felony warrants identified in our matches showed different addresses for the benefit payments or licensures than the address shown on the warrant. Auditors examined the matching information on 100 felons and provided new addresses for 31 persons with outstanding felony warrants to law enforcement authorities to determine if these persons could be located and apprehended. Examples of the value of such matches follow:

- Law enforcement officials apprehended a federal escapee the day after we provided the information to law enforcement.
- Another individual wanted on a charge of negligent manslaughter was also located and apprehended.
- A match identified that one of Missouri's top ten most wanted fugitives received medical benefits at a state institution giving law enforcement a lead for following up on his activities.

Federal law prohibits payment of benefits to individuals with felony warrants

State agency officials paid \$672,640³ in benefits to 802 individuals with felony warrants, as of October 2000. (See Appendix III, page 23 for an explanation of benefit calculations.)

Table 1.2: Benefits Paid to Ineligible Recipients

Benefit	Total Benefit	Number of Felons
Food Stamps	\$192,712	605
Temporary Assistance ⁴	479,928	197
Total	\$672,640	802

Source: Department of Social Services benefit payment files

Federal law, United States Code 7, Section 2015, prohibits payments for food stamps to individuals with felony warrants while United States Code 42, Section 608 prohibits payments to felons for temporary assistance to needy families. In fiscal year 1996, federal laws changed to prohibit payment of these benefits to individuals with outstanding warrants. Subsequent to our audit effort, the Department of Social Services conducted a match with Highway Patrol records and found similar results. The difficulty in ensuring that federal benefits are discontinued is that the Highway Patrol database is not set up for routine matches and special programs must be written each time a match is made.

**\$672,640 in
benefits paid
to ineligibles**

³ This amount was calculated by matching the Department of Social Services benefit payment to the individuals during the month of October 2000, and tracking it back to the date of the warrant or the date of the benefit allowance between the period August 1996 (when the law went into effect) and October 2000.

⁴ Federal funding at 60% and state funding at 40% represents total payment. If beneficiary is ineligible for federal portion because of a felony warrant, the state portion is also eliminated.

Individuals with felony warrants also receive state benefits

Although state law does not prohibit paying benefits to individuals with felony warrants, there is a benefit from enacting such laws. Audit results showed that \$35,227 in state benefits was paid to 17 individuals with felony warrants. *(See Appendix III, page 23, for a description of the methodology used to calculate ineligible benefit payments.)*

Table 1.3: State Benefits Paid to Individuals with Felony Warrants

Benefit	Amount	Number of Felons
General Relief	\$13,032	15
Blind Pension	22,195	2
Total	\$35,227	17

Source: Department of Social Services benefit payment files

State agencies employ individuals with outstanding felony warrants

Matches of individuals with outstanding warrants in the Highway Patrol database, as of January 24, 2001, and the state's database of all state employees identified 66 state employees with outstanding felony warrants as shown in Table 1.4.

66 state
employees
have felony
warrants

Table 1.4: Number of State Employees with Felony Warrants

<i>Department/Organization</i>	<i>Number</i>
Mental Health	28
Social Services	10
Corrections	9
Public Safety	6
Transportation	5
Natural Resources	3
Health	1
Judiciary	1
Agriculture	1
Elementary and Secondary Education	1
Conservation	1
Total	66

Source: State departments' employee files

Since warrants are updated regularly, some of these warrants may no longer be outstanding. Also, some of the employees may no longer be employed.

Conclusions

The state has a role to play in apprehending individuals with felony warrants. By using benefit programs to identify current addresses of recipients and matching them against warrant databases, the state can assist in apprehending the felon and terminating federal benefits. The

Department of Social Services, as well as all other departments, have a responsibility to perform these matches against the Highway Patrol's database to identify felons and eliminate benefits payments to ineligible recipients. Additionally, the state could reduce the payment of state benefits if state law provided for termination of benefits to individuals with felony warrants.

Recommendations

We recommend the General Assembly:

- 1.1 Consider enacting legislation to prohibit payments of benefits to individuals with felony warrants.

We recommend the Superintendent, Highway Patrol establish systems and procedures for:

- 1.2 State agencies to match information in their databases to identify new addresses for people with felony warrants.
- 1.3 State agencies to verify the status of outstanding warrants for new and existing employees.

We recommend the Director, Department of Social Services:

- 1.4 Coordinate with the Highway Patrol and develop a system to routinely match federal benefits payments to felony warrant data to stop payments to ineligible individuals.

Department of Public Safety Responses:

This correspondence is in response to the recent audit of the Missouri Uniformed Law Enforcement System (MULES) capability to capture all information on outstanding warrants. A response is provided on the requested sections 1.2, 1.3, 2.1, 2.2, and 2.3. Additional comments are made where appropriate.

It is the opinion of the Patrol that regulations or a standard way of entering warrants should be established. Consistency among the criminal justice community would match the initiatives sought by the FBI. Above all, no matter how much money is saved by the state, the entering of outstanding warrants is a public safety issue. If warrants are not issued or verified on a regular basis, they become ineffective. The Patrol is not prepared to establish warrant entry guidelines without the cooperation of the criminal justice community. There are many variables unknown to us which determine why agencies do not enter all warrants. I would suggest establishing a committee representing all segments of criminal justice who enter warrants, to review current practices and make a workable recommendation we can all live with. I agree that something needs to be done to make our current system more effective and efficient.

I would also like to point out the charges to access MULES are strictly replacement costs. The Patrol has established line charges determined by the amount of transactions. Regional Enforcement Jurisdiction Information System (REJIS) and Automated Law Enforcement Response Team (ALERT) charge by transactions. To access warrants through MULES is a

nominal fee. The Patrol agrees it would benefit the state if all law enforcement agencies would have the capability to access MULES through state funding.

Any recommendations which require an increased workload or modified technology will have to be supported by additional full-time employees (FTE) or funding. The Patrol is willing to make the outstanding warrant process more efficient, but cannot afford to take on these responsibilities without the proper resources.

I trust the information provided will assist your office with making an effective determination.

1.2 State agencies to match information in their databases to identify new addresses for people with felony warrants.

There seems to be a concern with the information required on the warrants for entry into the MULES system. The Auditor's Report focuses on the entry field of "last known address" or "last frequented address" instead of a home address entry requirement. The current MULES/2 system only allows one address field. By July 2002, the MULES/3 wanted persons application will allow two address fields, "last frequented address" and "home address." It is our recommendation to leave this field as is until the 2002 implementation. The criminal justice community will be trained on the new changes.

1.3 State agencies to verify the status of outstanding warrants for new and existing employees.

This match process could be produced. The Patrol's Information Systems Division (ISD) has recently written a match process with the Department of Family Services (DFS) that matches food stamp and Temporary Assistance to Needy Families (TANF) benefactors against the Patrol's warrant file. This programming code is already in place, and would only need to be copied and altered for the selection criteria to work for a state employee file. The Patrol would require the format of the employee input file to be in the same format as being submitted by DFS.

The Patrol would not be able to absorb the costs associated with an operation this large without a source of dedicated funding. Currently the Patrol is charged by the State Data Center for computer services determined by the amount of jobs run through their system. Our current unfunded costs are in excess of \$700,000 annually.

The Patrol has introduced legislation asking for a device known as Live Scan. This device would allow state agencies to process employees by submitting two-finger fingerprints to the Central Repository. During the process of hiring, prospective employees would submit two-finger fingerprints to be placed on file. These fingerprints could be checked for warrants or arrests.

Department of Social Services Responses:

1.4 In recommendation 1.4 of your draft report, you recommended that the Director, Department of Social Services "coordinate with the Highway Patrol and develop a system to routinely match federal benefits payments to felony warrant data to stop

payments to ineligible individuals.” The department of Social Services agrees with recommendation 1.4. In that regard, the Department has already taken great strides in completely implementing this recommendation. Attached, you will find a Memorandum of Understanding (MOU) which was entered into between the Department of Social Services, Division of Family Services (DFS) and the Department of Public Safety, Missouri State Highway Patrol (MSHP), to establish a procedure for the sharing of information pertaining to fugitive felons who are identified as public assistance recipients. This information-sharing proposal was adopted to comply with certain provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Public Law 104-93. As reflected in this MOU, DFS is responsible for submitting identifying information regarding public assistance recipients to the MSHP so that the MSHP can conduct a match to determine if any of the named recipients are fugitive felons. The listing provided by DFS is to include the name, date of birth, and social security number of each recipient. In turn, the MSHP is responsible for comparing the named recipients with the names of individuals listed in its felony warrant database to determine if there are any matches. The MSHP is responsible for notifying DFS of the names of the matched individuals so that DFS can, in turn, provide this information (including the addresses and telephone numbers of the recipients) to the federal government (USDA). USDA forwards this information to the appropriate law enforcement agencies so that arrest action can be initiated against the fugitive felons. The Division of Family Services subsequently initiates action to terminate benefits after law enforcement has been given ample opportunity to effectuate the arrest of these felons.

This process was utilized for the first time in March of 2001 when DFS and the MSHP conducted a statewide fugitive felon data match of public assistance recipients. On or about March 2, 2001, DFS created a data set containing the names and other identifying information of recipients who were receiving TANF or food stamp benefits as of February 28, 2001. A total of 217,846 names were on the data set made available to the MSHP. The MSHP’s match query showed that there were 2,227 food stamp recipients and 594 TANF recipients who were listed in the fugitive felon database. On or about March 23, 2001, DFS provided to USDA identifying information so that notification could be sent to the appropriate law enforcement agencies and the fugitives arrested. The Division of Family Services, in turn, was responsible for initiating action to terminate the public assistance of these recipients based on their ineligibility due to their fugitive felon status. It is believed that this first statewide data match effort demonstrates that it is effective in not only terminating the benefits of recipients who are fugitive felons but also in effectuating the arrest of these individuals. It is anticipated that, by July 31, 2001, a determination will be made as to how often these matches will be conducted, thus resulting in complete implementation of this procedure.

Thank you for bringing this important matter to the attention of this department.

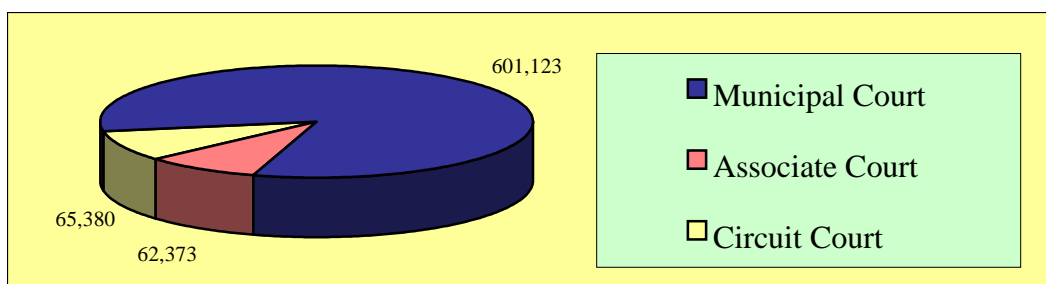
2. Improvements Are Needed in the Management of Outstanding Warrants

Better management and control of warrants is needed to ensure individuals with serious outstanding warrants are identified and apprehended. Missouri does not have a centralized system for recording and tracking the status of all outstanding warrants. This is important because law enforcement officials are faced with an enormous volume of outstanding warrants, accounting for as much as \$76 million in uncollected revenue, that they do not have the time or resources to pursue. Instead, local law enforcement officials maintain information on outstanding warrants at the local level, and law enforcement officials in other communities cannot readily access this information. Also, existing databases contain errors and outdated information on individuals with outstanding warrants. Because there is no system in place that allows law enforcement officers to access information on all individuals with outstanding warrants, serious offenders and felony suspects may not be taken into custody.

Outstanding warrants are maintained at the local level

Local law enforcement officials maintain information on outstanding warrants at the local level and these records may be maintained in automated databases or kept on manual systems. Based on 495 responses received from 70 percent of the 709 questionnaires sent to circuit, associate circuit, and municipal courts personnel, there were in excess of 728,000 outstanding warrants as of November 2000. Figure 2.1 depicts the number of outstanding warrants issued by these courts.

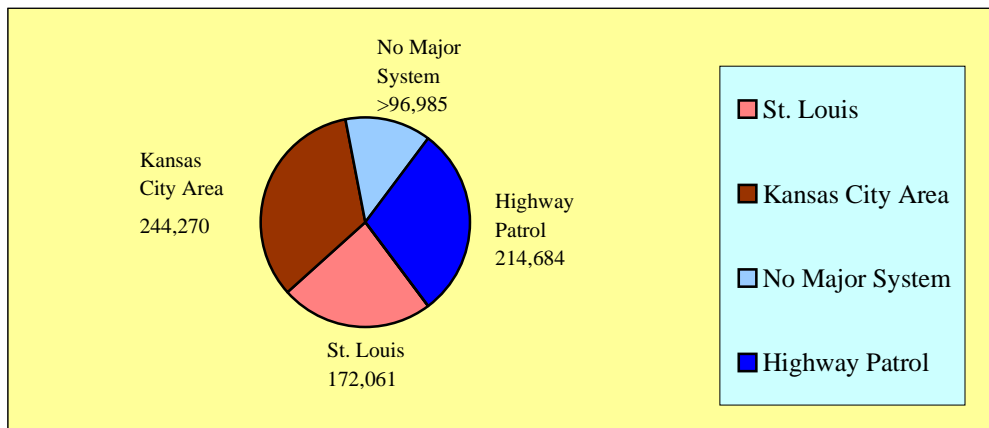
Figure 2.1: Number of Outstanding Warrants Identified by the Courts



Source: Court responses to state auditor questionnaire

As shown above, municipal court officials issued most of the outstanding warrants. The majority of warrants issued by the courts are recorded on the Kansas City, St. Louis, or Highway Patrol databases—the three major database systems in the state. Figure 2.2 displays the number of outstanding warrants recorded in these databases.

Figure 2.2: Outstanding Warrants Recorded in Major Databases



Source: State auditor tabulations from warrant databases

* There are no duplicate counts of warrants between the four categories on the chart

Based on the number of outstanding warrants reported by court personnel in response to our inquiry, there are at least 96,985 warrants that are not recorded in these three major databases. Because some courts did not respond to our survey or provide information on the number of outstanding warrants they had, the total outstanding warrants not included in any of the three databases may be higher.

A central registry would make all warrants more visible to all law enforcement agencies. The audit disclosed at least one state that has taken this approach. Massachusetts became the first state in the nation to have a 24-hour, 7-day a week real-time warrant management system. All warrants are located in one central registry with full access by all law enforcement agencies. The system automatically crosschecks the warrant information against other state databases to determine what state benefits a person may have and to obtain current address information.

Outstanding warrants account for millions in uncollected revenue

As shown in the chart below, the outstanding warrants, if served and adjudicated, could generate over \$76 million according to the statutory court costs, fees, and fines allowed by law for municipal, associate, and circuit court cases. These cases consist of felonies, traffic violations, and misdemeanors. This total does not include any costs that may be collected by the court for boarding and transporting prisoners, by law enforcement officials for serving the warrants, and any additional costs assessed for issuing the warrants. The costs were calculated by using the statutory amounts provided for court costs.

Table 2.3: Estimated Revenue from Outstanding Warrants

FEE CATEGORY	CITY	COUNTY	STATE	TOTALS
Court Clerk Fee	\$ 7,213,476	\$ 775,539	\$ 3,102,156	\$ 11,091,171
County Fee		5,527,230		5,527,230
Court Automation Fee			894,271	894,271
Court Reporter Fee			980,700	980,700
Crime Victims Surcharge	150,281	127,753	3,366,346	3,644,380
Crime Victims Judgment			3,631,210	3,631,210
Independent Living Center Fee			364,438	364,438
Law Enforcement Training Fee	1,202,246	255,506		1,457,752
Peace Officers Standard Training Fee			728,876	728,876
Prosecuting Attorney Training Fee		63,877	63,877	127,754
Sheriff's Retirement Fee			1,585,505	1,585,505
Domestic Violence Shelter Fee		1,457,752		1,457,752
Sheriff's Fee		5,527,230		5,527,230
Fines	33,061,765	6,424,419		39,486,184
TOTALS	\$ 41,627,768	\$ 20,159,306	\$ 14,717,379	\$ 76,504,453

Source: State auditor analysis of fee schedules and warrants

As shown above, over \$14 million could be generated for use by the state and \$61 million for use by city and county officials for law enforcement or other purposes.

Access to warrant information maintained by local law enforcement officials is limited

Law enforcement officials in the greater Kansas City and St. Louis metropolitan areas charge usage fees to local law enforcement agencies to access their databases. For example, police officials in a suburban St. Louis County community can access the St. Louis database only if they pay usage fees and have the appropriate communication hookups. If community officials do not want to pay for access, they would be limited to their local database to access information on individuals with outstanding warrants. The same situation exists for access to the database maintained for the Kansas City area. The Kansas City and St. Louis systems as well as other smaller systems throughout the state were developed independently to meet the needs of local law enforcement officials and they are not linked together so that data can be shared or pooled. While these systems may provide useful information to the law enforcement officials within their jurisdiction, their usefulness to law enforcement officials in other jurisdictions is limited because not all law enforcement officials have access.

A fee is required to access databases

Local law enforcement officials in all areas in the state, can access the Highway Patrol's database if they are willing to pay usage and connection fees imposed by the Highway Patrol. The Highway Patrol's database contains information on felony warrants and non-felony warrants (provided on a voluntary basis by local law enforcement officials). As previously discussed, the Highway Patrol acts as the focal point for reporting information relating to felony warrants and other serious offenses that local law enforcement officers want to share with the state.

Highway Patrol database contains some errors and outdated information

Audit tests revealed that some errors and outdated information exists in the Highway Patrol's database.

Social Security Number Match

Audit tests matched the warrants on the Highway Patrol database with various state agency databases and noted error rates ranging from 5 percent for the Department of Social Services, to 30 percent for the Department of Elementary and Secondary Education in incorrect social security numbers being recorded on the warrant. Many of these errors appear to be the result of transposing two or more digits of the social security number somewhere in the data entry process. This may have resulted from the individual providing an incorrect social security number to the officer, the officer making the error when recording the number, or agency personnel entering information in error.

Errors found
in warrant
database

Death Records Match

A match of the outstanding warrants on the Highway Patrol database with Department of Health Bureau of Vital Records death records showed over 1,200 deceased individuals with outstanding warrants that included over 275 felonies.

1,200
deceased
people have
warrants

Conclusions

Law enforcement officials are faced with an extremely large volume of outstanding warrants that they cannot pursue because of limited resources. Officials are further hindered by limited access to information on all individuals with outstanding warrants and by information that may not be valid or accurate. Development of a statewide system that allows law enforcement officers access to all information on individuals with outstanding warrants, and that contains valid and accurate information, would enable officers to better identify and apprehend felony and other serious offenders. This centralized system could also result in reducing the number of outstanding warrants and increase the revenue that would be at the disposal of local and county authorities.

Recommendations

We recommend the Highway Patrol:

- 2.1 Establish a statewide system that allows all law enforcement officials to have access to information on all individuals with outstanding warrants. This would include warrants on the Kansas City and St. Louis databases.
- 2.2 Coordinate with the Social Security Administration to develop a system for matching social security numbers in the Highway Patrol database.

- 2.3 Establish a procedure to match social security numbers in the Highway Patrol database to the Department of Health Bureau of Vital Records death record database.

Department of Public Safety Responses:

- 2.1 *Establish a statewide system that allows all law enforcement officials to have access to information on all individuals with outstanding warrants. This would include warrants on the Kansas City and St. Louis databases.*

MULES can currently accept all types of warrants. Law enforcement statewide has the capability to enter all types of warrants into MULES. REJIS and ALERT also have the capability to enter their warrants into MULES, if they choose to do so. The process of entering warrants is tedious for individual agencies. Entering all warrants, felony and misdemeanor, into MULES will be difficult and add to the workload. The additional entry of warrants statewide could cause performance problems for MULES. MULES sits on an antiquated platform. If it is decided all agencies will be required to place all warrants on a centralized location, upgrades will desperately be needed. The MULES system is not designed to determine each individual municipalities' ordinances. To accept all warrants, including municipal ordinances, MULES would have to be programmed with a multitude of variances. When entering misdemeanor warrants, each law enforcement agency would have to be comfortable that their dispatchers were reviewing each warrant thoroughly. Common names would need to be scrutinized, as would multiple responses on "hot file" hits.

- 2.2 *Coordinate with the Social Security Administration to develop a system for matching social security numbers in the Highway Patrol database.*

If this request is strictly for identifying individuals receiving social security benefits, who have outstanding warrants, this can be done similar to the DFS program. If this request is to clarify social security numbers to match social security numbers on warrants, this could be a dangerous action. An example would be two different John Smiths with the same date of birth. One John Smith has a warrant and a close social security number to the John Smith who does not have a warrant. When both names are displayed and one of the social security numbers does not match, I would caution making a change in an attempt to determine which social security number belongs to the correct person.

- 2.3 *Establish a procedure to match social security numbers in the Patrol database to the Department of Health, Bureau of Vital Records, death record database.*

Again, this process could be matched to the DFS project, as long as the same format is followed.

3. Innovative Practices and Incentives Could Reduce Warrants

Encouraging local law enforcement agencies to pursue innovative approaches and establishing warrant fees could help reduce the number of outstanding warrants and provide millions of dollars in new revenue to local and county officials to use for law enforcement or other purposes. Law enforcement officials cited impediments to reducing the number of outstanding warrants such as a lack of resources, unwillingness to pay to extradite individuals, the lack of coordination between law enforcement agencies, and the lack of space in city or county jails. As a result, outstanding warrants are not being resolved and millions in new fees are not being collected.

Law enforcement officials cannot pursue all individuals with outstanding warrants

Outstanding warrants have overwhelmed the law enforcement officials who do not have the time or resources to apprehend all individuals with those warrants. As a result, law enforcement officers have had to prioritize where to focus their efforts. Survey responses from law enforcement officials indicate that a high priority is not assigned to pursuing and apprehending individuals with outstanding warrants issued for such things as failure to appear in court on charges for traffic and parking violations. Based on discussions and responses to surveys, law enforcement officials stated they use an approach that assumes individuals may again violate the law. When that occurs, the officer can check to see if the individual has outstanding warrants and if so, decide at that time whether to take the individual into custody.

Felony warrants receive a high priority but there are impediments to serving them and apprehending suspects. Reasons given for not pursuing all individuals with outstanding felony warrants include a lack of resources, jurisdictional boundaries, lack of adequate information on the warrant, lack of coordination among law enforcement agencies, and lack of space and cost to house offenders. The following are examples of disclosures in the 155 survey responses received from law enforcement officers:

- The most common reason given for not aggressively pursuing warrants was lack of resources. Of the surveys returned, only two municipalities—Columbia and St. Joseph, had dedicated officers to the apprehension of individuals with outstanding warrants. The city of Festus has a separate warrant officer that handles all failure to appear cases by contacting the respective individuals.
- Law enforcement officials often impose geographical boundaries beyond which they will not pay to have the persons with outstanding warrants returned to their jurisdiction. When these individuals are stopped for routine traffic violations the attending officer searches for warrants and contacts the issuing agency if a warrant is found to determine if the individual should be taken into custody. If the issuing agency declines to pay costs, the individual is released.
- Warrants do not have adequate information such as social security number, date of birth, place of employment, and last known address.

Communities
often lack
resources

Many cities
will not pay to
extradite
individuals

- There is little coordination between law enforcement agencies to pursue and apprehend persons with outstanding warrants. Most law enforcement agencies only operate within their respective jurisdictions, however, some cities and counties have multi-jurisdictional task forces that combine efforts to pursue and serve outstanding warrants but this is not mandatory nor is it required by state law.

Lack of cooperation impedes process

- The lack of jail space and the cost of incarceration to the city or county to house persons once apprehended is a major reason for not pursuing people with outstanding warrants, including felony warrants.

Communities often lack jail space and budget

Innovative approaches help reduce the number of outstanding warrants

Several municipalities and counties in the state have instituted innovative approaches to reduce the number of outstanding warrants. The following describes some of those approaches:

More innovative approaches are needed

- Jefferson County has a multi-jurisdictional task force involving participating cities that have outstanding warrants. The task force periodically performs searches for those persons with outstanding warrants and brings them back to the respective cities for court hearings.
- St. Louis County and Kansas City have separate fugitive apprehension units that specialize in pursuing persons with outstanding warrants.
- St. Joseph has a full-time unit within the city police department that reviews and serves outstanding warrants. This unit reviews the cases, makes phone calls, sends letters, and also serves the warrants when necessary.
- Columbia has a full-time municipal process bailiff that enters warrants into the Highway Patrol's database and specializes in pursuing persons with outstanding warrants.
- The state has a website for the "Missouri's Most Wanted." This website is for fugitives who are suspected of committing serious crimes in Missouri or wanted criminals from other states who are believed to be in or on their way to Missouri. The website is a partnership between the Department of Public Safety and *Missourinet*, the statewide radio network. The website provides a picture and personal information about each most wanted person to assist the public in identifying the person and facilitating contacts with law enforcement.

The following examples illustrate how other states have implemented approaches that assist in reducing the number of outstanding warrants:

- Florida, under the Taking Hoodlums Using Guns Seriously program, posted pictures and identifying information of people who either committed a crime or have outstanding warrants on the Internet.
- Colorado developed an Integrated Criminal Justice Information System that links law enforcement agencies, prosecution offices, courts, and adult and juvenile correction facilities together to share information. This is a real-time data system.
- Ohio was the first state to match felony outstanding warrants with the state's welfare system. The Ohio State Auditor's Office in conjunction with the state's Department of Social Services matched wanted felons against the state's welfare system and with the aid of local law enforcement agencies apprehended thousands of wanted fugitives.

Warrant fees would provide funding incentives

The state's court system does not assess fees against individuals with outstanding warrants, however, at least one other state has. In 1985, California enacted a law giving the state courts the authority to collect a \$250 civil assessment against persons who fail to appear in court after notice and without good cause. In 1998, the state collected over \$8.2 million from this assessment. Assuming the state adopted a \$100 warrant fee and successfully apprehended only 10 percent of the estimated 728,000 individuals with outstanding warrants, counties and municipalities could generate \$7.3 million dollars in additional revenue. The addition of a warrant fee might also provide enough incentive to encourage individuals to keep court appointments and avoid warrants.

Warrant fees
could provide
millions to law
enforcement

Some communities in Missouri have also instituted warrant fees. In the city of Festus, the city municipal court along with the city police department share in the payment for a full-time warrant officer that pursues people with outstanding warrants. The city also collects an additional \$100 warrant fee on those people that have failed to appear in court and are served a warrant. The warrant officer obtains information on a person, makes phone calls to attempt to contact people to persuade them to come and take care of the warrant, sends letters, and will physically serve the warrant when necessary. In approximately 2 years, the city has reduced its number of outstanding warrants by more than half and has collected over \$68,000 in court costs and warrant fees for the year 2000.

A Missouri
community
collected
\$68,000

Municipalities and a few associate circuit courts that responded to the survey have also charged an additional warrant fee, a warrant fee and a failure to appear fee, increased the fine amount, plus other costs on cases where warrants have been issued. The amount of the warrant fee and costs varied between municipal courts since there is no legislative authority authorizing the amount of additional fee or fines that can be collected. Surveys indicated additional warrant fees or failure to appear fees ranging from \$5 to \$100 per court case.

Conclusions

Law enforcement officials face impediments that cannot be resolved without additional funding and better coordination among law enforcement officials. Increased use of warrant fees by

communities and establishment of warrant fees by the state could generate millions in additional revenue for local law enforcement officials. This funding could be used for training, equipment, and facilities that would facilitate the pursuit of additional individuals with outstanding felony warrants. Warrant fees could also serve as a deterrent to those who choose not to report for judgment or those who forget their court dates.

Recommendations

We recommend the General Assembly consider:

- 3.1 Establishing a statewide warrant fee to encourage voluntary compliance and to fund initiatives to resolve warrants.
- 3.2 Providing all courts with the authority to establish local warrant fees.

OBJECTIVE, SCOPE AND METHODOLOGY

Objectives

The objectives of the audit were to determine whether (1) the use of state databases could be effective in increasing apprehensions of felons and reducing benefits paid to felons; (2) law enforcement officials have ready access to information on outstanding warrants and if information on warrants is valid and accurate; and (3) impediments exist to pursuing individuals with outstanding warrants.

Scope and Methodology

Audit fieldwork was conducted between May 2000 and March 2001. The audit staff:

- Extensively researched the Internet for the following areas for information on outstanding warrants:
 - Federal regulations
 - Federal grant funds available to law enforcement agencies
 - Other state's procedures on warrant systems, matching data to find felons, and ways to decrease the number of warrants being issued
 - State information
 - Use of the Internet for posting outstanding warrant information
- Reviewed applicable state statutes, Supreme Court Rules, and Attorney General's Opinions.
- Contacted the National Crime Information Center regarding the number of warrants on the national database, where Missouri ranks in number of warrants on the system, and whether states use the Internet for posting warrant information.
- Discussed with the Missouri State Highway Patrol the Missouri Uniform Law Enforcement System and obtained the database with all outstanding warrants as of January 19, 2001.
- Discussed with the Office of State Courts Administrator, the court systems and procedures related to outstanding warrants. That office provided information regarding court addresses, along with mailing labels, to mail out surveys to the various municipal and state courts and also provided information during the course of the audit on court research issues.
- Discussed with the Department of Public Safety the use of the Highway Patrol database system and whether any management reports are generated and how police officers use that database. The department furnished listings of all names and addresses of all city police departments and Sheriff departments in the state to use for our surveys.

APPENDIX I

- Reviewed the Senate Post-Audit and Oversight Report for the Commonwealth of Massachusetts on *WARRANTING IMPROVEMENTS: Reforming the Arrest Warrant Management System*.
- Contacted officials from the state of Massachusetts regarding how the warrant management system was used and how the laws were changed to disallow a person any state benefits while having an outstanding warrant. Massachusetts was the first state to have a 24-hour 7-day a week real-time warrant database.
- Reviewed the State of Ohio Office of the Auditor Reports on *PREVENTING WELFARE FRAUD: Preventing Public Assistance Payment for Incarcerated Juveniles*, *PREVENTING WELFARE FRAUD: Locating and Preventing Public Assistance Payment to Fugitive Felons—1999*, *PREVENTING WELFARE FRAUD: National Crime Information Center Match*.
- Contacted the state of Ohio, where matching of outstanding warrants to welfare databases has been performed, and learned how wanted felons were apprehended by matching information between databases.
- Solicited information in the form of a survey sent to:
 - Municipal Courts 476
 - Associate Circuit Courts 117
 - Circuit Courts 116
 - Selected City Police Departments 86
 - County Sheriffs 114
 - 909

The response rate for all questionnaires was 72 percent (650 of 909). Regarding warrant information the response rate from municipal, associate and circuit courts was 70 percent (475 of 709).

- Matched the outstanding warrant system tapes to state agency records to determine if felons; are deceased, are receiving state/federal benefits, are working, have a driver's license, have a conservation permit or license, have a professional license or permit, and can be apprehended through the exchange of information between state databases.

APPENDIX II

DEFINITIONS OF TERMS

“Warrant” is a written order by a judge for a law enforcement officer to arrest an individual and bring the individual before the court. A **“warrant”** may be issued if the court believes a defendant will not appear upon a summons or if a defendant has failed to appear upon a summons and information has been filed. Supreme Court Rule 37.43.

An offense defined by this code or by any other statute of this state, for which a sentence of death or imprisonment is authorized, constitutes a **“crime.”** **“Crimes”** are classified as felonies or misdemeanors. Section 556.016 (1), RSMo, 2000.

A crime is a **“felony”** if it is so designated or if a person convicted thereof may be sentenced to death or imprisonment for a term, which is in excess of one year. Section 556.016 (2), RSMo, 2000. A felony may be classified into class A, B, C, or D, depending on the severity of the charge. Section 557.021, RSMo, 2000.

A crime is a **“misdemeanor”** if it is so designated or if a person convicted thereof may be sentenced to imprisonment for a term of which the maximum is one year or less. Section 556.016 (3), RSMo, 2000. A misdemeanor may be classified into class A, B, or C, depending on the severity of the charge. Section 557.021, RSMo, 2000.

An offense defined by this code or by any other statute of this state constitutes an **“infraction”** if it is so designated or if no other sentence than a fine, or fine and forfeiture or other civil penalty is authorized upon conviction. An **“infraction”** does not constitute a crime and conviction of an infraction shall not give rise to any disability or legal disadvantage based on conviction of a crime. Section 556.021, RSMo, 2000.

APPENDIX III

METHODOLOGY FOR CALCULATING INELIGIBLE BENEFIT PAYMENTS

In August 1996, the Federal Welfare Reform Act included a prohibition for paying federal benefits to wanted or fleeing felons. We matched Department of Social Services benefit payments for temporary assistance and food stamps (federal programs administered by the state) to outstanding felony warrants as of January 19, 2001. For a benefit payment to be counted as ineligible the following conditions had to be met:

- Benefit recipients were authorized benefits between August 1996 and October 2000.
- There is an identified benefit start date and amount from which monthly benefit payments could be calculated.
- A 30-day grace period was added to the benefit start date before calculations were made. (This is the estimated time Department of Social Services stated was reasonable for contacting a recipient about a warrant and their response to the contact).
- Dates of warrants did not include dates after October 31, 2000.
- A 30-day grace period was added to the date of the warrant before benefit payments were considered ineligible (Again, to provide for time that would have been given for notification and response).
- Monthly benefit amounts were converted to daily amounts and the ineligible benefit amounts were calculated from the applicable start dates (including grace periods) up to October 31, 2000.

Using this methodology we determined that 605 people with felony warrants received ineligible food stamp benefits amounting to \$192,712 and 197 people with felony warrants received ineligible temporary assistance benefits amounting to \$479,928.

We used the same methodology to calculate state benefits for general relief, and blind pension benefits. Although there is no prohibition for paying these benefits, we made the calculations to show what would be ineligible if the state law coincided with federal law on refusing benefits for people with outstanding warrants. We determined that 15 people with felony warrants received \$13,032 in general relief benefit and 2 people received \$22,195 in blind pension benefits.



**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-62
August 15, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Department of Elementary and Secondary Education, Missouri School for the Blind.

As a part of our audit of the Missouri School for the Blind, we reviewed certain records of the "It Is The Soul That Sees Foundation, Inc." (Foundation), a not for profit corporation which supplements the financial needs of the school. Our review of these records found that from January 1998 through February 2001 at least \$1.7 million of collections intended for the Missouri School for the Blind were deposited in the accounts of the Foundation rather than the Missouri School for the Blind Trust Fund.

- Some of the donation and bequest checks received were made payable to the Missouri School for the Blind, but were endorsed "It is the Soul that Sees Foundation" and deposited to the Foundation account.
- In other cases, trustees and estate attorneys indicate that the school superintendent told them to make their checks payable to the Foundation. They indicate this was done to ensure the school and students got the money, and not the general fund of the state. They indicate they were told this was the way to make donations and contributions to the school.
- In one instance, it appears the checks paid from an estate were altered to show the Foundation as the payee and the checks were then deposited to the Foundation.
- In another case, the trustee was asked to reissue the check to the "It is the Soul that Sees Foundation". The original check received was payable to the Missouri School for the Blind, and two prior checks from this trust had been made payable to the school and deposited to the Trust Fund.

The Missouri School for the Blind has not complied with policies established by the State Board of Education and the Department of Elementary and Secondary Education, nor has the department provided adequate oversight of the school's operations to ensure compliance with department policies.

- A donation of \$10,000 received by the school was deposited into the school's Student Fund without the board's approval. Policy requires grants, gifts, devises, bequests, or donations of more than \$3,000 be referred to the State Board of Education for inclusion in the appropriate trust fund.

- Department policy requires the school's Activity Fund monies to be used only for "institutional expenses and student benefits such as, but not limited to, tours, mobility training, concerts, speakers, indigent student expenses, proctor expenses, and fund expenditures." We noted numerous expenditures from the Activity Fund for employee activities which did not appear to comply with department policy. These expenditures included loans to employees, food for employee meetings, and employee recognition gifts and other activities. These types of expenditures do not appear to be consistent with the stated purpose of the Student Activity Fund or a prudent use of public funds.
- During fiscal years 2000 and 1999, the school spent more than \$11,500 for food purchases associated with employee recognition activities which did not appear to comply with the department's policy. The department's policy specifically lists situations where food purchases will be allowed for employee activities and often limits the types of food which may be purchased.

The Missouri School for the Blind does not have adequate procedures to ensure unused cash and vendor receipts documenting disbursements of student activity funds are returned to the business office in a timely manner. We noted several instances where these monies were not fully accounted for, or for which there was no accounting for the cash provided to employees. For example, in December 2000 a staff member was given \$600 cash for an activity, and as of April 19, 2001, no documentation supporting how the money was spent, or any unused money, had been returned to the business office. We also noted one check for \$5,045 made payable to cash for which the school could not locate any supporting documentation. We could not determine whether the documentation had been misplaced by the school or had never been submitted to the business office as required. In addition, we noted instances where hand written receipts were submitted as supporting documentation for some of these cash expenditures.

On July 2, 1999, the school purchased a residence for the Superintendent at a cost of more than \$376,000. The Department of Elementary and Secondary Education and the Office of Administration approved the contract for the purchase of the house. At the time of the purchase, the school and the department were aware that the house required significant improvements; however, no listing or plan of improvements needed were developed or approved. During the period from July 13, 1999 through March 20, 2001, approximately \$60,000 was paid for repairs and improvements on the Superintendent's house, not including a significant amount of labor cost incurred by the school's maintenance department performing some of the improvements.

We also had findings related to accounting for student funds, contracts for professional services, federal grant management, and fixed assets.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND

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DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Missouri State Board of Education
and
Dr. D. Kent King, Commissioner
Department of Elementary and Secondary Education
and
Dr. Corinne Harmon, Superintendent
Missouri School for the Blind
St. Louis, MO 63110

We have audited the Department of Elementary and Secondary Education, Missouri School for the Blind. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations, and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and certain expenditures made by the school.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the school's revenues, expenditures, contracts, rules and regulations, policies, and other pertinent procedures and records, and interviewed school and other state personnel.

As part of our audit, we assessed the school's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selected tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the school's management and was not subjected to the procedures applied in the audit of the Department of Elementary and Secondary Education, Missouri School for the Blind.

The accompanying Management Advisory Report Section presents our findings arising from our audit of the Department of Elementary and Secondary Education, Missouri School for the Blind.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 20, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Directors of Audits:	Kenneth W. Kuster, CPA
	Karen Laves, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Darrick A. Fulton
Audit Staff:	Brenda Simpson
	Sandi Ohern, CPA
	Scott Fontana

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
SUMMARY OF FINDINGS

1. Compliance with the Department of Elementary and Secondary Education Policies (pages 7-8)

The Missouri School for the Blind has not complied with policies established by the State Board of Education and the Department of Elementary and Secondary Education in several areas. Departmental oversight of the school's operations is needed.

2. Activity Fund Expenditures (pages 8-11)

Numerous expenditures from the Student Activity Fund appear to violate the purpose for which the fund was established. In addition, some expenditures do not appear to be prudent uses of school funds. Employee related accounts are commingled with the Student Activity Fund.

3. Activity Fund Accounting Controls and Procedures (pages 11-14)

The Missouri School for the Blind does not have adequate procedures to ensure unused cash and vendor receipts documenting disbursements are returned to the business office in a timely manner. No one accounts for the numerical sequence of receipt slips issued, and receipts are not deposited intact daily. In addition, bank reconciliations are not adequate or prepared on a timely basis.

4. Student Fund Accounting Controls and Procedures (pages 14-15)

No one reconciles the computerized files for each student with the manual ledger cards. The school has not established a policy regarding collection of amounts for students with negative account balances.

5. Contracts and Expenditures (pages 15-19)

Professional services were frequently acquired without a written contract. Payments on some other contracts continued after the contract had expired. Purchase orders were often prepared and approved after expenditures were made. Approximately \$20,000 was spent to develop a database and to purchase software, both of which were never used by the school. The Missouri School for the Blind served as a fiscal agent for a private enterprise, which appears to violate provisions in the Missouri Constitution. The school spent approximately \$60,000 on renovations to the Superintendent's residence. Some of these expenditures were incurred without independent approval and were poorly planned, resulting in additional costs.

6. Federal Grant Management and Payroll Procedures (pages 19-20)

Budgeting procedures do not appear adequate for some federal grants. Actual expenditures out of one grant exceeded budgeted expenditures by \$18,843. For another grant, actual expenditures were \$67,687 less than budgeted expenditures. For several months, no independent, supervisory review of payroll transactions was performed.

7. Fixed Asset Records and Procedures (pages 20-21)

Fixed asset records had not been updated since 1995 and adequate inventory procedures have not been in place. An annual schedule of additions and dispositions of fixed assets is not prepared as required by state regulations. Vehicle mileage logs prepared were not complete.

8. It Is The Soul That Sees Foundation, Inc. (pages 21-34)

At least \$1.7 million of distributions intended for the Missouri School for the Blind were deposited to the accounts of the “It is the Soul that Sees Foundation, Inc.”, a not for profit corporation, rather than the Missouri School for the Blind Trust Fund.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1. Compliance with Department of Elementary and Secondary Education Policies

The Missouri School for the Blind has not complied with policies established by the State Board of Education and the Department of Elementary and Secondary Education, nor has the department provided adequate oversight of the school's operations to ensure compliance with department policies. We noted the following instances of non-compliance:

- A donation of \$10,000 received by the school was deposited into the school's Student Fund without the board's approval. Policy requires grants, gifts, devises, bequests, or donations of more than \$3,000 be referred to the State Board of Education for inclusion in the appropriate trust fund.
- Expenditures greater than \$2,000 from the school's Activity Fund were not approved by the department as required. The former school Superintendent indicated the department approved the expenditures when they approved the budget. Approval of the budget alone would not appear to comply with the Activity Fund policy since the budget is not a record of actual expenditures.
- Department policy requires the school's Activity Fund monies to be used only for "institutional expenses and student benefits such as, but not limited to, tours, mobility training, concerts, speakers, indigent student expenses, proctor expenses, and fund expenditures." We noted numerous expenditures from the Activity Fund for employee activities which did not appear to comply with department policy. As discussed later in this report, these expenditures included loans to employees, food for employee meetings, and employee recognition gifts and other activities. These types of expenditures do not appear to be consistent with the stated purpose of the Student Activity Fund or a prudent use of public funds.
- During fiscal years 2000 and 1999, the school spent more than \$11,500 for food purchases associated with employee recognition activities which did not appear to comply with the department's policy. The department's policy specifically lists situations where food purchases will be allowed for employee activities and often limits the types of food which may be purchased. In addition, these expenditures do not appear to be a prudent use of public funds.

As an entity administered by the State Board of Education and the Department of Elementary and Secondary Education, the Missouri School for the Blind is subject to board and department policies. The school should establish policies and procedures to ensure compliance with the department's policies. In addition, the state board and the department should establish procedures to provide adequate oversight of the school to ensure compliance with policies. Had the department more closely monitored the school's operations, some of the items discussed in this report may have been noted in a more timely manner.

WE RECOMMEND the Missouri School for the Blind strictly comply with the board and department policies and procedures. In addition, the State Board of Education, through the Department of Elementary and Secondary Education, establish procedures to adequately monitor the activities of the school to ensure compliance with established policies.

AUDITEE'S RESPONSE

We concur with this recommendation. Missouri School for the Blind (MSB) is currently following all policies and procedures as directed by the Board and Department. The Department has engaged a former Missouri School for the Deaf (MSD) superintendent to develop (in collaboration with the MSD and MSB business managers and a representative from the Department), a set of procedures that will ensure adequate monitoring of the State Operated Programs' activities without unnecessarily increasing the administrative burden to the schools.

2. Activity Fund Expenditures

A. Several expenditures were made from the school's Student Activity Fund that did not appear to be prudent or necessary uses of school funds. As noted earlier in this report, some of these expenditures also appear to violate the purpose for which the fund was established. Student activity monies are to be used only for purposes related to "institutional expenses and student benefits". We noted the following concerns:

- 1) During the two years ended June 30, 2000, loans were made from the school's Student Activity Fund to eight school employees or contract employees, totaling approximately \$6,900. These loans were advances for travel expenses or salaries. School policy indicates, "Should MSB cause any staff members' payroll check to be delayed, a request for a loan up to \$500 can be made". This policy does not address advances for travel expenses. Two employees received in excess of \$500; however, the school split the loan amount into two checks to ensure compliance with their policy.

Such payments would appear to violate Article VI, Section 23 of the Missouri Constitution, which prohibits any political subdivision of the state from granting or lending money to an individual. Furthermore, these payments circumvent the controls of the state's accounting system.

In addition, it is not prudent for a school to compensate employees in advance. In one case, an employee who was loaned \$850 did not repay the loan amount. The school should consider the circumstances that cause these payments and seek to improve procedures so these circumstances do not occur in the future.

- 2) During the two years ended June 30, 2000, the school spent nearly \$20,000 for food for employee meetings and activities. Of this amount, \$8,400 were lunch purchases for employee meetings held at the school. The remaining \$11,600 was for "employee recognition" activities. These food purchases represented amounts billed to the school from various food service providers and did not include amounts reimbursed to employees through expense accounts.

We reviewed the supporting documentation for nine food purchases made during the two years ended June 30, 2000. Food purchases included catered luncheons and vendor purchases. The department's policy indicates lunch will be allowed when training is held at a location where food is not available, and cake and punch will be allowed at employee recognition activities. The school purchased lunch for employee meetings held at the school where food is available, and paid for meals for the employee recognition activities which does not comply with the department's policy. These types of expenditures do not appear to be necessary or appropriate uses of student activity funds or of any other public funds.

- 3) During the two years ended June 30, 2000, the school paid approximately \$4,400 from the Student Activity Fund for employee recognition gifts or entertainment. Of this amount, \$1,300 was paid to a jazz band to perform at staff events. Examples of other employee recognition expenditures include the purchase of small jewelry items for employees and a rocking chair for a retiring employee. Such expenditures do not appear to be a prudent use of public monies and do not appear to meet the purpose of the activity fund as established by the department.

The Missouri School for the Blind should discontinue these types of expenditures from the Student Activity Fund and comply with department policies when incurring these costs from other public monies.

- B. The Student Activity Fund contains two employee related subsidiary accounts: the Flower Fund, and the Salad Bar Fund. School records are not adequate to determine whether the receipts deposited into these funds adequately cover their expenditures or if other activity fund receipts were used to cover any shortages. In addition, there is no assurance these funds were used solely for the purpose intended. For example, in the Flower Fund, employees donate \$5 a year to send flowers in the event of illness or death in an employee's family. Assuming every employee contributed to the Flower Fund, total employee contributions to the Flower Fund would have been approximately \$1,500 during the two years ended June 30, 2000. However, flower purchases made out of this fund totaled approximately \$6,700 for the two years ended June 30, 2000. While some purchases of flowers were for employees, others were for school purposes such as Christmas decorations. Whether these flower purchases were for the Flower Fund or for school purpose, these expenditures also do not appear to comply with the established purpose of the activity fund. School personnel do not adequately track revenues and expenditures of the Salad Bar Fund and therefore don't ensure collections are covering costs.

Accounting for these employee monies separately from Activity Fund monies would ensure Activity Fund monies are not used for employee related purchases and that monies collected for these funds are used only for their intended purpose.

- C. Adequate documentation was not retained to support some Student Activity Fund expenditures. We noted five disbursements totaling approximately \$6,200 for which supporting documentation such as an invoice could not be located. We were able to obtain copies of invoices from the vendors for \$3,800. All disbursements should be supported by paid receipts or vendor-provided invoices. Such documentation is necessary to ensure the purchase is a proper disbursement of school funds.

WE RECOMMEND the Missouri School for the Blind:

- A. Ensure all expenditures from the Student Activity Fund comply with fund and department policies and guidelines. In addition, the school should:
1. Discontinue the practice of issuing loans to employees.
 - 2&3. Only incur food and employee recognition costs that are prudent, necessary, and in compliance with department policies.

- B. Remove employee related subsidiary accounts from the Student Activity Fund. The school should also properly account for the receipts and disbursements of these subsidiary funds to ensure they are used for their intended purpose.
- C. Ensure adequate supporting documentation is submitted and retained for all expenditures made out of the Activity Fund.

AUDITEE'S RESPONSE

We concur with the recommendations and all processes to address the stated findings have been implemented.

3. Activity Fund Accounting Controls and Procedures
--

- A. The Missouri School for the Blind does not have adequate procedures to ensure unused cash and vendor receipts documenting disbursements are returned to the business office in a timely manner. During the two years ended June 30, 2000, checks made payable to cash from the Student Activity Fund totaled approximately \$142,000. After school officials cashed these checks, the cash was given to school employees to be used for student athletic events and field trip expenses. After the field trip or athletic event, vendor receipts documenting the cash disbursements and any unused cash was to be returned to the school's business office.

We noted several instances where these monies were not fully accounted for, or for which there was no accounting for the cash provided to employees. For example, in December 2000 a staff member was given \$600 cash for an activity, and as of April 19, 2001, no documentation supporting how the money was spent, or any unused money, had been returned to the business office. We also noted one check for \$5,045 made payable to cash for which the school could not locate any supporting documentation. We could not determine whether the documentation had been misplaced by the school or had never been submitted to the business office as required. In addition, we noted instances where hand written receipts were submitted as supporting documentation for some of these cash expenditures.

For some student activities or trips, providing cash to school employees for meals and other expenses may be unavoidable. The Missouri School for the Deaf has developed a specific written policy outlining the circumstances when cash will be given to employees for athletic or field trips and the appropriate uses of the cash. The Missouri School for the Blind has no similar written policy. Developing a policy regarding when

cash can be issued and requiring prompt return of unused cash and/or credible receipts will reduce the risk of misuse of Activity Fund monies. Policies should be established in a manner that will significantly limit the number of situations where cash must be provided for student activities.

- B. While prenumbered receipt slips are issued for Activity Fund collections, no one accounts for their numerical sequence. In addition, the receipt slips were not always issued in sequence. Some receipt slips could not be located and voided receipt slips were not always retained.

To adequately account for all Activity Fund receipts, prenumbered receipt slips should be issued for all monies received. In addition, the numerical sequence of the receipt slips should be accounted for properly.

- C. Receipts are not deposited intact on a timely basis. Although receipt slips indicate the method of payment received, there is no reconciliation of the composition of receipt slips issued to the composition of deposits by an individual independent of the receiving process. Deposits were normally made once a week and averaged approximately \$2,600; however, we noted instances in which receipts were not deposited for two to three weeks. A cash count conducted on December 2000 found \$4,281 of activity fund monies on hand at the school. In addition, employees are allowed to cash personal checks out of activity fund monies. Cashing personal checks from daily cash receipts is a poor practice and reduces the accountability for monies received.

To adequately safeguard receipts and to reduce the risk of loss or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100. In addition, to adequately account for all monies received and recorded, and to help ensure all receipts are properly deposited, the school should immediately discontinue the practice of cashing personal checks from activity fund monies and establish an independent, documented review of the reconciliation of the composition of receipt slips issued to the composition of deposits.

- D. Bank reconciliations are not adequate and are not prepared on a timely basis. During our review of the bank reconciliations we noted the following problems:

- The book balance per the school's check register and the book balance per the bank reconciliation did not agree at the bank reconciliation date for several months we reviewed. In addition, the school appeared to be several months behind in the preparation of bank reconciliations. The benefits of a bank reconciliation are diminished if the reconciliation is not properly performed and is not completed in a timely manner.

- Several outstanding checks dating back several years were unresolved. Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If payees cannot be located, Sections 447.550 through 447.585, RSMo 2000, which relate to unclaimed property, should be used to disburse these monies.
- Voided checks were not properly retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.
- We noted two instances in which a check was written and we could not locate the check on the bank statement as cleared or on the outstanding check list. As a result, the validity, propriety, or status of these checks could not be determined.

Monthly bank reconciliations, performed accurately and timely, are necessary to ensure the accounting records agree with bank records and to detect misstatements on a timely basis. In addition, checks outstanding for over a year should be investigated and reissued, if necessary.

- E. Checks are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Missouri School for the Blind:

- A. Develop a written policy regarding the use of cash for athletic and field trips. These policies should address ways to drastically reduce the amount of checks written to cash, ensure cash is given in cases only when the use of a check is not feasible, and ensure that any unused cash and/or credible supporting documentation is returned to the business office timely.
- B. Account for the numerical sequence of receipt slips issued and retain copies of the receipt slips.
- C. Deposit receipts daily or when accumulated receipts exceed \$100 and establish an independent, documented review of the reconciliation of the composition of receipt slips issued to the composition of deposits. In addition, the school should discontinue the practice of cashing personal checks from Activity Fund receipts.
- D. Perform timely and accurate bank reconciliations. Periodically, a review of outstanding checks should be done to determine if the payees can be located and if the checks can be reissued. If the payees cannot be located,

the monies should be disbursed to the state's Unclaimed Property Section in accordance with state law. In addition, all voided checks should be retained.

- E. Restrictively endorse all checks immediately upon receipt.

AUDITEE'S RESPONSE

- A. *We concur with the findings and will develop a written policy by September 1, 2001 in regard to Athletic and Field Trips.*
- B. *We concur with the recommendation and have implemented necessary procedures and documentation of receipts.*
- C. *Due to lack of personnel, we are unable to do daily deposits. However, the Business Office deposits receipts on a weekly basis. We concur with the findings regarding document review and reconciliation of deposit slips, the process has been implemented. The cashing of personal checks from Activity Fund receipts has been eliminated.*
- D&E. *We concur with the recommendations and all processes to address the stated findings have been implemented.*

4. Student Fund Accounting Controls and Procedures

The school's Student Fund accounts for the student's personal funds that are held by the school in a fiduciary capacity. This fund is divided into two sub-accounts: medical and personal. Subsidiary records are maintained by student for each account. We noted the following areas of concern during our review of the Student Fund:

- A. No one reconciles the computerized files for each student with the manual ledger cards also maintained for each student. These records each show amounts received and expended for each student. Based on discussions with school employees, the manual ledger cards were maintained because of concerns about the accuracy of the computer reports. However, we noted deficiencies in the manual ledgers that also indicate concerns about these ledgers. Several of the medical and personal student ledger cards did not reflect current balances. There were several student ledger cards with entry postings not recorded in chronological order. In addition, students who graduated as far back as 1996 still have a ledger card on file. As of June 30, 2000, the computerized general ledger showed a balance of \$17,657 and the manual ledger cards a balance of \$16,612. School personnel could not explain why these two sets of records did not agree.

The computerized files are reconciled to the bank balance monthly; however, there are some accounts listed on this reconciliation which did appear on any other school record. Without a complete understanding of all reconciling items, the school cannot ensure the funds are adequate to cover amounts due back to students. Reconciliations between the computerized files, subsidiary ledgers, and the bank balance is necessary to ensure that all receipts and disbursements are accounted for properly. In addition, maintaining two sets of records to account for these monies is a duplication of effort and does not appear necessary.

- B. Several personal and medical subsidiary accounts had negative balances totaling \$3,704. One student's medical account had a negative balance of \$628 at June 30, 2000. School personnel indicated they normally send one letter requesting funds from the parents. If reimbursement is not received, school monies are used to cover the shortage. The school has not developed a written policy regarding these receivables and their collection practices.

WE RECOMMEND the Missouri School for the Blind:

- A. Investigate the difference between the two sets of records maintained for the Student Fund. In the future, reconciliations should be performed between the computerized and manual records to ensure all account activity is recorded accurately and completely. After all differences are resolved, the school should also evaluate the need to maintain both the computerized and manual records.
- B. Develop written procedures to pursue collection of receivable amounts from the students. In the future, effort should be made to avoid negative balances in students' accounts.

AUDITEE'S RESPONSE

We concur with the findings and the processes will be implemented by September 1, 2001.

5. Contracts and Expenditures

- A. The Missouri School for the Blind did not always obtain written contracts for services received. In addition, payments were made during a time period in which the contract period had lapsed and a new contract had not been issued. During our review of expenditures made during the two years ended June 30, 2000, we noted the following payments for services in which either the contract had lapsed or there was no written contract:

<u>Type of Service</u>	<u>No contract/lapsed</u>	<u>Amount</u>
Occupational Therapy	Lapsed	\$ 7,632
Psychological Services	Lapsed	3,843
Consulting/Training/R&D	No Contract	3,713
Student Evaluations	No Contract	2,750
Computer Support	No Contract	2,463
Research & Development	No Contract	5,980
Art Education	No Contract	3,219

In both cases where the contract was allowed to lapse before a new contract was awarded, the hourly rate paid during lapse period exceeded the amount paid during the original contract period. In one case, the school paid \$61 per hour for psychological services during the lapse period, but contracted to pay \$55 per hour prior to the lapse period, and \$56 per hour in the subsequent contract period, with the same vendor in each case. The occupational therapy services also used the same provider during all three periods, with an additional \$4 per hour paid during the lapse period than the subsequent contract period.

All contracts entered into by the school should be in writing and should be signed by each of the parties or their agents. Written contracts are necessary to outline the terms of arrangements, specify services to be provided and the related funding, and help ensure the reasonableness and propriety of such expenditures.

B. During our review of expenditures, we noted the following concerns:

- 1) Purchase orders are not pre-numbered, and numerous purchase orders and/or requisitions were signed as approved after the purchase was made and the invoice was received. The practice of approving the purchase order and requisition after the purchase is made weakens the controls intended through the use of these forms.

Pre-numbered purchase orders should be used and issued in numerical order to ensure proper recording and accountability. In addition, purchase orders and requisitions should be approved prior to purchase to reduce the risk of improper or unauthorized expenditures occurring.

- 2) The school did not obtain adequate supporting documentation for all professional service expenditures. For example, various therapists and parent advisors did not indicate information such as the name of the student or family visited, and, in cases where they

were reimbursed mileage and paid for travel time, the location traveled.

To ensure the validity and propriety of professional service expenditures, adequate documentation of services being billed, such as the names of the students or families helped and location traveled, should be obtained.

- 3) During fiscal year 2000, the school paid \$16,275 to computer consultants, not including travel expenses, to develop a database and network for the school. School personnel indicated this database was never used, resulting in a significant waste of funds. In addition, the school paid over \$3,500 for technical support and computer software for the school's maintenance department. The software has never been used, and they currently have no plans for using it in the future. Paying consultants or purchasing software without proper research into the products being developed or purchased, and plans for their use, has resulted in unnecessary expenditures of public funds.

- C. We noted the Missouri School for the Blind served as a fiscal agent for a private enterprise. While we cannot determine the extent state resources went to support this private enterprise, it does appear that school staff provided some secretarial and bookkeeping services for this private enterprise.

Article III, Section 39 of the Missouri Constitution prohibits the use of state resources for personal or private gain. Using state resources to support a private enterprise to any extent does not appear to be a prudent or proper use of state resources.

- D. On July 2, 1999, the school purchased a residence for the Superintendent at a cost of more than \$376,000. The Department of Elementary and Secondary Education and the Office of Administration approved the contract for the purchase of the house. At the time of the purchase, the school and the department were aware that the house required significant improvements; however, no listing or plan of improvements needed were developed or approved. During the period from July 13, 1999 through March 20, 2001, approximately \$60,000 was paid for repairs and improvements on the Superintendent's house (not including a significant amount of labor cost incurred by the school's maintenance department performing some of the improvements). The following shows examples of improvements made to the house:

Construction of a new garage	\$ 12,511
Landscaping (including shrub and tree removal)	8,660
Removal of old deck and construction of a new deck	7,618
Painting	4,350
Voice, data, and television cabling	4,892
Three washer and dryer sets	4,258

While many of these expenditures may have been necessary, some do not appear to be prudent uses of school resources. For example, school personnel indicated three washer and dryer sets were purchased because the former Superintendent was not satisfied with the first two. (The first two sets purchased are in use or in storage at the school.) In addition, it appears additional costs were incurred in the construction of the new deck because the former Superintendent was not satisfied with the deck railing that was initially installed. The former Superintendent directed that the first deck railing be removed and replaced, at an additional cost.

It appears that renovation decisions made on the house were made only by the Superintendent or Business Manager and no review or approval of these decisions was made by the Department of Elementary and Secondary Education or the Office of Administration. Decisions of this type should not be left solely to the person who will directly benefit.

WE RECOMMEND the Missouri School for the Blind:

- A. Enter into written contracts that specifically state the services to be provided and compensation to be paid. Any expenditures made should be monitored for compliance with the terms of the contract. In addition, the school should ensure that amounts paid are reasonable and in accordance with an existing contract.
- B.1. Use pre-numbered purchase orders, and ensure purchase orders and requisition are approved prior to purchase.
2. Ensure adequate supporting documentation is obtained to substantiate expenditures.
3. Ensure expenditures are necessary and a prudent use of public funds. The school should consider consulting with the department's information technology section before making computer related purchases.
- C. Discontinue the school's relationship as fiscal agent for the private enterprise. The school should also refrain from any similar relationship in the future.

- D. Ensure that major building improvements or renovations are well planned and approved in advance of work being performed to avoid unnecessary and wasteful spending. In addition, the department should consider requiring their review and approval on any future capital improvement expenditures.

AUDITEE'S RESPONSE

We concur with the recommendations and all processes to address the stated findings have been implemented.

6. Federal Grant Management and Payroll Procedures

- A. Two federal grants were not properly managed during the year ended June 30, 2000. The school received a federal grant award of \$151,014 to pay salaries and fringe benefits for five residential advisors. During June 2000, the Residential Advisor grant was used to pay five teachers aides and five additional residential advisors that were not included in the original grant budget. As a result of using the grant monies for this unauthorized purpose, grant expenditures exceeded the grant budget by \$18,843. These excess expenditures were apparently paid from other DESE funds.

The school also receives the Missouri Statewide Parent Involvement Network, which is an Outreach Service from Missouri School for the Blind, for families of children birth through age 5, who are visually impaired and may have additional disabilities. For the year ended June 30, 2000, the school received a total grant award of \$117,345. However, of this grant award amount only \$49,658 was expended. While the school did request an extension of one year during which the grant monies may be expended, more accurate program budgets should be prepared.

The practice of misestimating expenditures reduces the usefulness of the budget document as a control over expenditures. For the budget document to be of maximum assistance in managing the grant, the grant budget should provide a reasonable estimate of planned expenditures and actual expenditures incurred should be kept within the budgeted amounts.

- B. There were several months during our audit period when no review of the payroll entries made by the payroll clerk was performed by the superintendent, the business manager, or any other supervisor. Payroll entries were made by the payroll clerk and then sent directly to the Department of Elementary and Secondary Education for final approval and the preparation of payroll checks. Effective and necessary controls

over payroll require that school officials verify the payroll entries to supporting documentation to ensure payments for salaries are accurate.

WE RECOMMEND the Missouri School for the Blind:

- A. Properly manage federal grants so the amount of the grant is not exceeded and budgets are an accurate reflection of grant expenditures.
- B. Ensure payroll entries made by the payroll clerk are reviewed and approved by someone independent of the payroll process.

AUDITEE'S RESPONSE

We concur with the recommendations and all processes to address the stated findings have been implemented.

7. Fixed Asset Records and Procedures
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- A. The fixed asset records have not been updated since 1995. A school employee conducted an inventory of fixed assets during 2000; however, this inventory was not reconciled to fixed asset records.

Complete and accurate fixed asset records are necessary to properly safeguard assets. The Code of State Regulations, at 15 CSR 40-2.031, requires state agencies to maintain adequate fixed asset records that include identification number; description of the item including name, make, model and serial number, where appropriate; acquisition cost; date of acquisition; estimated useful life at the date of acquisition; physical location; and method and date of disposition, if applicable. In addition, to ensure all fixed assets can be properly accounted for, annual physical inventories should be conducted and reconciled to the fixed asset records as required by the Code of State Regulations, at 15 CSR 40-2.031. Documentation of the physical inventory should be retained to show compliance with state regulations.

- B. An annual schedule of additions and dispositions of fixed assets is not prepared. The Code of State Regulations, at 15 CSR 40-2.031, requires state agencies to prepare a statement of changes in fixed assets annually to summarize transactions occurring during the fiscal year.
- C. Mileage logs maintained by the facility for its state-owned vehicles were not always filled out completely or accurately with beginning and ending mileage information. In addition, supervisory approval of trips was not always indicated on the log.

Mileage logs, which are completed accurately and fully, and supervisory approval of trips are necessary to determine if the vehicles are being used efficiently and only for official state business.

WE RECOMMEND the Missouri School for the Blind:

- A. Ensure complete and accurate fixed asset records are maintained. Conduct an annual physical inventory of the general fixed assets and reconcile the physical inventory to the fixed asset records. Documentation of the physical inventory should be retained to show compliance with state regulations.
- B. Prepare an annual schedule of fixed asset additions and dispositions, and prepare a statement of changes in fixed assets annually in accordance with state regulations.
- C. Ensure mileage logs are complete and accurate. In addition, the logs should also document supervisory approval of trips to help ensure the vehicles are being used efficiently and appropriately.

AUDITEE'S RESPONSE

We concur with the recommendations and all processes to address the stated findings have been implemented.

8. It Is The Soul That Sees Foundation, Inc.

As a part of our audit of the Missouri School for the Blind, we reviewed certain records of the "It Is The Soul That Sees Foundation, Inc." (Foundation), a not for profit corporation which supplements the financial needs of the school. Our review of these records found that from January 1998 through February 2001 at least \$1.7 million of collections intended for the Missouri School for the Blind were deposited in the accounts of the Foundation rather than the Missouri School for the Blind Trust Fund.

While conducting our audit of the Missouri School for the Blind, we made a request for records related to the "It is the Soul that Sees Foundation, Inc.". The Foundation board, one member of which was the former superintendent of the Missouri School for the Blind, denied that request for records. While we were still pursuing the Foundation's records, the Department of Elementary and Secondary Education subsequently identified concerns related to distributions from some wills and bequests to the school, which were deposited into this Foundation's accounts, and not into the Missouri School for the Blind Trust Fund. The department contacted our office and this review was performed to more fully

investigate this matter and determine the amount of distributions due to the Missouri School for the Blind, which were not deposited into the Trust Fund.

The Missouri School for the Blind Trust Fund, established by Section 162.790, RSMo 2000, is to receive all gifts and bequests to the school and is to be spent solely for the support of the school. The monies are in the custody of the State Treasurer and the state board of education, and are expended through the state appropriation process, at the direction of the Missouri School for the Blind.

In 1993, the “It is the Soul that Sees Foundation, Inc.”, a not for profit corporation was established. The Foundation is overseen by a four-member board of directors, which included the school’s superintendent and business manager. The stated purpose of the Foundation is to establish a permanent charitable organization that will supplement the financial needs of the Missouri School for the Blind. This not for profit organization has identified itself as the “It is the Soul that Sees, Foundation, DBA (doing business as) the Missouri School for the Blind”, and operates at the school’s address. It also referred to itself as the “It is the Soul that Sees Foundation, of or on behalf of the Missouri School for the Blind”. The Foundation board’s treasurer was also the school’s business manager for a period of time.

Deposits into the Foundation’s accounts were reviewed and at least \$1.7 million was improperly deposited to the Foundation, from January 1998 through February 2001. Items noted during our review of these deposits included:

- Some of the donation and bequest checks received were made payable to the Missouri School for the Blind, but were endorsed “It is the Soul that Sees Foundation” and deposited to the Foundation account.
- In other cases, trustees and estate attorneys indicate that the school superintendent told them to make their checks payable to the Foundation. They indicate this was done to ensure the school and students got the money, and not the general fund of the state. They indicate they were told this was the way to make donations and contributions to the school.
- In one instance, it appears the checks paid from an estate were altered to show the Foundation as the payee and the checks were then deposited to the Foundation.
- In another case, the trustee was asked to reissue the check to the “It is the Soul that Sees Foundation.” The original check received was payable to the Missouri School for the Blind, and two prior checks from this trust had been made payable to the school and deposited to the Trust Fund.

These distributions were made from various estates, whose wills/trusts identified the Missouri School for the Blind, as beneficiary and should have been deposited to the Missouri School for the Blind Trust Fund. The monies should be in the custody of the state Board of Education and the State Treasurer as provided by state law. Expenditures would then be made through the appropriation process, at the direction of the Missouri School for the Blind.

Administrators and attorneys, responsible for making these distributions, have indicated that they were directed to make the checks payable to the “It is the Soul that Sees Foundation, Inc.”. They were told this was the Missouri School for the Blind’s Foundation, when in fact, it is a not for profit corporation, under no control or supervision from the state of Missouri or Missouri School for the Blind. Other checks deposited to the Foundation account were also payable to the Missouri School for the Blind. It is not clear whether these monies were intended for the Trust Fund or the Foundation.

It does not appear that the Foundation, as it is operating, is necessary or proper. The line between the school and the Foundation is not clear. The purpose and operations of this Foundation appear to duplicate that of the Trust Fund. Although monies deposited to the Foundation may have been spent for the benefit of the Missouri School for the Blind, it is the Trust that should have received the \$1.7 million of receipts identified above, not a nonprofit corporation. There is no benefit to the state for these monies to be handled by the Foundation. In addition, any private entity or foundation created to benefit the school should not have involved employees of the Missouri School for the Blind.

Information related to this Foundation and these deposits has been turned over to the Missouri Attorney General’s office. In addition to the instances noted above, additional distributions may have been made and intended for the Missouri School for the Blind which were not deposited to the Trust Fund. We are continuing our work and requests have been made for additional bank records. Information regarding any additional receipts which were not properly handled will be turned over to the Missouri Attorney General’s office.

WE RECOMMEND the Department of Elementary and Secondary Education continue to work with the Missouri Attorney General to recover the monies remaining in the “It is the Soul that Sees Foundation, Inc.” accounts, for the Missouri School for the Blind Trust Fund. In addition, the Missouri School for the Blind, along with the department, should establish controls and procedures to ensure all future distributions or payments intended for the school are deposited to the Trust Fund, as required by state law.

AUDITEE’S RESPONSE

The Department is currently working with the Office of the Attorney General to recover the funds. Some support by the State Auditor’s Office may be requested to better identify

how some of the funds were expended. The Department will ensure a set of protocols is developed to ensure that all future distributions or payments intended for the School for the Blind are deposited in the Trust Fund. The School Superintendent, the Business Manager, and the Administrative Assistant will be requested to acknowledge an understanding of the state law and of the procedures to be followed.

FOUNDATION'S RESPONSE

See addendum to Management Advisory Report Section.

This report is intended for the information of the management of the Department of Elementary and Secondary Education, Missouri School for the Blind and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

ADDENDUM TO MANAGEMENT ADVISORY REPORT SECTION - FOUNDATION'S RESPONSE

GARVIN & MALONEY

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July 16, 2001

LEO V. GARVIN, JR.

Karen Laves, CPA
Director of Audits
Office of State Auditor
224 State Capitol
Jefferson City, Missouri 65101

Re: "It Is The Soul That Sees" Foundation, Inc.

Dear Ms. Laves:

Thank you for the copy of the draft findings and recommendations of the audit of the Missouri School for the Blind which relate to the "It Is The Soul That Sees" Foundation, Inc. ("Foundation"). This letter will serve as the Foundation Board's initial reply. The Board is available to meet with you to discuss the matter further in the event you need additional information. We will address the draft findings and recommendations which merit a reply (and for which we have completed our investigation in order to be able to reply) in turn.

Findings

1. *As part of our audit of the Missouri School for the Blind, we reviewed certain records of the "It Is The Soul That Sees" Foundation, Inc. (Foundation), a not for profit corporation which supplements the financial needs of the school. . . . While conducting our audit . . . we made a request for records related to the [Foundation]. The Foundation board . . . denied that request for records.*

Response:

This language unfairly and incorrectly implies a lack of cooperation on the part of the Foundation. By letter dated March 16, 2001, the Foundation Board advised that the Foundation would

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not submit to an audit by the Missouri Auditor, because the Foundation was a private corporation and "the Missouri Attorney General's office has . . . consistently opined that the Auditor is without authority to audit private corporations." The Foundation Board further expressed its' willingness to "cooperate fully with any lawful request for information by a person or agency with the appropriate legal authority to conduct such an investigation."

Since that time, the Foundation has in fact agreed to cooperate with the Missouri Attorney General's office in a review of certain bequests and/or distributions made to the Foundation, which the Office of the Auditor has concluded should have been turned over to the School for the Blind Trust Fund.

2. The Missouri School for the Blind Trust Fund, established by Section 162.790 RSMo 2000, is to receive all gifts and bequests to the school . . .

Response:

The School for the Blind Trust Fund was created by the General Assembly through enactment of §162.790 Rev.Mo.Stat. (2000). Not all gifts to the school, however, are required to be placed in the trust fund. The statute provides in pertinent part as follows:

*"162.790. Donated funds, how handled -
special funds created - annual
report on all money in trust funds
required*

*"1. All funds derived from grants,
gifts, donations or bequests or from the sale
or conveyance of any property acquired
through grant, gift, donation, devise or
bequest to or for the Missouri School for the
Blind . . . at the discretion of the state
board of education, **may** be deposited in the
state treasury and credited to a special
trust fund known as the "School for the Blind
Trust Fund" . . ."*

(italics and emphasis added)

The proposed finding therefore omits a critical portion of the statute which created the School for the Blind Trust Fund,

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and would mislead potential donors to think that a gift to the school *will* or somehow *must* be placed into the School for the Blind Trust Fund. This is not the case.

3. Money from the School for the Blind Trust Fund is to be spent *solely for the support of the school.*

Response:

The language from \$162.790.4 is actually somewhat more restrictive, and provides that:

"4. The moneys in the school for the blind trust fund . . . shall not be appropriated for the support of the schools **in lieu of general state revenues** but shall be appropriated only for the purpose of carrying out the objects for which the grant, gift, donation, devise or bequest was made."
(emphasis added)

The General Assembly intended, then, not merely to restrict School for the Blind Trust Fund expenditures to items for the "support of the school", but also directed that the money should not be used as an opportunity for the General Assembly or for education officials to use general state revenues elsewhere.

Recent history suggests that the General Assembly's directive may be being ignored. The mere deposit of a gift into the School for the Blind Trust Fund does not ensure that the gift will be used for the purposes for which the School for the Blind Trust Fund was established. There is an Attorney General's opinion which concludes that money from the School for the Blind Trust Fund may be used to pay for routine operating expenses for MSB when two conditions are met:

(1) the donor did not earmark the donation for a specific purpose, and

(2) the General Assembly has appropriated less funding than requested

See, Op. Atty. Gen. No. 36-83, Mallory, 1-20-83.

As a result, unless the Grantor of a Trust is careful to designate a very specific use for his/her gift, the gift may well

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be used to pay for routine operating expenses and afford the General Assembly (or the Department of Elementary and Secondary Education) an opportunity to spend general revenue money elsewhere. It is unlikely that most testators or grantors would approve the dissipation of their gift (accumulated over a lifetime) on general operating expenses; yet this is precisely what can happen with the money in the School for the Blind Trust Fund.

The Foundation Board has felt for sometime that the School for the Blind Trust Fund has been misused, a concern which was shared by at least one former member of the state board of education. The Foundation Board believes, and state records should confirm, that School for the Blind Trust Fund money has been used in the recent past to pay for programs and services mandated by federal law. If the programs are mandated, the General Assembly should appropriate general revenue to pay for them, and state education officials should not use the School for the Blind Trust Fund to pay an obligation of the state. Examples of mandated programs paid for from School for the Blind Trust Funds include, but are not necessarily limited to, speech therapy services, orientation and mobility training, and extended school year programs. In addition, transportation services, asbestos removal, lead abatement, and maintenance to the school's roof and air conditioning system have been paid from the School for the Blind Trust Fund. The latter categories would seem to represent expenses which should have been paid by general state revenue.

Another apparently inappropriate charge against the School for the Blind Trust Fund was recently revealed in a response to our request for documents pursuant to §610.023 Rev.Stat.Mo. (2000). The General Assembly included in §162.790 a requirement that the state board of education report to the Governor, commissioner of education, and the General Assembly each year with respect to the activity of the School for the Blind Trust Fund. The statute provides in pertinent part as follows:

"5. The state board of education shall make a report in writing . . . on or before the first day of February of each year in which the general assembly convenes in regular session . . . The report shall include the amounts of all receipts and disbursements, the name of the depository and investment officer, a description of the securities or other investments being administered, and the plans and projects

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contemplated by the state board of education
for use of the moneys."

\$162.790.5.

In April of this year, I requested copies of the two most recent annual reports required by \$162.790.5 Rev.Stat.Mo. (2000). The General Counsel of the Missouri Department of Elementary and Secondary Education provided me with copies of the reports for the years 1997-1998, and 1998-1999. The "reports" are included in the Appendix. They consist of nothing more than a balance sheet and a purported analysis of the change(s) in the School for the Blind Trust Fund balances. This does not appear to comply with the language in \$162.790.5. There is, for example, no statement of "plans and projects" contemplated for the use of the money remaining in the fund.

As deficient as the reports may be, they do reveal that Hancock refunds were charged against the School for the Blind Trust Fund in both 1997-98 (in the amount of \$15,408) and in 1998-99 (in the amount of \$34,379). It is difficult to understand how a refund required by the Hancock Amendment could result in a charge against the School for the Blind Trust Fund, when trust fund assets are made up of grants, gifts, donations, devises, or bequests.

4. *Deposits into the Foundation's accounts were reviewed and at least \$1.7 million was improperly deposited to the Foundation, from January 1998 through February 2001. . . . Administrators and attorneys, responsible for making these distributions, have indicated that they were directed to make the checks payable to the "It Is The Soul That Sees Foundation, Inc."*

Response:

This finding unfairly implies that attorneys and administrators were misled into making distributions to the Foundation, rather than making distributions to the School for the Blind Trust Fund. The Foundation was provided with copies of correspondence from three attorneys and the counsel for Commerce Trust Company, purportedly in support of the contention that the attorneys had been misled into making distributions to the Foundation instead of the School for the Blind Trust Fund.

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The attorneys who were so identified were provided with information and documentation related to the Foundation. The attorneys and the trust company counsel were further advised that if they felt the distributions made by them should be returned from the Foundation, the Foundation would return the distributions to them. The trust company counsel, and two of the three attorneys contacted, have thus far responded that they are satisfied that the distributions were properly made to the Foundation. No response has yet been received from a third attorney. In addition, a fourth attorney, representing another trust, has independently advised that it is his opinion that not only were the original distributions made on behalf of his client properly made to the Foundation, he intends to make an additional distribution to the Foundation.

Finding

5. *In one instance, it appears the checks paid from the estate were altered to show the Foundation as the payee and the checks were deposited to the Foundation.*

Response:

The attorney for the Tunesi Trust has reported that his firm sent the initial distribution of \$100,000 in September, 2000, payable to the "Missouri School for the Blind". His recollection is that he received a telephone call shortly thereafter from Yvonne Howse, who told him that the Foundation was the "charitable arm" of the MSB. She told the attorney that she would add the Foundation's name to the check. He had no objection to the Foundation being added to the check at that time, and he has no objection now. Receipts were returned to the Tunesi Trust reflecting distributions to the Foundation, rather than simply the Missouri School for the Blind.

We advised the attorney that the Foundation was willing to return the distributions in the event he felt the distributions had been improper. He responded that he does not intend to take any action to have either distribution returned, because he is apparently satisfied that the funds will benefit the MSB. The attorney will not take a position, however, in favor of one side or the other in the event of a legal contest for the proceeds of the distributions from the Tunesi Trust.

Finding

6. *It does not appear that the Foundation, as it is operating, is necessary or proper. . . . The purpose and operations of the Foundation appear to duplicate that of the Trust Fund. . . . There is no benefit to the state, for these monies to be handled by the Foundation. In addition, any private entity or foundation created to benefit the school should not have involved employees of the Missouri School for the Blind.*

Response

The Foundation Board agrees that there is no benefit to the state for "these monies" to be handled by the Foundation. Nor should there be, because the state was never an intended beneficiary of any of the estates or trusts under review. The beneficiary is the Missouri School for the Blind, and it should be left to the Personal Representatives or Trustees to determine how best to carry out the intent of their testators or grantors. It is precisely the attitude betrayed in this finding (i.e., "there is no benefit to the state"), which refutes the assertion that the Foundation is not necessary. The Foundation is necessary because the "state" may otherwise act as though the money was being distributed to the state.

The Foundation was incorporated, at the suggestion of Missouri education officials, on August 16, 1993. The concept of a private foundation for the benefit of a school such as MSB is not unique to Missouri. Similar foundations exist in Alabama and Kentucky, to ensure the continued economic well being and survival of the schools. The Foundation's purpose was to raise funds to supplement the financial needs of the Missouri School for the Blind in the face of likely declining state revenue. The Foundation applied for and received tax-exempt status from the Internal Revenue Service.

Foundation Directors receive no compensation for their services. All Foundation programs are for the sole purpose of aiding the students at the Missouri School for the Blind. Past expenditures by the Foundation include, but are not limited to, the purchase of computers; research activities of the Council of Schools for the Blind; student participation on the Student Leadership Council (students visit other schools across the city, state, and nation); a joint project with the Rotary International Clubs; participation in a cross-country race using specially constructed bicycles; a concert series; and supplementation of the Missouri School for the Blind's training programs in

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blindness and deaf-blindness for families and professionals
Foundation assets now approximate One Million Three Hundred
Thousand Dollars (\$1,300,000.00).

The Foundation Board has included more than the original
four members for quite some time. In addition to the two members
formerly employed by the school referred to in your findings, the
members include the following individuals:

President

Darrell F. Lauer
Southwestern Bell (Ret.)

Members

Jessica Brown
Southwestern Bell (Ret.)

Thomas Gregory
Cardinal Glennon Children's Hospital

Michael Keller
Anheuser-Busch Cos., Inc. (Ret.)

Captain Adam Long
St. Louis Fire Department

Dr. John McCluskey
Not for Profit Management and Leadership
Program, University of Missouri - St. Louis

Kenneth Mitchell
Missouri School for the Blind

Judith Murphy, CPA
Rubin Brown Gornstein & Co., LLP
Certified Public Accountants

The Foundation board members represent diverse elements of
the business and academic community. Inclusion of the
superintendent of the Missouri School for the Blind and the
school's business manager on the initial board was at the
suggestion of state education officials. The superintendent's
service on the Foundation board was reviewed as part of her
performance evaluation as superintendent of MSB.

It may well be that school employees should not be named to

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voting positions on the Foundation Board, but it is felt that the superintendent should at least occupy an *ex officio* position for liaison purposes, and to enable the school to present its needs to the Foundation.

Recommendation

WE RECOMMEND the Department of Elementary and Secondary Education continue to work with the Missouri Attorney General to recover the monies remaining in the "It Is The Soul That Sees Foundation, Inc." accounts, for the Missouri School for the Blind Trust Fund. In addition, the Missouri School for the Blind, along with the department, should establish controls and procedures to ensure all future distributions or payments intended for the school are deposited to the Trust Fund, as required by state law.

Response:

Not surprisingly, the Foundation Board reaches a different conclusion. The historical misuse of the School for the Blind Trust Fund assets would by itself be a compelling argument to create such a Foundation if none already existed.

The Foundation Board is unaware of a significant decrease in the amount of contributions to the School for the Blind Trust Fund since creation of the Foundation, so it does not seem fair to claim that someone has been diverting contributions from the School for the Blind Trust Fund to the Foundation. What does seem clear, however, is that when the options available for making a contribution to benefit the Missouri School for the Blind are fairly and accurately explained, the overwhelming number of donors will choose to make a contribution to the Foundation rather than the school directly (which contribution may or may not make it into the School for the Blind Trust Fund), or to the School for the Blind Trust Fund (and be subject to dissipation through payment of routine operating expenses which should be paid from the state's general revenue).

The Foundation Board desires to resolve this dispute in an amicable manner, and in a way that provides the parties with guidance as to how fund raising for the school will be carried out in the future. A previous offer by the Foundation Board to meet and attempt to resolve these issues with state education officials was unfortunately summarily rebuffed. This rebuff only served to intensify the belief of some Foundation Board members

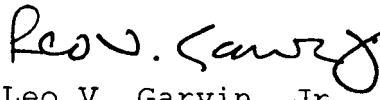
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that the Department of Elementary and Secondary Education's agenda is to close the Missouri School for the Blind on philosophical grounds. If this attitude persists on the part of state officials, it will make an amicable resolution very difficult.

Do not hesitate to contact me in the event you need any further information with respect to your draft audit findings and recommendations.

Very truly yours

A handwritten signature in black ink, appearing to read "Leo V. Garvin, Jr.", with a stylized flourish at the end.

Leo V. Garvin, Jr.

LVGjr:ms

cc: Foundation Board
Kip Stetzler

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri School for the Blind provides residential and day-school programs for school-age children who are legally blind, deaf-blind or have other multiple disabilities. Through its outreach services, the School for the Blind also provides technical assistance and resources to local school districts serving children who are blind or visually impaired. The school is celebrating its 150th year of service to blind students in 2001. The State Board of Education governs the school and the superintendent is its chief executive officer. Dr. Yvonne Howze served as Superintendent of the school from 1990 until March 2001. Dr. Corinne Harmon served as Interim Superintendent until July 2001, when she was appointed Superintendent. A five-member board of advisers, appointed by the State Board of Education, assists the school in planning its programs and services. There were 148 full-time employees at the school during the 1999-2000 school year.

During the 1999-2000 school year, the school had an average attendance of 114 students with 70 being resident students. The school also serves blind children throughout the state in a variety of ways. During the 1999-2000 school year, the school served 204 deaf/blind children ages birth through twenty-one, 35 children in local school districts, 1088 in the American Printing House for the Blind Program, and 51 in an early childhood program. In addition, the school trained 151 teachers during the 1999-2000 school year.

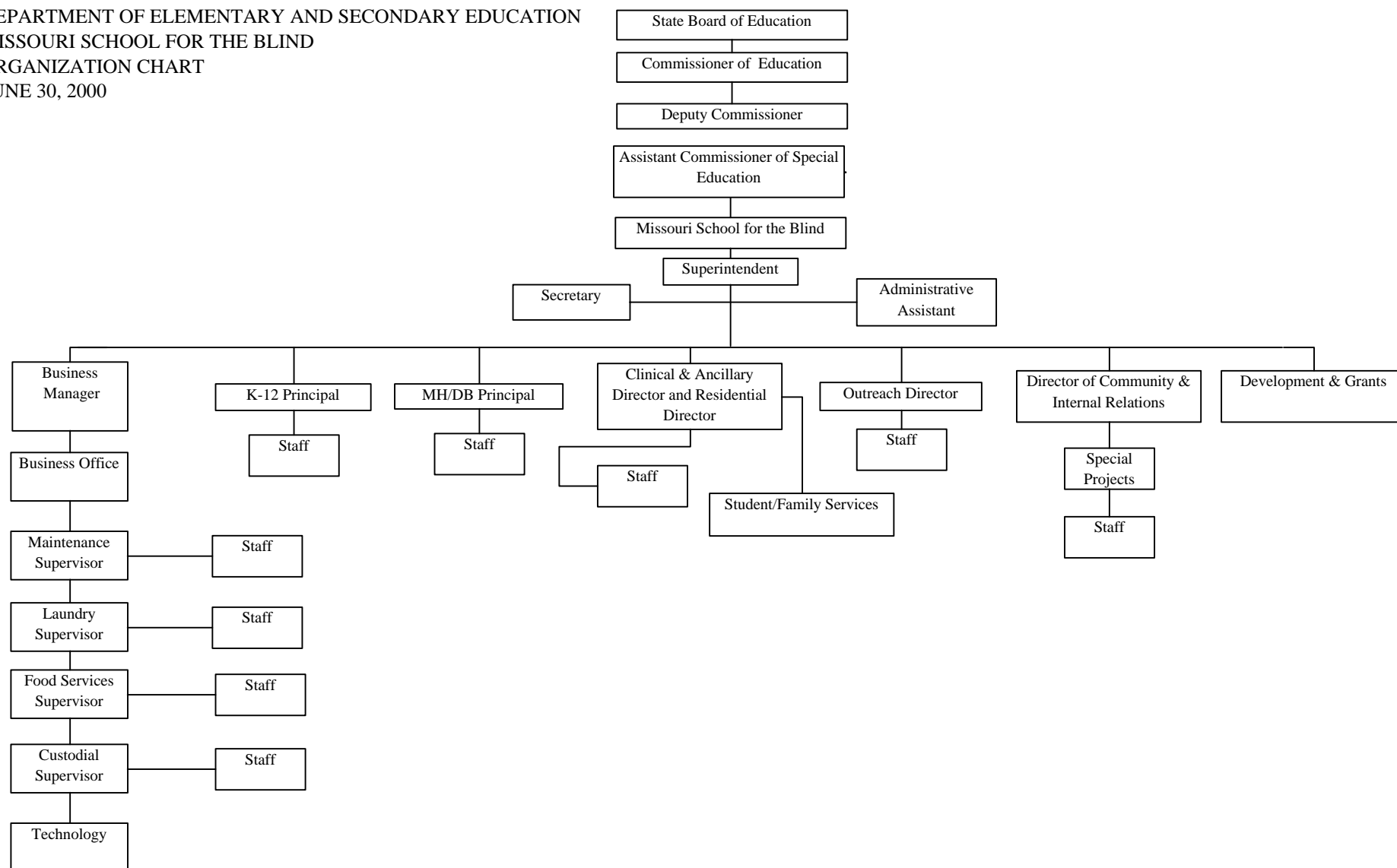
A five-member board of advisors is appointed by the commissioner of education for a term of four years. At June 30, 2000, the members of the board were:

	<u>Term Expires</u>
Mr. Donald K. Gerard, President	October 11, 2002
Mr. Philip Hamilton, Vice President	October 11, 2001
Mrs. Jane Pfefferkorn, Member	October 11, 2002
Mrs. Barbara Walker, Member	October 11, 2000
Mr. Leon Burke, Member	July 18, 2000

The board acts in an advisory capacity in regard to maintenance, operation, management, control, and all matters pertaining to conduct and improvement of the school. Each board member receives \$100 per year plus actual expenses as compensation for services.

An organization chart follows:

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
ORGANIZATION CHART
JUNE 30, 2000



APPENDIX A-1

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriation/ Allocation	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE			
Distributions to the free public schools under the School Foundation Program as provided in Chapter 163 RSMo - Personal Service and/or Expense and Equipment	\$ 5,150,978 *	5,138,478	12,500
New Technology Grants Program pursuant to the Outstanding Schools Act and for planning and implementing computer network infrastructure for public elementary and secondary schools in this state including computer access to the Department of Elementary and Secondary Education and to improve the use of classroom technology	4,420 *	4,420	0
Apportionment to school districts, and to the state board operated school programs for expense and equipment, one-half the amount accruing to the General Revenue Fund from the County Foreign Insurance Tax	9,842 *	9,842	0
Design and Construction - Assessment, abatement, removal, remediation, and management of hazardous materials and pollutants - (Missouri School for the Blind portion)	90,737 *	12,831	77,906
Total General Revenue Fund - State	5,255,977	5,165,571	90,406
ELEMENTARY AND SECONDARY EDUCATION-FEDERAL AND OTHER FUND			
Distributions to the free public schools under the School Foundation Program as provided in Chapter 163 RSMo - Personal Service and/or Expense and Equipment	1,081,083 *	799,719	281,364
Total Elementary and Secondary Education-Federal and Other Fund	1,081,083	799,719	281,364
BINGO PROCEEDS FOR EDUCATION FUND			
Distributions to the free public schools under the School Foundation Program as provided in Chapter 163 RSMo - Personal Service and/or Expense and Equipment	217,189 *	217,189	0
Department of Elementary and Secondary Education - Maintenance, repairs, replacements, and improvements of roofing systems at the Missouri School for the Blind	210,119 *	5,408	204,711
Elementary and Secondary Education - Design, renovation, construction, and improvements at the Missouri School for the Blind	720,319	709,961	10,358
Elementary and Secondary Education - Maintenance, repairs, replacements and improvements at the Missouri School for the Blind	108,692	5,793	102,899
Elementary and Secondary Education - Maintenance, repairs, replacements and improvements at the Missouri School for the Blind	391,510	279,990	111,520
Maintenance, repairs, replacements, and improvements at facilities statewide	50,051 *	50,051	0
Elementary and Secondary Education - Design, land acquisition, demolition, renovation, construction, and improvements at the Missouri School for the Blind	556,121	534,687	21,434
Total Bingo Proceeds For Education Fund	2,254,001	1,803,079	450,922

APPENDIX A-1 (Continued)

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriation	Expenditures	Lapsed Balances
LOTTERY PROCEEDS FUND			
Distributions to the free public schools under the School Foundation Program as provided in Chapter 163 RSMo	27,881 *	27,881	0
Total Lottery Proceeds Fund	27,881	27,881	0
SCHOOL FOR THE BLIND TRUST FUND			
Missouri School for the Blind - Expense and Equipment	1,050,000	1,029,233	20,767
Elementary and Secondary Education - Design, land acquisition, demolition, renovation, construction, and improvements at the Missouri School for the Blind	704,583	527,065	177,518
Missouri School for the Blind - Capital improvements	500,000	261,242	238,758
Total School For The Blind Trust Fund	2,254,583	1,817,540	437,043
Total All Funds	\$ 10,873,525	9,613,790	1,259,735

* This represents the amount allocated to the school or the amount expended by the school from an appropriation to the department.

APPENDIX A-2

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations/ Allocation	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE			
Apportionment to school districts, and the state board operated school programs for expense and equipment, one-half the amount accruing to the General Revenue Fund from the County Foreign Insurance Tax	\$ 9,666 *	9,241	425
Distributions to the free public schools under the School Foundation Program as provided in Chapter 163 RSMo. For Personal Service and/or Expense and Equipment for State Board of Education operated schools	5,150,719 *	5,150,726	(7)
Total General Revenue Fund - State	5,160,385	5,159,967	418
ELEMENTARY AND SECONDARY EDUCATION - FEDERAL AND OTHER FUND			
Personal Service and/or Expense and Equipment at State Board of Education School Programs	982,161 *	957,758	24,403
Total Elementary and Secondary Education - Federal and Other Fund	982,161	957,758	24,403
GAMING PROCEEDS FOR EDUCATION FUND			
Elementary and Secondary Education - Maintenance, repairs, replacements and improvements at the Missouri School for the Blind	1,722	741	981
Total Gaming Proceeds for Education Fund	1,722	741	981
BINGO PROCEEDS FOR EDUCATION FUND			
Elementary and Secondary Education - Maintenance, repairs, replacements and improvements at Missouri School for the Blind	182,258	182,258	0
Elementary and Secondary Education - Unprogrammed maintenance, repairs, replacements and improvements at Missouri School for the Blind	11,910 *	11,910	0
Elementary and Secondary Education - Maintenance, repairs, replacements, and improvements of roofing systems at the Missouri School for the Blind	187,274 *	187,274	0
Total Bingo Proceeds for Education Fund	381,442	381,442	0
LOTTERY PROCEEDS FUND			
Distributions to the free public schools under the School Foundation Program as provided in Chapter 163 RSMo. For the State Board of Education operated schools	16,014 *	16,014	0
Total Lottery Proceeds Fund	16,014	16,014	0

APPENDIX A-2 (Continued)

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations/ Allocation	Expenditures	Lapsed Balances
VIDEO INSTRUCTIONAL DEVELOPMENT AND EDUCATIONAL OPPORTUNITY FUND			
Video Instructional Development and Educational Opportunity Program, state-supported institutions of higher education and public television stations and state board operated schools for expense and equipment and instruction; and for the development and purchase of instructional programs transmitted through the airwaves or by cable television which are available for all residents of this state without charge pursuant to and for the purposes set forth in Chapter 170 RSMo	3,000 *	3,000	0
Total Video Instructional Development and Educational Opportunity Fund	3,000	3,000	0
SCHOOL FOR THE BLIND TRUST FUND			
Missouri School for the Blind - Expense and Equipment	1,000,000	783,481	216,519
Missouri School for the Blind - Capital Improvements	500,000	51,927	448,073
Elementary and Secondary Education - Design, land acquisition, demolition, renovation, construction, and improvements at the Missouri School for the Blind	972,737	268,153	704,584
Total School for the Blind Trust Fund	2,472,737	1,103,561	1,369,176
Total All Funds	\$ 9,017,461	7,622,483	1,394,978

* This represents the amount allocated to the school or the amount expended by the school from an appropriation to the department.

APPENDIX B

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION MISSOURI SCHOOL FOR THE BLIND MISSOURI SCHOOL FOR THE BLIND TRUST FUND COMPARATIVE STATEMENT OF CHANGES IN CASH AND INVESTMENTS

		Year Ended June 30,	
		2000	1999
ADDITIONS			
Investment income	\$	2,352,678	443,802
Investment expenses		(124,283)	(17,463)
Net investment income		2,228,395	426,339
Donations		135,923	46,881
Other		1,319	1,550
Total Additions		2,365,637	474,770
DEDUCTIONS			
Travel and vehicle expense		123,664	74,181
Office expense and equipment		133,892	140,388
Services		570,172	424,161
Equipment		69,091	62,319
Capital improvements		661,792	367,343
Other		210,496	189,306
Total Deductions		1,769,107	1,257,698
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS		596,530	(782,928)
CASH AND INVESTMENTS, JULY 1		6,379,244	7,162,172
CASH AND INVESTMENTS, JUNE 30	\$	6,975,774	6,379,244

APPENDIX C-1

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)
YEAR ENDED JUNE 30, 2000

Salaries and wages	\$	4,951,714
Travel, in-state		278,349
Travel, out-of-state		56,071
Fuel and utilities		250,592
Administrative supplies		80,012
Lab and medical supplies		5,573
Merchandising supplies		492
Repair, maintenance, and usage supplies		106,943
Residential supplies		77,525
Specific use supplies		58,681
Professional development		61,452
Communication services and supplies		26,922
Health services		57,272
Business services		80,241
Professional services		836,350
Housekeeping and janitor services		6,313
Equipment maintenance and repair services		70,410
Transportation maintenance and repair services		5,847
Computer equipment		24,961
Educational equipment		8,480
Electronic and photo equipment		4,280
Medical and laboratory equipment		909
Motorized equipment		54,895
Office equipment		29,023
Specific use equipment		10,637
Stationary equipment		5,930
Property and improvements		2,263,631
Building lease payments		5,175
Building and equipment rentals		5,854
Miscellaneous expenses		132,696
Rebillable expenses		56,557
Total Expenditures	\$	<u><u>9,613,790</u></u>

APPENDIX C-2

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)
YEAR ENDED JUNE 30, 1999

Salaries for permanent employees	\$	3,811,789
Wages for temporary employees		857,482
Per diem		81,878
Professional services		174,730
Building and office repairs and improvements		452,905
Travel and vehicle expense		172,597
Transportation equipment purchase		16,726
Office expense		109,873
Office Communication equipment purchases		9,516
Communication expense		42,700
Institution and physical plant expense		590,747
Institution and physical plant purchases		73,307
Data processing expense and equipment		69,469
Professional services		991,360
Other expense		167,405
Total Expenditures	\$	<u><u>7,622,483</u></u>

APPENDIX D

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
ACTIVITY FUND
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH

	Year Ended June 30,	
	2000	1999
RECEIPTS		
Total Receipts	191,472	181,960
DISBURSEMENTS		
Total Disbursements	177,707	163,732
CASH, JULY 1	23,007	4,779
CASH, JUNE 30	36,772	23,007

APPENDIX E

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
MISSOURI SCHOOL FOR THE BLIND
STUDENT FUND
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH

	Year Ended June 30,	
	2000	1999
RECEIPTS		
Total Receipts	42,082	22,273
DISBURSEMENTS		
Total Disbursements	23,403	23,958
CASH, JULY 1	(1,024)	661
CASH, JUNE 30	17,655	(1,024)

* * * * *



**LACLEDE COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-61
August 7, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Laclede, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Laclede County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Laclede county's Associate County Commissioners salaries were each increased approximately \$4,800 according to information from the county clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$9,770, for the two years ended December 31, 2000, should be repaid. In light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- The county did not always solicit bids for various purchases. In addition, the county paid in excess of \$40,000 to a law firm without soliciting proposals or documenting their basis for selecting the law firm. On one matter involving official salaries, the county paid \$20,000 (\$12,500 representing an advance fee for representing the officials in the Appeal to the Missouri Supreme Court).

(over)

YELLOW SHEET

- The former Sheriff entered into a written agreement with a telephone company to provide telephone services to county prisoners. The agreement provided that the sheriff's department receive commissions based on collect telephone calls made by prisoners at the jail. During the time period of January 1999 through September 30, 2000, the Sheriff's department earned \$38,875 in telephone commissions. Our review of the inmate phone system indicated the following concerns:

The telephone company was disbursing only a portion of the county's telephone commission (\$1,000 each month) to the sheriff's department. The remaining commission was held by the company and used by the former Sheriff for various purchases, including a copier, fax machine, two computers, television, VCR, as well as \$2,065 for Sheriff department calendars that appeared to promote the former Sheriff's election (which the Missouri Ethics Commission found to be in violation of state law and Sheriff Dotson reimbursed the county). These purchases were not handled through the county's normal disbursement process and no record was maintained to document the purchases.

Telephone commissions should be deposited into the county treasury and the County Commission should authorize their use. State law requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasurer.

- In June 1999, the county authorized the turnover of approximately \$22,000 of unclaimed fees to general revenue, instead of remitting the fees to the state. The majority of these funds represented unidentified monies from the former Prosecuting Attorney that had been turned over to the Unclaimed Fees fund by the current Prosecuting Attorney.

Also included in the audit are recommendations to improve the accounting controls and procedures for the County Health Center, County Clerk, County Collector, County Sheriff and Circuit Clerk. The audit also suggested improvements be made in the county's budgeting procedures and financial reporting. Several of these issues had been noted in prior audits.

Copies of the audit are available upon request.

LACLEDE COUNTY, MISSOURI

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LACLEDE COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

To the County Commission
and
Officeholders of Laclede County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Laclede County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Laclede County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Laclede County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Laclede County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 27, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Laclede County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 27, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	David Holtmann, CPA
In-Charge Auditor:	Sharon Eagleburger
Audit Staff:	Jay Ross
	Rachel Simons
	Curtis Gannon
	Troy Royer
	Bryan Meadows



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Laclede County, Missouri

We have audited the special-purpose financial statements of various funds of Laclede County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 27, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Laclede County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Laclede County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Laclede County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 27, 2001 (fieldwork completion date)

Financial Statements

Exhibit A

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 818,055	3,466,627	3,318,451	966,231
Special Road and Bridge	19,616	1,136,584	1,026,769	129,431
Assessment	15,502	220,761	216,669	19,594
Law Enforcement Training	59,310	12,692	19,635	52,367
Prosecuting Attorney Training	5,284	2,803	3,016	5,071
Prosecuting Attorney Bad Check	77,137	75,729	49,763	103,103
Enhanced 911	45,703	302,075	246,678	101,100
Law Enforcement Sales Tax	763,692	1,682,737	1,652,398	794,031
Recorder's User Fees	38,030	16,360	959	53,431
Prosecuting Attorney Delinquent Tax	25,141	4,723	1,977	27,887
Prosecuting Attorney Law Enforcement	853	40	0	893
Map Reserve	4,138	190	0	4,328
Sheriff Discretionary	7,800	38,384	19,394	26,790
Police Officers Standard Training	0	17,745	0	17,745
Shelter Abuse	520	19,989	13,341	7,168
County Local Use Tax	127	1	128	0
Capital Improvement	143,308	113,442	0	256,750
Health Insurance	0	294,813	231,151	63,662
Election Services	204	5,644	3,129	2,719
Health Center	225,301	626,701	736,465	115,537
Developmentally Disabled Board	36,043	344,292	362,836	17,499
Circuit Clerk Interest	9,200	11,269	13,816	6,653
Law Library	45,316	21,086	5,304	61,098
Family Access Fund	103	5	0	108
Juvenile Assessment	1,090	555	0	1,645
Total	\$ 2,341,473	8,415,247	7,921,879	2,834,841

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

LACLEDE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 497,663	3,064,205	2,743,813	818,055
Special Road and Bridge	102,771	1,056,922	1,140,077	19,616
Assessment	8,945	218,101	211,544	15,502
Law Enforcement Training	53,130	16,775	10,595	59,310
Prosecuting Attorney Training	4,826	2,633	2,175	5,284
Prosecuting Attorney Bad Check	67,544	53,979	44,386	77,137
Enhanced 911	57,595	257,909	269,801	45,703
Law Enforcement Sales Tax	579,949	1,918,125	1,734,382	763,692
Recorder's User Fees	47,580	18,459	28,009	38,030
Prosecuting Attorney Delinquent Tax	12,637	14,706	2,202	25,141
Prosecuting Attorney Law Enforcement	818	35	0	853
Map Reserve	2,000	2,138	0	4,138
Sheriff Discretionary	3,891	33,695	29,786	7,800
Shelter Abuse	3,172	21,353	24,005	520
County Local Use Tax	211,703	2,747	214,323	127
Capital Improvement	112,150	31,158	0	143,308
Health Insurance	39,786	238,314	278,100	0
Election Services	0	204	0	204
Health Center	206,107	564,810	545,616	225,301
Developmentally Disabled Board	40,469	326,873	331,299	36,043
Circuit Clerk Interest	3,974	8,890	3,664	9,200
Law Library	30,775	19,493	4,952	45,316
Family Access Fund	50	53	0	103
Juvenile Assessment	470	620	0	1,090
Total	\$ 2,088,005	7,872,197	7,618,729	2,341,473

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

LACLEDE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 7,635,675	8,414,687	779,012	7,828,807	7,871,320	42,513
DISBURSEMENTS	9,167,617	7,921,879	1,245,738	8,884,420	7,618,729	1,265,691
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,531,942)	492,808	2,024,750	(1,055,613)	252,591	1,308,204
CASH, JANUARY 1	2,292,010	2,340,280	48,270	2,086,998	2,087,485	487
CASH, DECEMBER 31	760,068	2,833,088	2,073,020	1,031,385	2,340,076	1,308,691
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	212,000	288,141	76,141	249,000	236,496	(12,504)
Sales taxes	1,560,095	1,650,764	90,669	1,525,000	1,535,095	10,095
Intergovernmental	234,530	318,900	84,370	155,493	297,770	142,277
Charges for services	788,570	779,333	(9,237)	632,671	726,912	94,241
Interest	35,000	55,679	20,679	50,000	40,281	(9,719)
Other	143,615	264,582	120,967	127,921	211,347	83,426
Transfers in	16,842	109,228	92,386	16,304	16,304	0
Total Receipts	2,990,652	3,466,627	475,975	2,756,389	3,064,205	307,816
DISBURSEMENTS						
County Commission	108,562	108,057	505	105,154	104,306	848
County Clerk	99,600	97,088	2,512	96,771	96,465	306
Elections	88,000	74,046	13,954	38,500	32,626	5,874
Buildings and grounds	486,600	426,094	60,506	511,000	435,565	75,435
Employee fringe benefits	128,500	73,407	55,093	136,500	70,285	66,215
County Treasurer	41,930	41,638	292	41,560	41,545	15
County Collector	90,645	89,516	1,129	88,148	87,353	795
Ex Officio Recorder of Deeds	53,269	52,878	391	53,630	51,354	2,276
Circuit Clerk	38,839	38,195	644	40,442	40,357	85
Associate Circuit Court	7,500	6,919	581	7,850	6,974	876
Court administration	29,297	21,035	8,262	24,516	20,228	4,288
Public Administrator	65,684	66,688	(1,004)	58,460	40,429	18,031
Sheriff	423,484	401,752	21,732	403,474	389,219	14,255
Jail	523,480	507,774	15,706	449,000	444,258	4,742
Prosecuting Attorney	192,341	196,543	(4,202)	187,780	187,777	3
Juvenile Officer	72,835	75,802	(2,967)	136,437	98,251	38,186
County Coroner	21,400	20,580	820	16,080	13,571	2,509
Postage	40,000	36,959	3,041	45,000	35,071	9,929
Mail Clerk	14,420	14,420	0	14,000	14,000	0
Public health and welfare services	2,400	1,397	1,003	2,500	2,229	271
Insurance and bonds	68,000	50,370	17,630	65,000	66,740	(1,740)
University extension	39,387	36,105	3,282	38,660	38,659	1
Other	112,847	118,387	(5,540)	101,283	79,393	21,890
Debt service	210,000	206,724	3,276	0	0	0
Transfers out	515,832	556,077	(40,245)	346,126	347,158	(1,032)
Emergency Fund	100,000	0	100,000	85,000	0	85,000
Total Disbursements	3,574,852	3,318,451	256,401	3,092,871	2,743,813	349,058
RECEIPTS OVER (UNDER) DISBURSEMENTS	(584,200)	148,176	732,376	(336,482)	320,392	656,874
CASH, JANUARY 1	818,055	818,055	0	497,663	497,663	0
CASH, DECEMBER 31	233,855	966,231	732,376	161,181	818,055	656,874

Exhibit B

LACLEDE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	2,000	2,488	488	2,000	2,211	211
Intergovernmental	1,075,100	844,697	(230,403)	1,132,000	843,069	(288,931)
Interest	5,000	4,166	(834)	6,000	4,295	(1,705)
Other	15,000	10,233	(4,767)	44,500	32,347	(12,153)
Transfers in	275,000	275,000	0	175,000	175,000	0
Total Receipts	1,372,100	1,136,584	(235,516)	1,359,500	1,056,922	(302,578)
DISBURSEMENTS						
Salaries	467,604	453,743	13,861	412,200	416,825	(4,625)
Employee fringe benefits	53,800	39,505	14,295	43,000	21,814	21,186
Supplies	65,000	123,275	(58,275)	65,000	77,882	(12,882)
Insurance	9,500	7,778	1,722	8,000	9,189	(1,189)
Road and bridge materials	65,000	28,231	36,769	130,000	136,653	(6,653)
Equipment repairs	100,000	94,857	5,143	100,000	138,364	(38,364)
Rentals	2,500	844	1,656	2,000	158	1,842
Equipment purchases	134,526	122,444	12,082	188,376	179,241	9,135
Construction, repair, and maintenance	260,000	5,613	254,387	276,000	26,098	249,902
Other	87,000	87,373	(373)	119,600	83,938	35,662
Transfers out	50,000	63,106	(13,106)	50,000	49,915	85
Total Disbursements	1,294,930	1,026,769	268,161	1,394,176	1,140,077	254,099
RECEIPTS OVER (UNDER) DISBURSEMENTS	77,170	109,815	32,645	(34,676)	(83,155)	(48,479)
CASH, JANUARY 1	19,616	19,616	0	102,771	102,771	0
CASH, DECEMBER 31	96,786	129,431	32,645	68,095	19,616	(48,479)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	211,092	212,912	1,820	209,661	210,527	866
Interest	2,318	2,622	304	2,358	2,318	(40)
Other	5,256	5,227	(29)	6,755	5,256	(1,499)
Transfers in	5,832	0	(5,832)	16,126	0	(16,126)
Total Receipts	224,498	220,761	(3,737)	234,900	218,101	(16,799)
DISBURSEMENTS						
Assessor	215,200	193,869	21,331	210,100	191,233	18,867
Transfers out	24,800	22,800	2,000	24,800	20,311	4,489
Total Disbursements	240,000	216,669	23,331	234,900	211,544	23,356
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,502)	4,092	19,594	0	6,557	6,557
CASH, JANUARY 1	15,502	15,502	0	8,945	8,945	0
CASH, DECEMBER 31	0	19,594	19,594	8,945	15,502	6,557
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	2,500	4,635	2,135
Charges for services	10,500	10,454	(46)	10,500	9,795	(705)
Interest	1,000	2,238	1,238	2,570	2,345	(225)
Total Receipts	11,500	12,692	1,192	15,570	16,775	1,205
DISBURSEMENTS						
Sheriff	46,356	7,408	38,948	53,130	10,595	42,535
Transfers out	12,227	12,227	0	0	0	0
Total Disbursements	58,583	19,635	38,948	53,130	10,595	42,535
RECEIPTS OVER (UNDER) DISBURSEMENTS	(47,083)	(6,943)	40,140	(37,560)	6,180	43,740
CASH, JANUARY 1	47,083	59,310	12,227	53,130	53,130	0
CASH, DECEMBER 31	0	52,367	52,367	15,570	59,310	43,740

Exhibit B

LACLEDE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	2,400	2,555	155	2,500	2,425	(75)
Interest	200	248	48	241	208	(33)
Total Receipts	2,600	2,803	203	2,741	2,633	(108)
DISBURSEMENTS						
Prosecuting Attorney	3,150	3,016	134	3,150	2,175	975
Total Disbursements	3,150	3,016	134	3,150	2,175	975
RECEIPTS OVER (UNDER) DISBURSEMENTS	(550)	(213)	337	(409)	458	867
CASH, JANUARY 1	5,284	5,284	0	4,826	4,826	0
CASH, DECEMBER 31	4,734	5,071	337	4,417	5,284	867

PROSECUTING ATTORNEY BAD CHECK FUND

RECEIPTS						
Charges for services	44,000	71,394	27,394	44,000	50,981	6,981
Interest	2,500	4,335	1,835	3,400	2,998	(402)
Total Receipts	46,500	75,729	29,229	47,400	53,979	6,579
DISBURSEMENTS						
Prosecuting Attorney	104,646	30,772	73,874	96,690	25,547	71,143
Transfers out	18,991	18,991	0	18,254	18,839	(585)
Total Disbursements	123,637	49,763	73,874	114,944	44,386	70,558
RECEIPTS OVER (UNDER) DISBURSEMENTS	(77,137)	25,966	103,103	(67,544)	9,593	77,137
CASH, JANUARY 1	77,137	77,137	0	67,544	67,544	0
CASH, DECEMBER 31	0	103,103	103,103	0	77,137	77,137

ENHANCED 911 FUND

RECEIPTS						
Charges for services	265,000	297,881	32,881	243,722	254,596	10,874
Interest	3,000	4,194	1,194	0	3,313	3,313
Total Receipts	268,000	302,075	34,075	243,722	257,909	14,187
DISBURSEMENTS						
Salaries	192,603	176,088	16,515	170,908	166,740	4,168
Equipment	14,200	6,416	7,784	47,823	46,498	1,325
Mileage and training	2,500	3,026	(526)	3,250	2,570	680
Telephone	40,000	35,467	4,533	41,500	37,439	4,061
Transfers out	21,492	25,681	(4,189)	20,500	16,554	3,946
Total Disbursements	270,795	246,678	24,117	283,981	269,801	14,180
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,795)	55,397	58,192	(40,259)	(11,892)	28,367
CASH, JANUARY 1	45,703	45,703	0	57,595	57,595	0
CASH, DECEMBER 31	42,908	101,100	58,192	17,336	45,703	28,367

Exhibit B

LACLEDE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales tax	1,560,095	1,650,292	90,197	1,525,000	1,531,851	6,851
Interest	15,000	32,445	17,445	0	17,498	17,498
Other	0	0	0	368,777	368,776	(1)
Total Receipts	1,575,095	1,682,737	107,642	1,893,777	1,918,125	24,348
DISBURSEMENTS						
Facility project	125,000	47,373	77,627	557,527	394,551	162,976
Bond payments	1,364,199	1,357,670	6,529	1,364,199	1,295,111	69,088
Land payment	0	0	0	52,000	44,720	7,280
Payment reserve	500,000	121,024	378,976	0	0	0
Furniture payment	50,000	0	50,000	0	0	0
Utility and upkeep expense	100,000	34,058	65,942	0	0	0
Professional services	5,000	6,551	(1,551)	0	0	0
Transfers out	100,000	85,722	14,278	0	0	0
Total Disbursements	2,244,199	1,652,398	591,801	1,973,726	1,734,382	239,344
RECEIPTS OVER (UNDER) DISBURSEMENTS	(669,104)	30,339	699,443	(79,949)	183,743	263,692
CASH, JANUARY 1	763,692	763,692	0	579,949	579,949	0
CASH, DECEMBER 31	94,588	794,031	699,443	500,000	763,692	263,692
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	16,000	14,334	(1,666)	18,000	16,700	(1,300)
Interest	1,000	2,026	1,026	400	1,759	1,359
Total Receipts	17,000	16,360	(640)	18,400	18,459	59
DISBURSEMENTS						
Recorder	52,000	959	51,041	46,890	28,009	18,881
Total Disbursements	52,000	959	51,041	46,890	28,009	18,881
RECEIPTS OVER (UNDER) DISBURSEMENTS	(35,000)	15,401	50,401	(28,490)	(9,550)	18,940
CASH, JANUARY 1	38,030	38,030	0	47,580	47,580	0
CASH, DECEMBER 31	3,030	53,431	50,401	19,090	38,030	18,940
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	2,400	3,532	1,132	2,400	13,915	11,515
Interest	150	1,191	1,041	150	791	641
Total Receipts	2,550	4,723	2,173	2,550	14,706	12,156
DISBURSEMENTS						
Salaries	2,745	1,901	844	2,519	2,173	346
Other	50	76	(26)	0	29	(29)
Total Disbursements	2,795	1,977	818	2,519	2,202	317
RECEIPTS OVER (UNDER) DISBURSEMENTS	(245)	2,746	2,991	31	12,504	12,473
CASH, JANUARY 1	25,141	25,141	0	12,637	12,637	0
CASH, DECEMBER 31	24,896	27,887	2,991	12,668	25,141	12,473
<u>PROSECUTING ATTORNEY LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Interest	35	40	5	40	35	(5)
Total Receipts	35	40	5	40	35	(5)
DISBURSEMENTS						
Other	888	0	888	858	0	858
Total Disbursements	888	0	888	858	0	858
RECEIPTS OVER (UNDER) DISBURSEMENTS	(853)	40	893	(818)	35	853
CASH, JANUARY 1	853	853	0	818	818	0
CASH, DECEMBER 31	0	893	893	0	853	853

Exhibit B

LACLEDE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>MAP RESERVE FUND</u>						
RECEIPTS						
Interest	0	190	190	0	138	138
Transfers in	2,000	0	(2,000)	2,000	2,000	0
Total Receipts	2,000	190	(1,810)	2,000	2,138	138
DISBURSEMENTS						
Map reserve	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	190	(1,810)	2,000	2,138	138
CASH, JANUARY 1	4,138	4,138	0	2,000	2,000	0
CASH, DECEMBER 31	6,138	4,328	(1,810)	4,000	4,138	138
<u>SHERIFF DISCRETIONARY FUND</u>						
RECEIPTS						
Charges for services	37,400	37,691	291	37,400	33,512	(3,888)
Interest	1,900	693	(1,207)	1,900	183	(1,717)
Total Receipts	39,300	38,384	(916)	39,300	33,695	(5,605)
DISBURSEMENTS						
Sheriff	47,100	19,394	27,706	46,000	29,786	16,214
Total Disbursements	47,100	19,394	27,706	46,000	29,786	16,214
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,800)	18,990	26,790	(6,700)	3,909	10,609
CASH, JANUARY 1	7,800	7,800	0	3,891	3,891	0
CASH, DECEMBER 31	0	26,790	26,790	(2,809)	7,800	10,609
<u>PEACE OFFICERS STANDARD TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	3,500	4,992	1,492			
Interest	250	526	276			
Transfers in	12,227	12,227	0			
Total Receipts	15,977	17,745	1,768			
DISBURSEMENTS						
Training	15,977	0	15,977			
Total Disbursements	15,977	0	15,977			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	17,745	17,745			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	17,745	17,745			
<u>SHELTER ABUSE FUND</u>						
RECEIPTS						
Intergovernmental	16,300	13,340	(2,960)	16,200	15,015	(1,185)
Charges for services	16,500	6,492	(10,008)	8,400	6,150	(2,250)
Interest	0	157	157	0	188	188
Total Receipts	32,800	19,989	(12,811)	24,600	21,353	(3,247)
DISBURSEMENTS						
Domestic violence shelter	32,800	13,341	19,459	24,772	24,005	767
Total Disbursements	32,800	13,341	19,459	24,772	24,005	767
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	6,648	6,648	(172)	(2,652)	(2,480)
CASH, JANUARY 1	520	520	0	3,172	3,172	0
CASH, DECEMBER 31	520	7,168	6,648	3,000	520	(2,480)

Exhibit B

LACLEDE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COUNTY LOCAL USE TAX FUND</u>						
RECEIPTS						
Interest	0	1	1	0	2,747	2,747
Total Receipts	0	1	1	0	2,747	2,747
DISBURSEMENTS						
Construction	0	0	0	211,703	214,323	(2,620)
Transfers out	127	128	(1)	0	0	0
Total Disbursements	127	128	(1)	211,703	214,323	(2,620)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(127)	(127)	0	(211,703)	(211,576)	127
CASH, JANUARY 1	127	127	0	211,703	211,703	0
CASH, DECEMBER 31	0	0	0	0	127	127
<u>CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Interest	5,000	13,442	8,442	0	6,158	6,158
Transfers in	100,000	100,000	0	25,000	25,000	0
Total Receipts	105,000	113,442	8,442	25,000	31,158	6,158
DISBURSEMENTS						
Transfers out	0	0	0	0	0	0
Total Disbursements	0	0	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	105,000	113,442	8,442	25,000	31,158	6,158
CASH, JANUARY 1	143,308	143,308	0	112,150	112,150	0
CASH, DECEMBER 31	248,308	256,750	8,442	137,150	143,308	6,158
<u>HEALTH INSURANCE FUND</u>						
RECEIPTS						
Interest	0	0	0	0	2,072	2,072
Other	0	0	0	0	1,768	1,768
Transfers in	0	294,813	294,813	275,000	234,474	(40,526)
Total Receipts	0	294,813	294,813	275,000	238,314	(36,686)
DISBURSEMENTS						
Health insurance premiums	0	231,151	(231,151)	275,000	278,100	(3,100)
Total Disbursements	0	231,151	(231,151)	275,000	278,100	(3,100)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	63,662	63,662	0	(39,786)	(39,786)
CASH, JANUARY 1	0	0	0	39,786	39,786	0
CASH, DECEMBER 31	0	63,662	63,662	39,786	0	(39,786)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	4,000	5,560	1,560			
Interest	0	84	84			
Total Receipts	4,000	5,644	1,644			
DISBURSEMENTS						
Election expense	3,500	3,129	371			
Total Disbursements	3,500	3,129	371			
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	2,515	2,015			
CASH, JANUARY 1	204	204	0			
CASH, DECEMBER 31	704	2,719	2,015			

Exhibit B

LACLEDE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	271,000	277,445	6,445	252,000	264,427	12,427
Intergovernmental	248,267	278,416	30,149	250,018	232,281	(17,737)
Charges for services	30,000	43,238	13,238	32,500	41,688	9,188
Interest	11,000	16,296	5,296	10,000	13,762	3,762
Other	14,500	11,306	(3,194)	9,500	12,652	3,152
Total Receipts	574,767	626,701	51,934	554,018	564,810	10,792
DISBURSEMENTS						
Salaries	454,426	432,878	21,548	428,243	401,735	26,508
Office expenditures	85,000	91,936	(6,936)	99,934	76,560	23,374
Equipment	23,000	18,937	4,063	22,000	19,835	2,165
Mileage and training	18,500	26,672	(8,172)	14,000	17,533	(3,533)
Other	219,042	5,711	213,331	195,848	29,953	165,895
Building project	0	160,331	(160,331)	0	0	0
Total Disbursements	799,968	736,465	63,503	760,025	545,616	214,409
RECEIPTS OVER (UNDER) DISBURSEMENTS	(225,201)	(109,764)	115,437	(206,007)	19,194	225,201
CASH, JANUARY 1	225,301	225,301	0	206,007	206,107	100
CASH, DECEMBER 31	100	115,537	115,437	0	225,301	225,301
<u>DEVELOPMENTALLY DISABLED BOARD FUND</u>						
RECEIPTS						
Property tax	326,205	329,545	3,340	306,500	325,971	19,471
Intergovernmental	0	374	374	0	373	373
Interest	250	456	206	400	513	113
Other	0	13,917	13,917	1,000	16	(984)
Total Receipts	326,455	344,292	17,837	307,900	326,873	18,973
DISBURSEMENTS						
Contract services	303,250	343,860	(40,610)	299,450	325,246	(25,796)
Office expenditures	250	573	(323)	400	208	192
Mileage and training	500	41	459	400	0	400
Legal fees	20,000	17,312	2,688	5,000	4,845	155
Insurance and bonds	1,000	1,050	(50)	1,750	1,000	750
Total Disbursements	325,000	362,836	(37,836)	307,000	331,299	(24,299)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,455	(18,544)	(19,999)	900	(4,426)	(5,326)
CASH, JANUARY 1	0	36,043	36,043	40,082	40,469	387
CASH, DECEMBER 31	1,455	17,499	16,044	40,982	36,043	(4,939)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	6,846	11,269	4,423	8,000	8,890	890
Total Receipts	6,846	11,269	4,423	8,000	8,890	890
DISBURSEMENTS						
Equipment	14,000	13,816	184	10,000	3,664	6,336
Total Disbursements	14,000	13,816	184	10,000	3,664	6,336
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,154)	(2,547)	4,607	(2,000)	5,226	7,226
CASH, JANUARY 1	9,200	9,200	0	3,974	3,974	0
CASH, DECEMBER 31	2,046	6,653	4,607	1,974	9,200	7,226
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	17,000	18,720	1,720	17,000	18,134	1,134
Interest	1,000	2,366	1,366	1,000	1,359	359
Total Receipts	18,000	21,086	3,086	18,000	19,493	1,493
DISBURSEMENTS						
Law Library	63,316	5,304	58,012	48,775	4,952	43,823
Total Disbursements	63,316	5,304	58,012	48,775	4,952	43,823
RECEIPTS OVER (UNDER) DISBURSEMENTS	(45,316)	15,782	61,098	(30,775)	14,541	45,316
CASH, JANUARY 1	45,316	45,316	0	30,775	30,775	0
CASH, DECEMBER 31	\$ 0	61,098	61,098	0	45,316	45,316

The accompanying Notes to the Financial Statements are in integral part of this statement.

Notes to the Financial Statements

LACLEDE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Laclede County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Election Services Fund	1999
Family Access Fund	2000 and 1999
Juvenile Assessment Fund	2000 and 1999

Warrants issued were in excess of budgeted amounts for the County Local Use Tax Fund, Health Insurance Fund, and the Developmentally Disabled Board Fund for the

years ended December 31, 2000 and 1999. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, a deficit balance was budgeted in the Sheriff Discretionary Fund for the year ended December 31, 1999.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Map Reserve Fund	2000 and 1999
Sheriff Discretionary Fund	2000 and 1999
Peace Officers Standard Training Fund	2000
Shelter Abuse Fund	2000 and 1999
Election Services Fund	2000 and 1999
Health Center Fund	2000
Circuit Clerk Interest Fund	2000 and 1999
Law Library Fund	1999
Family Access Fund	2000 and 1999
Juvenile Assessment Fund	2000 and 1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by insurance provided through a surety bond.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed for both the county and the Health Center Board at those times although not at year end.

The Developmentally Disabled Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the Board's custodial bank in the Board's name.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Schedule

LACLEDE COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2000 AND 1999

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

LACLEDE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Laclede County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1998.

98-1. Overspending Budgets

Disbursements were made in excess of the approved budgets in several county funds during the two years ended December 31, 1998.

RECOMMENDATION:

The County Commission:

Ensure the county and applicable officials and/or boards do not authorize disbursements in excess of budgeted expenditures. If valid reasons necessitate excess expenditures, the original budget should be formally amended.

Status:

Partially implemented. Although some improvement has been noted, the county did exceed budgeted expenditures for three county funds. The county planned on paying the applicable health insurance premiums directly from each fund for year ended December 31, 1999. Instead, the county paid health insurance premiums from the Health Insurance Fund during the year ended December 31, 2000. As a result, expenditures totaling \$231,151 were paid from that fund that were not budgeted. Although not repeated in the current report, our recommendation remains as stated above.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

LACLEDE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Laclede County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 27, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Laclede County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.**Expenditures**

- A. Bids were not always solicited for various purchases made by the county during the audit period. Examples of items purchased, for which no evidence of bidding could be located, are as follows:

<u>Item Purchased</u>	<u>Amount</u>
Rock – four different purchases – county does not bid	\$97,224
Repairs and Equipment – various equipment	32,893
Sun censored blinds – special order for courthouse	13,223
Tires	9,006
Surveillance Equipment	4,671

The County Commission indicated items were sometimes purchased from sole source suppliers (i.e. aware of no other vendor providing the good or service, or no other vendor in the county provides the good or service). However, the County Commission failed to document their reasons for decisions made.

Section 50.660, RSMo 2000, requires bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for the economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

Documentation of bids should always be retained as evidence the county's established purchasing procedures as well as statutory requirements are being followed. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice, a copy of all bids received, a summary of the basis and justification for awarding the bid, and documentation of all discussions with vendors.

- B. The County Commission obtained legal services without soliciting proposals or documenting their basis for their decision. In December 2000, the county paid this law firm \$40,330 for legal services provided on four matters. On one matter involving official salaries, the county paid \$20,000 (\$12,500 representing an advance fee for representing the officials in the Appeal to the Missouri Supreme Court). While invoices supporting the legal services noted the hours of service performed by the firm for most matters, the county has no assurance the advance fee was reasonable or that the county received services totaling the amount billed by the firm.

As of March 27, 2001, the county had not been provided documentation of the services rendered by the law firm for the advance fee. In addition, the county did not have a written agreement for the legal services.

The County Commission should always document the basis for selection of providers of professional services and obtain written contracts to ensure the county is receiving quality service at a reasonable and agreed upon price. In addition, the county should determine whether the advance fee was appropriate.

- C. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Laclede County's Associate County Commissioners salaries were each increased approximately \$4,730 yearly (\$5,040 in 2000), according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case against the Laclede County Associate Commissioners that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglas et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$9,770 for the two years ended December 31, 2000, should be repaid. In addition, in light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of all bids obtained. If bids cannot be obtained and/or sole source procurement is necessary, the County Commission minutes should reflect the circumstances.
- B. Document the basis for selection of providers of professional services and enter into written agreements for such services and determine whether the advance fee was appropriate.
- C. Review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will try to solicit bids on all materials when possible, when not possible we will document the reason why we did not.*
- B. *If in the future the County needs professional services, such as a lawyer, we will get a contract after soliciting for proposals.*
- C. *We are not going to pursue this matter because we believe this is a matter between the two previous Associate Commissioners and the Prosecuting Attorney.*

Former Associate Commissioner Lowell Douglas provided the following response:

- C. *When we took this raise, we (the commissioners) decided not to take mileage. I usually got around \$2,500 a year mileage for checking roads with my gas and my truck. I also became in charge of the community service people the year I got my raise. I had to do a lot more running and checking on them, and getting them jobs. So, I had more mileage than usual. I feel I am entitled to mileage. If you take my raise away, my mileage should amount to at least \$3,000 a year (a total of \$6,000 at the very least). If I knew I was not getting a raise I would have taken this mileage. So I think at least \$6,000 should be taken off your total.*

2.

County Budgets and Financial Reporting

- A. The approved budget documents for several county funds (including budgets prepared by elected officials) did not adequately reflect the anticipated financial condition for the two years ended December 31, 2000. Expenditures were budgeted to use substantially all available resources. For example, the anticipated ending cash balance for the General Revenue Fund was projected at \$233,855, while the actual ending cash balance was \$966,231. This significant difference resulted from underestimating receipts and overestimating disbursements.

To be of maximum assistance to the county and to adequately inform the public, the budgets should accurately reflect the anticipated receipts, expenditures and ending cash balance. The practice of routinely underestimating receipts and budgeting to spend the majority of all available resources decreases the effectiveness of the budget as a management planning tool and as a control over expenditures.

- B. The Sheriff Discretionary Fund projected a negative cash balance of \$2,809 at December 31, 1999. Article VI, Section 26(a) of the Missouri Constitution states, "No county . . . shall become indebted in an amount exceeding in any year the income and revenue provided for such year plus any unencumbered balances from previous years . . ."

A similar condition was noted in our previous audit reports.

- C. Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county does not have specific procedures in place to adequately track federal assistance for preparation of the SEFA. During the years ended December 31, 2000 and 1999, the county's SEFA contained numerous errors and omission. Programs totaling \$74,742 and \$121,791 for the years ended December 31, 2000 and 1999, respectively, were omitted from the county's SEFA and many of the programs did not agree to county's expenditure records.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

- D. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

WE RECOMMEND the County Commission:

- A. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that the budget documents present a reasonable estimate of the county's financial plan and ending cash balances.
- B. Ensure projected expenditures are not incurred in excess of available monies.
- C. Prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's Office as part of the annual budget.
- D. Ensure financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

A. *We try to estimate revenues and disbursements as to our best judgment. Sometimes tax revenue, contracts for federal prisoners and circuit clerk oversight has caused our estimates to be more than expected.*

B. *We will try to correct this.*

C&D. These will be implemented.

3. County Procedures

A. Collateral securities pledged by the county's depository banks to cover deposits of the County Treasurer and County Collector were insufficient by approximately \$2.0 million during January 2001. The county apparently has not adequately monitored the level of bank activity. To ensure sufficient securities are pledged, the county should monitor the level of bank activity and notify the depository bank when additional securities need to be pledged.

Section 110.020, RSMo 2000, provides that the value of the securities pledged should at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation (FDIC). Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

B. In June 1999, the county authorized the turnover of approximately \$22,000 of unclaimed fees to general revenue, instead of remitting the fees to the state. The majority of these funds represented unidentified monies from the former Prosecuting Attorney that had been turned over to the Unclaimed Fees fund by the current Prosecuting Attorney. It is not clear whether the county had the authority to retain these unclaimed monies. Sections 447.500 through 447.595, RSMo 2000, requires unidentified monies be turned over to the state Unclaimed Property Section. The county should review these sections of state law and take appropriate action.

WE RECOMMEND the County Commission:

A. Ensure adequate collateral securities are pledged to protect county funds. This can be done by monitoring bank activity and providing timely notice to the depository bank of the need for additional collateral securities to be pledged.

B. Review the county's procedures for turning over unidentified amounts to state Unclaimed Property.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We have requested the Treasurer and Collector work with the financial institution to ensure they have timely notice of large fund balances during the tax season.*
- B. *We believe this money should stay in this county.*

4. Property Tax Books and Contracts
--

- A. The County Clerk does not prepare the current or back tax books. The County Collector enters the tax rates which are obtained from the County Clerk and extends and prints the current tax books. The County Collector also prepares the back tax books. Further, the County Clerk does not perform tests to verify the totals of the current and back tax books for accuracy.

Sections 137.290 and 140.050, RSMo 2000, require the County Clerk to extend tax books and charge the County Collector with the whole amount of the current tax books, and the aggregate amount of taxes, interest, and clerk's fees contained in the back tax books. The procedures outlined in the statutes for the preparation of the tax books provide for the separation of duties and acts as a form of checks and balances on the Assessor, County Clerk, and County Collector. Failure of the County Clerk to prepare the tax books as required by statutes, may result in errors and irregularities going undetected.

- B. The County Collector and the county contract to collect taxes on behalf of most cities in the county. The County Collector and county receive a fee of 1¼ percent and 1¾ percent, respectively, withheld from all taxes collected. In addition, the County Collector receives a penalty charge of 5% on delinquent taxes collected from the taxpayers.

The contracts provide for the County Collector to receive penalties on delinquent taxes as prescribed by law. There is no city ordinance authorizing the 5 percent penalty collected on delinquent taxes. The County Collector assesses a penalty on delinquent city tax payments in accordance with Section 52.290.1, RSMo 2000, which provides for a 5 percent penalty to be collected from the taxpayer, and the proceeds are to be distributed two-fifths to the county general fund and three-fifths to the county employees' retirement fund. However, the County Collector personally retains these penalties (since April 2000), and has collected and retained \$2,074 in 5 percent penalties collected for city taxes (thru February 2001). Any add on fee or penalty charged to taxpayers must be based on state law and city ordinance. The contracts with the cities should clearly define the amount of penalties to be assessed on delinquent taxes and how these amounts should be distributed.

WE RECOMMEND the County Commission:

- A. Ensure the current and back tax books are prepared by the County Clerk in accordance with state law.
- B. And the Collector amend the contracts with the cities to specifically define the amount of penalties to be collected on delinquent city taxes and how the penalties are to be distributed. The penalty amounts should be based on applicable state laws and city ordinances.

AUDITEE'S RESPONSE

The County Commission provided the following response:

- A. *The Commission will request the County Clerk, Assessor and Collector work together to allow the County Clerk to be involved in the printing of the current and back tax books.*

The County Collector provided the following response:

- B. *The language and intent of the contract dealing with the collection and distribution of penalties on delinquent taxes between Laclede County, Laclede County Collector and City of Lebanon was discussed and agreed to. All parties involved in the cooperative agreement believe they are well within the legal boundaries of the Missouri State Statute.*

5. Sheriff Accounting Controls and Procedures
--

- A. The Sheriff's Department received approximately \$48,000 per year during 1999 and 2000 in personal monies for inmates to purchase food and personal items from the commissary. The inmate and commissary monies are maintained in the same bank account (the Inmate Trust Account). Prior to December 2000, commissary services were provided by an independent vendor. In January 2001, the Sheriff's office began purchasing commissary items from local vendors based on inmate orders. Our review of the Inmate Trust Account noted the following concerns:

- 1. Monies received from inmates are not deposited on a timely basis or intact and a reconciliation between receipts and deposits is not performed. Money orders received from inmates are sometimes cashed from other commissary receipts, and monies on hand are used to purchase items for the commissary.

To properly safeguard cash receipts and reduce the risk of loss, theft, or misuse of funds, all commissary monies received should be deposited intact daily or when accumulated receipts exceed \$100.

- 2. Bank reconciliations have not been performed since November 2000. In addition, a balance has not been maintained in the checkbook register since

January 2001. We prepared a bank reconciliation as of February 28, 2001 and noted 40 checks totaling \$194 outstanding over one year.

Without maintaining records of cash balances and preparing monthly bank reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner. In addition, procedures should be adopted to routinely follow up on old outstanding checks.

3. The Inmate Trust Account is not reconciled to the total of the individual inmate balances and any remaining commissary proceeds. Inmate balances are maintained on computer files but the balances have not been reconciled to the total in the bank account because the account also contains the commissary monies for which no separate records are kept. To reconcile, the Sheriff's office must maintain records to account for the commissary activity (sales, purchases and any residual profit). On March 12, 2001, we determined the account balance and cash on hand totaled \$3,803 and the inmate balances totaled \$2,843 (\$960 commissary proceeds remaining).

Reconciliations between receipts, disbursements, and individual inmate balances are necessary to ensure all monies received are accounted for properly and errors in recording amounts in inmate and commissary accounts are detected.

4. Accounting and bookkeeping duties are not adequately segregated. The assistant jail administrator is responsible for receipting, recording, and depositing monies received, preparing and signing checks, and purchasing commissary items. There is no independent review of the accounting records and reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. If proper segregation cannot be achieved due to the limited staff available, the Sheriff should at least compare bank deposits with recorded receipts and review bank reconciliations. Proper supervision by the Sheriff and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

5. Receipt slips were not issued for some monies received and redi-form receipt slips are issued rather than official, pre-numbered receipt slips. In addition, voided receipt slips are not always retained.

To ensure all monies are properly handled, official, pre-numbered receipt slips should be issued for all monies received. In addition, all copies of receipt slips should be retained.

B. The former Sheriff entered into a written agreement with a telephone company to provide telephone services to county prisoners. The agreement provided that the sheriff's department receive commissions based on collect telephone calls made by prisoners at the jail. During the time period of January 1999 through September 30, 2000, the Sheriff's department earned \$38,875 in telephone commissions. Our review of the inmate phone system indicated the following concerns:

1. The agreement between the telephone company and the Laclede County Jail was signed by the former Sheriff. The agreement was not reviewed or approved by the county commission. Chapter 49, RSMo 2000, establishes the county commission as the chief administrative body of the county. As such, it appears the county commission should be involved in the approval of contracts and agreement affecting county operations.
2. The telephone company was disbursing only a portion of the county's telephone commission (\$1,000 each month) to the sheriff's department. The remaining commission was held by the company and used by the former Sheriff for various purchases, including a copier, fax machine, two computers, television, VCR, as well as \$2,065 for Sheriff department calendars that appeared to promote the former Sheriff's election (which the Missouri Ethics Commission found to be in violation of state law and Sheriff Dotson reimbursed the county). These purchases were not handled through the county's normal disbursement process and no record was maintained by the Sheriff's department to document the purchases.

Telephone commissions should be deposited into the county treasury and the County Commission should authorize their use. Section 50.370, RSMo 2000, requires every county official who receives any fees or other remuneration for official services to pay such money to the county treasury.

C. Seized property items are not always tagged to identify the property to a specific case and the property tags are not prenumbered. In addition, an inventory listing of seized property is maintained; however, the listing does not appear complete. Several items located in the evidence room were not included on the inventory listing.

Adequate seized property inventory records are necessary to deter and identify loss, misuse, or theft of such items. An inventory record should include information such as date of seizure, description, persons involved, current location of the property, case name and number, and date and method of release or disposition of the property. In addition, all items should be tagged and identified to a specific case.

D. Accounting duties relating to civil fees and bond receipts are not adequately segregated. Currently, the Sheriff Administrator is primarily responsible for receiving, recording and depositing all monies, and preparing and signing all checks. No independent review of this employee's work is performed.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of recording receipts and preparing disbursements. If proper segregation of duties cannot be achieved, at a minimum, procedures for adequate independent review should be established.

Similar conditions to parts A, C, & D were noted in previous audit reports.

WE RECOMMEND the Sheriff:

- A.1. Deposit all inmate and commissary monies intact daily or when accumulated receipts exceed \$100. In addition, a reconciliation between receipt and deposits (in total and by composition) should be performed. Receipts should not be used for cashing money orders or purchasing items for the commissary.
2. Prepare monthly bank reconciliations and maintain a check register with a running balance. In addition, attempt to locate the payees of the old outstanding checks and reissue checks if possible. Procedures should be adopted to routinely follow up on old outstanding checks.
3. Maintain records for the commissary account and reconcile the individual prisoner and commissary balances to the total of the monies in the bank account on a monthly basis.
4. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
5. Issue prenumbered official receipt slips for all monies received and retain all copies of voided receipt slips.
- B.1. Work with the County Commission and obtain a written contract between the telephone company and the County Commission.
2. Turn over all future telephone commissions to the County Treasurer for deposit into the General Revenue Funds and disburse monies only when approved by the County Commission.
- C. Mark all seized property with prenumbered property tags and identify the property to specific cases. In addition, a complete inventory listing of all seized property should be maintained and kept updated for both additions and dispositions.
- D. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The current Sheriff provided the following responses:

A.1-3. These have been implemented.

4. The Jail Administrator will review the bank reconciliations on a monthly basis.

5. This will be implemented as soon as we can purchase a new receipt book.

B.1. This will be up to the County Commission.

2. This was implemented as soon as I took office.

C. We are going through all items and cleaning up our property room. All of our current evidence is properly tagged and adequate records are maintained.

D. An independent review will be performed.

The County Commission provided the following response:

B.1. The County Commission has requested Evercom to issue a new contract with them concerning phone commissions from the jail phones.

6. Court Accounting Controls and Procedures
--

A review of the Circuit Court, Associate and Probate Divisions under the Circuit Clerks authority disclosed the following concerns:

- A. The Circuit Clerk does not have adequate procedures for collecting and monitoring amounts assessed by the courts. Section 221.105, RSMo 2000, allows for the reimbursement of certain costs in criminal cases where the state has been rendered liable. The Sheriff is to certify the number of prisoner incarceration days and the Circuit Clerk is responsible for preparing cost bills and submitting them to the state for reimbursement. Section 33.120, RSMo 2000, requires all bills of costs be submitted to the state's Office of Administration within two years of the date of judgement and sentence.

As similarly noted in our report for the two years ended December 31, 1998, the Circuit Clerk is again behind in submitting reimbursement requests to the state. The court does not have any set procedure for ensuring reimbursement requests are filed in an orderly and/or timely basis. During March 2001, the Circuit Clerk went through his criminal files and completed 22 reimbursement requests totaling \$96,083. The majority of these cases had conviction dates dating back to 1999. Also, we noted one case with costs of approximately \$51 exceeded the two-year time limit and it

appears the county will not be reimbursed for this amount. To ensure reimbursement is obtained for all allowable costs, proper and complete bills of costs should be prepared and submitted to the state in an orderly and/or timely manner.

- B. The Circuit Clerk collects cash receipts for making photocopies. These monies are not receipted or transmitted to the County Treasurer, instead, the Circuit Clerk indicated they are used for various office expenditures. The Circuit Clerk's office did not maintain any documentation regarding the receipts and disbursements of these monies.

Copy monies received by the Circuit Clerk represent accountable fees. Section 50.370, RSMo 2000, requires every county official who receives fees for official services to pay such monies monthly to the county treasury. In addition, to ensure proper accountability over official receipts and reduce the potential for loss, theft, or misuse of funds, prenumbered receipt slips should be issued for all monies received, monies should be deposited intact, and should be remitted to the County Treasurer along with other accountable fees on a monthly basis.

- C. The Associate Division's open items listing at December 31, 2000 included items totaling \$2,350 for cases which date back to 1995 and prior. The Circuit Clerk should adopt procedures to periodically follow up on old open items, and dispose of them in accordance with applicable state law.

A condition similar to part B was noted in a previous report.

WE RECOMMEND the Circuit Clerk:

- A. Prepare and submit criminal cost reimbursement requests to the state on an orderly and/or timely basis.
- B. Ensure all copy monies are receipted, deposited to the Circuit Clerk's fee account, and remitted to the County Treasurer at least monthly.
- C. Establish procedures to routinely follow up on older open items and dispose of them in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *We have now developed a document that lists the following information when a defendant is Delivered to the Department of Corrections:*

Defendants name

Docket number

Date of disposition

Indication as to whether or not request for reimbursement has occurred and if so, the date.

Although this document is not new, (it was created in 1999) we did not keep it updated and failed to use in a way that would have been beneficial to keeping good financial records.

We have implemented the use of this document to assure greater control on the criminal reimbursement for our county. The clerk does not use the two year schedule to submit a criminal bill, but only to avoid losing the reimbursement within that time period. Every effort is being made to effectively process reimbursement requests in a timely manner. As of this writing, cases left for costs bills are from December 2000 through March 2001, being only four months old.

- B. The Circuit Clerk was holding \$22.57 in petty cash collected for copies. This amount was handed over to the treasurer January 25, 2001 and is being turned over to the county on a monthly basis.*
- C. As reported to the auditors in March, a portion of the open items addressed in the audit findings have been processed and paid out. Finding the time seems to be the problem for the clerk handling the specific cases.*

Each clerk receives a copy of the "open item" list at the end of each month for their review. This continues to be a problem and an effort will be made to clear out these accounts in a timely manner.

7. Health Center

- A. The Health Center Board does not have a depository contract with its bank. A depository agreement is necessary to ensure both the bank and the board understand and comply with the agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged.
- B. The health center's certificates of deposits were not adequately covered by collateral securities in January 2000. The health center deposited money into certificates of deposits at a different bank and did not realize amounts exceeded the depository insurance provided by the bank.

Section 110.020, RSMo 2000, requires the value of securities pledged by banks holding Health Center monies shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral

securities leave public funds unsecured and subject to loss in the event of bank failure.

To ensure sufficient collateral securities are pledged, the Health Center should require collateral securities to be pledged whenever balances exceed Federal Deposit Insurance Corporation (FDIC) coverage. In addition, total amounts on deposit should be routinely monitored to ensure amounts pledged are sufficient.

- C. The Health Center Board allowed one employee to take annual and sick leave beyond his accumulated balance. In January 2000, the board decided to clear the negative leave balances and start the employee's leave balances at zero. The board also allowed the employee to accumulate some additional leave during 2000 that had not been earned and cleared the negative leave balance when the employee resigned (a total of 362 hours). The health center's leave policy indicates leave may not be taken prior to the time that it is earned by the employee. Established procedures protect both the board and the employees and ensure all employees are treated fairly and equitably. Failure to comply with established policies bring uncertainty to accepted operating procedures of the health center.
- D. Budgets prepared by the board did not adequately reflect the board's anticipated financial condition for the two years ended December 31, 2000. The board budgeted to use all available resources. As a result, the actual ending cash balance was much higher than the zero for December 31, 1999 (\$100 for December 31, 2000) cash balance projected by the board.

To be of maximum assistance to the board and to adequately inform the public of the board's operations and financial position, the budgets should accurately reflect the anticipated expenditures and ending cash balances. The practice of routinely budgeting to spend all available resources decreases the effectiveness of the budget as a management planning tool and as a control over expenditures.

WE RECOMMEND the Health Center Board:

- A. Enter into a written depository agreement with any bank which holds board monies.
- B. Monitor bank balances to ensure the bank pledges adequate securities at all times in accordance with state law.
- C. Follow established leave policies or review and amend those policies as warranted.
- D. Estimate receipts and disbursements as closely as possible to the anticipated actual amounts so that the budget document presents a reasonable estimate of the board's financial plan and ending cash balance.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following response:

- A&B. We agree and will work with our banking facility to implement the recommendations.*
- C. The board understands that we have policies and procedures that we follow; however, these were unusual circumstances that required us to make an exception related to this situation. We have updated our staffing to alleviate any staffing concerns in the future.*
- D. This will be done during the next budget cycle.*

This report is intended for the information of the management of Laclede County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

LACLEDE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Laclede County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices

- A. Disbursements were made in excess of approved budgets for several county funds.
- B. The county did not adopt formal budgets for all county funds.
- C. Information contained in the Circuit Clerk Interest Fund budget and the Developmentally Disabled Board Fund budget was incorrect.
- D. The Developmentally Disabled Board budgeted a deficit balance for the year ended December 31, 1996.

Recommendation:

The County Commission:

- A. And the Associate Circuit Court, the Circuit Court, and elected officials refrain from incurring expenditures in excess of budgeted amounts. If additional funds are received which could not be estimated when the budget was adopted, the budget should be amended by following the procedures required by state law.
- B. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.
- C. Work with the Circuit Court and the Developmentally Disabled Board to ensure the actual beginning cash balance, receipt, and disbursement amounts presented in the budget of the Circuit Clerk Interest Fund and the Developmentally Disabled Board Fund are accurate. In addition, complete financial information should be included in all county budgets.
- D. Work with the Developmentally Disabled Board to ensure that budgeted expenditures of the Developmentally Disabled Board Fund do not exceed budgeted available resources.

Status:

- A. Partially implemented. The county did exceed budgeted expenditures for the Health Insurance Fund and the County Local Use Tax Fund. Although not repeated in the current report, our recommendation remains as stated above.
- B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.
- C. Implemented.
- D. Partially implemented. The Developmentally Disabled Board did not budget expenditures in excess of available resources; however, the Sheriff did prepare a budget for the Sheriff Discretionary Fund that budgeted a deficit of \$2,800. See MAR No. 2.

2. Purchase of Real Estate

The County Commission purchased three parcels of land and their related structures for \$234,000 pursuant to the construction of new law enforcement facilities. The County Commission financed these purchases with contracts for deeds.

- A. The county had adequate funds available in the Law Enforcement Sales Tax Fund to reduce or avoid debt and interest charges.
- B. The county demolished structures located on these properties without having clear title to the properties so that construction of the law enforcement facilities could commence.
- C. Properties were purchased at amounts significantly in excess of their appraised values. In addition, the commission did not have adequate documentation of the negotiations for these purchase prices.

Recommendation:

The County Commission:

- A. Avoid entering into financing agreements when sufficient unrestricted cash balances exist.
- B. Obtain legal counsel regarding these real estate purchase contracts and take measures to mitigate the county's risks and potential liability. The commission should obtain clear title to these properties if at all possible.

- C. Formally document all offers, counter offers, and negotiations for purchase prices of real estate to ensure that the price paid is reasonable and represents the fair value of the property.

Status:

The County Commission paid off the property noted above and has not entered into any further financing agreements or purchased any additional property.

3. Federal Forfeiture Funds

- A. The Sheriff and Prosecuting Attorney received funding through the Equitable Sharing Program and maintained these funds in bank accounts outside the county treasury.
- B. The Sheriff's department did not maintain adequate documentation of their fund's activity or expenditures.

Recommendation:

The Sheriff and/or Prosecuting Attorney:

- A. Transfer the Equitable Sharing program monies and future program proceeds to the County Treasurer for credit into separate funds. Funds should be expended at the discretion of the Sheriff or Prosecuting Attorney through the county's normal expenditure system.
- B. Work with the County Clerk and County Treasurer to ensure the maintenance of adequate receipt and disbursement ledgers as well as supporting documentation for all items purchased. In addition, the Sheriff's office should resolve the questioned costs with the grantor agency.

Status:

- A. Partially implemented. The Prosecuting Attorney transferred the Law Enforcement Drug Fund to the County Treasurer in September 1997. However, the Sheriff expended the balance of the fund and closed the bank account. The fund was not turned over to the County Treasurer. Although not repeated in the current report, our recommendation remains as stated above.
- B. Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

4. Computer Controls

- A. Passwords were not utilized in several offices.

- B. A sign on log was not utilized on the property tax system.
- C. Backup disks of computer files were not stored at off-site locations for several offices.

Recommendation:

The County Commission work with applicable county officials to:

- A. Utilize passwords to restrict access to specific computer programs and data files to authorized individuals.
- B. Establish a security system for the property tax system to detect and report incorrect log-on attempts after a certain number of tries.
- C. Ensure backup disks are stored in a secure, off-site location.

Status:

- A. Partially implemented. All officials except the County Assessor's office utilize passwords to restrict access to specific computer programs. Although not repeated in the current report, our recommendation remains as stated above.
- B. Partially implemented. The County Collector has implemented a system; however, the County Assessor's office does not have a security system established. Although not repeated in the current report, our recommendation remains as stated above.
- C. Implemented.

5. General Fixed Assets

- A. The county did not have formal procedures for disposing of county owned property.
- B. Additions were not consistently recorded in the general fixed asset records.

Recommendation:

The County Clerk:

- A. And the County Commission establish a formal method of disposing of general fixed assets. At a minimum, written authorization for all property dispositions should be obtained and the date and method of disposition should be recorded on the general fixed asset records.
- B. Work with other responsible officials to ensure all fixed asset additions are recorded on the general fixed asset records in a timely manner.

Status:

Implemented.

6. Personnel Procedures

Two county employees were allowed to use county vehicles for commuting purposes.

Recommendation:

The County Commission comply with IRS guidelines for reporting fringe benefits related to county-owned vehicles. In addition, the county should establish a written policy for road and bridge employees regarding the appropriate use of county vehicles for commuting purposes.

Status:

Partially implemented. The road foreman is the only county employee that utilizes a county vehicle and is on-call 24 hours a day. A vehicle log is maintained for the foreman's county vehicle. Although not repeated in the current report, our recommendation remains as stated above.

7. County Clerk's Controls and Procedures

A. A bank account was maintained outside the county treasury for Community Development Block Grant (CDBG) funds.

B. Special election receipts and disbursements were not adequately documented.

Recommendation:

The County Clerk:

A. Discontinue the practice of maintaining monies outside the county treasury.

B. Issue prenumbered receipt slips for special election monies and maintain special election ledgers in sufficient detail to document all receipt and disbursement transactions for each election. In addition, proceeds from the sale of voter lists should be remitted to the County Treasurer at least monthly and election costs refunded to the County Treasurer should be adequately documented.

Status:

Implemented.

8. Circuit Clerk's Controls and Procedures

Copy receipts were not receipted or deposited and were not accounted for properly.

Recommendation:

The Circuit Clerk ensure all copy monies are receipted, deposited to the Circuit Clerk's fee account, and remitted to the County Treasurer at least monthly.

Status:

Not implemented. See MAR No. 6.

9. Prosecuting Attorney's Controls and Procedures

- A. Monthly listing of open items were not prepared or reconciled to cash balances for the restitution account.
- B. Accounting and bookkeeping duties were not adequately segregated.

Recommendation:

The Prosecuting Attorney:

- A. Prepare a monthly listing of open items and reconcile it to the cash balance. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- B. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.

Status:

Implemented.

10. Public Administrator's Settlements

Annual settlements were not filed on a timely basis.

Recommendation:

The Public Administrator and the Associate Circuit Division Judge work together to ensure the Public Administrator's annual settlements are filed on a timely basis.

Status:

Implemented.

11. Ex Officio Recorder of Deeds' Controls and Procedures

Sufficient records were not maintained to account for daily cash balances in the Recorder's fee account. In addition, monthly reconciliations were not performed to ensure accounts receivable and available cash were sufficient to cover liabilities.

Recommendation:

The Recorder of Deeds maintain a cash control ledger sufficient to account for daily cash balances in the Recorder's fee account and prepare monthly reconciliations of the cash available and the accounts receivable balance to liabilities due to the state and county.

Status:

Implemented.

12. Sheriff's Department Controls and Procedures

- A. Numerous weaknesses were noted related to the receipt and deposit of the various fees and payments received by the Sheriff's department.
- B. The Sheriff maintained approximately \$1,200 in a bank account related to abandoned property and had not properly disposed of the monies.
- C. Controls related to prisoners' spending monies were inadequate.
- D. An inventory of abandoned property was not maintained.
- E. The duties of cash custody and record-keeping were not adequately segregated.

Recommendation:

The Sheriff:

- A.1. Record the method of payment for all monies received and reconcile cash, checks, and money orders received to the composition of bank deposits.
- 2. Deposit monies daily or when accumulated receipts exceed \$100.
- B. Dispose of the Cattle Account funds in accordance with state law.

- C. Maintain adequate records to account for all monies received from inmates and the ultimate disposition of those monies. Procedures should include, but are not limited to, clearly identifying the owners of all monies in the custody of the department and issuing or obtaining receipt slips for all receipts and disbursements of inmate monies.
- D. Maintain an inventory of all abandoned property received and its ultimate disposition. In addition, receipts should be obtained for the return of properties to their owners.
- E. Adequately segregate accounting and bookkeeping duties to the extent possible and ensure there is a supervisory review of the work performed.

Status:

A.1&

B. Implemented.

A.2,

C-E. Not implemented. See MAR No. 5.

STATISTICAL SECTION

History, Organization, and
Statistical Information

LACLEDE COUNTY, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1849, the county of Laclede was named after Pierre Laclede, founder of St. Louis. Laclede County is a county-organized, third-class county and is part of the Twenty-Sixth Judicial Circuit. The county seat is Lebanon.

Laclede County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Laclede County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 290,629	6	238,707	6
Sales taxes	1,650,764	36	1,535,095	37
Federal and state aid	1,163,597	25	1,140,839	28
Fees, interest, and other	1,498,221	33	1,206,486	29
Total	\$ 4,603,211	100	4,121,127	100

The following chart shows how Laclede County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 2,114,603	49	1,608,508	42
Public safety	1,203,848	28	1,135,305	29
Highways and roads	1,026,769	23	1,140,077	29
Total	\$ 4,345,220	100	3,883,890	100

In addition, Laclede County received \$1,682,737 and \$1,918,125 of revenues in the Law Enforcement Sales Tax Fund and expended \$1,652,398 and \$1,734,382 for public safety in 2000 and 1999, respectively.

The county maintains approximately 25 county bridges and 600 miles of county roads.

The county's population was 19,944 in 1970 and 27,158 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000				
		(in millions)				
Real estate	\$	181.7	174.2	78.0	36.7	18.6
Personal property		86.9	81.6	30.7	13.7	7.0
Railroad and utilities		17.5	17.4	8.2	6.3	3.8
Total	\$	286.1	273.2	116.9	56.7	29.4

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Laclede County's property tax rates per \$100 of assessed valuations were as follows:

Year Ended December 31,		
	2000	1999
General Revenue Fund	\$ 0.0300	0.0800
Health Center Fund	0.1000	0.1000
Developmentally Disabled Board Fund*	0.0650	0.1200

* The county also collected and distributed property taxes (levy of \$.0590) directly to Laclede Early Education Program in 2000.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

Year Ended February 28 (29),		
	2001	2000
State of Missouri	\$ 87,785	85,717
General Revenue Fund	169,095	280,633
Special Road and Bridge Fund	1,034,609	1,018,289
Assessment Fund	113,312	110,562
Health Center Fund	289,834	282,871
Developmentally Disabled Board Fund	231,538	349,838
Laclede Industries	136,461	0
School districts	8,476,845	7,460,700
Library district	386,630	377,764
Ambulance district	7,887	8,582
Fire protection district	161,559	155,862
Whispering Oaks NID	10,741	665
Lake Shore	6,981	7,549
Downtown Business	21,952	21,487
Cities	427,788	719,881
County Clerk	24,332	20,739
County Employees' Retirement	40,143	36,135
Commissions and fees:		
General Revenue Fund	209,858	192,737
County Collector	8,281	14,687
Total	\$ <u>11,845,631</u>	<u>11,144,698</u>

Percentages of current taxes collected were as follows:

Year Ended February 28 (29),		
	2001	2000
Real estate	90.4 %	91.8 %
Personal property	87.8	89.7
Railroad and utilities	100.0	100.0

Laclede County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50 %
Law Enforcement	.0050	2004	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Lowell Morgan, Presiding Commissioner	\$	30,380	30,380
Lowell Douglas, Associate Commissioner		28,380	27,390
Rick Wolken, Associate Commissioner		28,380	27,390
Glenda Mott, County Clerk		43,000	43,000
Jon Morris, Prosecuting Attorney		51,000	51,000
Robert Dotson, Sheriff		48,000	42,014
Jean Cook, County Treasurer		31,820	31,820
Joe Pickering, County Coroner		15,000	8,080
Sherry Shamel, Public Administrator *		47,012	26,006
Steve Pickering, County Collector**, year ended February 28 (29),	51,281	56,992	
Johnny North, County Assessor ***, year ended August 31,		43,900	42,400
Robert Shotts, County Surveyor ****			

* Includes fees received from probate cases.

** Includes \$8,281 and \$14,687, respectively, of commissions earned for collecting city property taxes.

*** Includes \$900 annual compensation received from the state.

**** Compensation on a fee basis.

State-Paid Officials:

Lynn Stowe, Circuit Clerk and Ex Officio Recorder of Deeds	46,127	44,292
Greg Kays, Associate Circuit Judge	97,382	87,234

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission	3	0
Circuit Clerk and Ex Officio Recorder of Deeds	5 *	6
County Clerk	4	0
Prosecuting Attorney	8	0
Sheriff	38	0
County Treasurer	1	0
Public Administrator	1	0
County Collector	6 **	0
County Assessor	8	0
Associate Division	0	6
Probate Division	0	0
Road and Bridge	24	0
Health Center	17 ***	0
E-911	10	0
Total	<u>125</u>	<u>12</u>

* Includes one part-time employee

** Includes four part-time employees

*** Includes seven part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Laclede County's share of the Twenty-Sixth Judicial Circuit's expenses is 26.31 percent.

In 1996, the county began building a new government center. The county entered into a 10 year lease purchase agreement to pay for the building. At December 31, 2000, the county owed \$6,370,000 in principal and \$907,353 in interest for a total of \$7,277,353. In addition, in 1999 the county issued certificates of participation for the new government center. At December 31, 2000, the county owed \$1,535,000 in principal and \$219,594 in interest for a total of \$1,754,594.



**MADISON COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-60
August 3, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Madison, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Madison County was a financial and compliance audit of various county operating funds. The following concerns were noted:

- The county's General Revenue Fund is in poor financial condition. The county's debt appears to violate the intent of the Missouri Constitution on legal indebtedness absent a vote of the county residents. The county's General Revenue Fund has tax anticipation notes payable and other debt totaling \$294,180 and \$224,958 at December 31, 2000 and 1999, respectively. The General Revenue Fund debt has continued to increase yearly as the county has been renewing or consolidating the tax anticipation notes.

In addition, the county's Special Road and Bridge Fund has lease purchase agreements and other bank loans totaling \$200,125 and \$181,231 at December 31, 2000 and 1999, respectively. The debt for the Special Road and Bridge Fund continues to increase yearly as the county continues to buy equipment. The debt balances significantly exceeded the income and revenue less expenditures budgeted for other purposes plus any unencumbered balances from previous years.

In April 2001, Madison County passed a one half cent law enforcement sales tax. The County Commission indicated that this sales tax will enable the county to pay off the General Revenue Fund debt in the next two to three years. The County Commission indicated the Special Road and Bridge Fund debt should also be repaid in the next two to three years because no additional purchases of equipment are planned.

(over)

YELLOW SHEET

- The county has not sufficiently reduced its property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by the Madison County voters under state law. The county calculated a sales tax rollback but did not rollback the property tax levy due to the county's poor financial condition. The county needs to roll back the property tax levy to adjust for the \$49,268 excess property taxes collected in prior years.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Madison County's Associate County Commissioners salaries were each increased approximately \$4,624 yearly.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$9,248 for the two years ended December 31, 2000, should be repaid.

- Although noted in several prior audits, the Collector is still not performing statutory duties which would aid the county's financial condition. Although the Collector arbitrarily withheld \$13,500 from one school district, he has not computed the amount of Proposition C commissions that should have been withheld from the school districts since 1988.
- Warrants were issued in excess of approved budgeted expenditures for several funds during the two years ended December 31, 2000.

The audit also includes some matters related to federal grant records and procedures, published financial statements, county expenditures, bank accounts and accounting records, vehicle records, assessment fund, property tax system and computer controls, and personnel policies and procedures, upon which the county should consider and take appropriate corrective action. In addition, the audit recommended improvements in the budgetary practices of the Health Department.

Copies of the audit are available upon request.

MADISON COUNTY, MISSOURI

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Exhibit

Description

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MADISON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Madison County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Madison County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 11, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 11, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Randy Gordon, CPA
Audit Staff:	Reneé C. Alvarez
	Scott L. Fontana



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Madison County, Missouri

We have audited the special-purpose financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 11, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Madison County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1 through 00-3. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Madison County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Madison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 11, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

MADISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 24,851	1,177,622	1,187,158	15,315
Special Road and Bridge	838	704,033	684,599	20,272
Assessment	1,111	144,231	143,996	1,346
Law Enforcement Training	17,622	7,961	5,652	19,931
Prosecuting Attorney Training	2,142	1,373	1,796	1,719
911	29,808	117,533	135,729	11,612
Prosecuting Attorney Bad Check	846	6,686	2,421	5,111
Special Law Enforcement	4,150	1,968	679	5,439
Domestic Violence	8,617	1,752	3,314	7,055
Recorder's User Fees	5,389	5,353	1,122	9,620
Capital Improvement	19,516	58,247	51,473	26,290
Health Center	104,858	356,137	384,507	76,488
Forfeiture	1,289	8,168	235	9,222
Circuit Clerk Interest	5,081	1,351	5,000	1,432
Associate Circuit Division Interest	239	1,641	1,079	801
Flood Buy-Out	3,381	183,577	181,158	5,800
Whitewater Olympic Kayak Trials	0	50,000	50,000	0
Total	\$ 229,738	2,827,633	2,839,918	217,453

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

MADISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 16,493	1,100,694	1,092,336	24,851
Special Road and Bridge	50,618	633,097	682,877	838
Assessment	9,403	102,072	110,364	1,111
Law Enforcement Training	13,184	9,093	4,655	17,622
Prosecuting Attorney Training	1,752	1,513	1,123	2,142
911	21,225	119,365	110,782	29,808
Prosecuting Attorney Bad Check	826	4,060	4,040	846
Special Law Enforcement	1,304	4,025	1,179	4,150
Domestic Violence	6,123	2,494	0	8,617
Recorder's User Fees	2,859	5,867	3,337	5,389
Capital Improvement	16,660	482,504	479,648	19,516
Health Center	113,484	275,239	283,865	104,858
Forfeiture	1,639	24	374	1,289
Circuit Clerk Interest	2,562	12,973	10,454	5,081
Associate Circuit Division Interest	22	878	661	239
Flood Buy-Out	0	89,848	86,467	3,381
Total	\$ 258,154	2,843,746	2,872,162	229,738

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MADISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 2,638,424	2,777,633	139,209	2,564,054	2,740,023	175,969
DISBURSEMENTS	2,656,883	2,789,918	(133,035)	2,593,594	2,774,206	(180,612)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(18,459)	(12,285)	6,174	(29,540)	(34,183)	(4,643)
CASH, JANUARY 1	134,577	229,738	95,161	163,484	253,931	90,447
CASH, DECEMBER 31	116,118	217,453	101,335	133,944	219,748	85,804
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	160,500	157,459	(3,041)	185,773	143,312	(42,461)
Sales taxes	370,441	375,676	5,235	341,000	357,756	16,756
Intergovernmental	208,464	145,568	(62,896)	201,247	152,216	(49,031)
Charges for services	363,775	251,024	(112,751)	334,000	260,220	(73,780)
Interest	1,500	1,466	(34)	1,350	1,334	(16)
Other	39,316	35,729	(3,587)	53,295	35,848	(17,447)
Loan proceeds	0	124,860	124,860	0	90,000	90,000
Transfers in	70,584	85,840	15,256	22,914	60,008	37,094
Total Receipts	1,214,580	1,177,622	(36,958)	1,139,579	1,100,694	(38,885)
DISBURSEMENTS						
County Commission	63,322	64,001	(679)	63,072	63,300	(228)
County Clerk	73,570	71,316	2,254	63,181	63,730	(549)
Elections	67,976	64,047	3,929	24,439	27,249	(2,810)
Buildings and grounds	61,088	68,306	(7,218)	53,600	62,906	(9,306)
Employee fringe benefits	141,400	120,516	20,884	108,300	123,930	(15,630)
County Treasurer	23,944	23,007	937	24,429	23,486	943
County Collector	63,288	63,543	(255)	58,858	57,247	1,611
Circuit Clerk	43,056	41,949	1,107	23,647	25,457	(1,810)
Associate Circuit Court	10,400	8,035	2,365	11,444	10,600	844
Court administration	1,935	1,935	0	7,309	5,370	1,939
Public Administrator	6,921	8,119	(1,198)	6,831	6,784	47
Sheriff	228,577	218,635	9,942	208,730	209,504	(774)
Jail	76,500	75,996	504	95,300	83,376	11,924
Prosecuting Attorney	63,768	61,244	2,524	63,093	63,228	(135)
Juvenile Officer	66,622	11,096	55,526	59,753	44,008	15,745
County Coroner	7,825	8,825	(1,000)	12,425	9,440	2,985
Dispatchers	70,000	73,816	(3,816)	70,382	73,096	(2,714)
Debt service	50,152	70,849	(20,697)	80,652	36,392	44,260
Other	66,224	104,496	(38,272)	64,425	64,698	(273)
Transfers out	45,725	27,427	18,298	47,394	38,535	8,859
Total Disbursements	1,232,293	1,187,158	45,135	1,147,264	1,092,336	54,928
RECEIPTS OVER (UNDER) DISBURSEMENTS	(17,713)	(9,536)	8,177	(7,685)	8,358	16,043
CASH, JANUARY 1	24,851	24,851	0	16,493	16,493	0
CASH, DECEMBER 31	7,138	15,315	8,177	8,808	24,851	16,043

Exhibit B

MADISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	209,750	213,249	3,499	174,663	202,892	28,229
Intergovernmental	398,550	431,128	32,578	352,466	379,521	27,055
Charges for services	12,500	15,337	2,837	7,000	6,975	(25)
Interest	2,000	1,799	(201)	1,500	1,882	382
Other	17,000	28,020	11,020	12,500	11,827	(673)
Loan proceeds	65,000	14,500	(50,500)	19,000	30,000	11,000
Total Receipts	704,800	704,033	(767)	567,129	633,097	65,968
DISBURSEMENTS						
Salaries	175,000	175,151	(151)	170,270	179,056	(8,786)
Employee fringe benefits	45,400	38,534	6,866	37,626	42,236	(4,610)
Supplies	100,300	84,377	15,923	85,000	135,579	(50,579)
Insurance	12,000	11,946	54	10,000	11,882	(1,882)
Road and bridge materials	72,000	127,965	(55,965)	90,000	111,186	(21,186)
Equipment repairs	5,000	5,594	(594)	10,000	0	10,000
Rentals	0	2,068	(2,068)	0	0	0
Equipment purchases	115,106	96,859	18,247	66,022	90,046	(24,024)
Construction, repair, and maintenance	75,000	120,883	(45,883)	45,000	62,634	(17,634)
Debt service	60,000	0	60,000	0	0	0
Other	24,600	21,222	3,378	25,200	33,556	(8,356)
Transfers out	19,320	0	19,320	17,614	16,702	912
Total Disbursements	703,726	684,599	19,127	556,732	682,877	(126,145)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,074	19,434	18,360	10,397	(49,780)	(60,177)
CASH, JANUARY 1	838	838	0	51,215	50,618	(597)
CASH, DECEMBER 31	1,912	20,272	18,360	61,612	838	(60,774)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	76,916	113,100	36,184	84,791	59,063	(25,728)
Interest	150	200	50	250	143	(107)
Other	1,350	3,504	2,154	3,500	4,331	831
Transfers in	40,724	27,427	(13,297)	28,394	38,535	10,141
Total Receipts	119,140	144,231	25,091	116,935	102,072	(14,863)
DISBURSEMENTS						
Assessor	118,140	105,741	12,399	109,930	99,958	9,972
Transfers out	0	38,255	(38,255)	0	10,406	(10,406)
Total Disbursements	118,140	143,996	(25,856)	109,930	110,364	(434)
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	235	(765)	7,005	(8,292)	(15,297)
CASH, JANUARY 1	1,111	1,111	0	9,403	9,403	0
CASH, DECEMBER 31	2,111	1,346	(765)	16,408	1,111	(15,297)

Exhibit B

MADISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	0	2,280	2,280	0	2,844	2,844
Charges for services	9,000	5,308	(3,692)	7,500	5,882	(1,618)
Interest	300	373	73	230	282	52
Other	0	0	0	0	85	85
Total Receipts	9,300	7,961	(1,339)	7,730	9,093	1,363
DISBURSEMENTS						
Sheriff	5,000	5,652	(652)	4,000	4,655	(655)
Total Disbursements	5,000	5,652	(652)	4,000	4,655	(655)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,300	2,309	(1,991)	3,730	4,438	708
CASH, JANUARY 1	17,622	17,622	0	13,184	13,184	0
CASH, DECEMBER 31	21,922	19,931	(1,991)	16,914	17,622	708
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,500	1,327	(173)	1,331	1,471	140
Interest	45	46	1	50	42	(8)
Total Receipts	1,545	1,373	(172)	1,381	1,513	132
DISBURSEMENTS						
Prosecuting Attorney	2,000	1,796	204	2,500	1,123	1,377
Total Disbursements	2,000	1,796	204	2,500	1,123	1,377
RECEIPTS OVER (UNDER) DISBURSEMENTS	(455)	(423)	32	(1,119)	390	1,509
CASH, JANUARY 1	2,142	2,142	0	1,752	1,752	0
CASH, DECEMBER 31	1,687	1,719	32	633	2,142	1,509
<u>911 FUND</u>						
RECEIPTS						
Charges for services	110,000	116,898	6,898	80,000	118,472	38,472
Interest	600	635	35	400	592	192
Other	0	0	0	0	301	301
Total Receipts	110,600	117,533	6,933	80,400	119,365	38,965
DISBURSEMENTS						
Salaries	26,005	23,987	2,018	23,217	24,594	(1,377)
Office expenditures	7,329	10,055	(2,726)	4,850	6,643	(1,793)
Equipment	57,948	58,637	(689)	53,401	54,784	(1,383)
Mileage and training	1,000	465	535	1,300	1,861	(561)
Other	2,000	0	2,000	1,000	0	1,000
Transfers out	20,000	42,585	(22,585)	17,508	22,900	(5,392)
Total Disbursements	114,282	135,729	(21,447)	101,276	110,782	(9,506)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,682)	(18,196)	(14,514)	(20,876)	8,583	29,459
CASH, JANUARY 1	29,808	29,808	0	21,225	21,225	0
CASH, DECEMBER 31	26,126	11,612	(14,514)	349	29,808	29,459

Exhibit B

MADISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	0	6,671	6,671	0	4,060	4,060
Interest	0	15	15			0
Total Receipts	0	6,686	6,686	0	4,060	4,060
DISBURSEMENTS						
Office expenditures	0	2,421	(2,421)	0	4,040	(4,040)
Total Disbursements	0	2,421	(2,421)	0	4,040	(4,040)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	4,265	4,265	0	20	20
CASH, JANUARY 1	439	846	407	439	826	387
CASH, DECEMBER 31	439	5,111	4,672	439	846	407
<u>SPECIAL LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Charges for services	1,500	1,873	373	4,000	3,964	(36)
Interest	50	95	45	15	61	46
Total Receipts	1,550	1,968	418	4,015	4,025	10
DISBURSEMENTS						
Equipment	2,000	0	2,000	4,000	1,179	2,821
Office expenditures	0	679	(679)	0	0	0
Total Disbursements	2,000	679	1,321	4,000	1,179	2,821
RECEIPTS OVER (UNDER) DISBURSEMENTS	(450)	1,289	1,739	15	2,846	2,831
CASH, JANUARY 1	4,150	4,150	0	1,304	1,304	0
CASH, DECEMBER 31	3,700	5,439	1,739	1,319	4,150	2,831
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	2,350	1,616	(734)	2,400	2,346	(54)
Interest	150	136	(14)	165	148	(17)
Total Receipts	2,500	1,752	(748)	2,565	2,494	(71)
DISBURSEMENTS						
Domestic Violence Shelter	3,500	3,314	186	2,500	0	2,500
Mileage	50	0	50	50	0	50
Postage	10	0	10	0	0	0
Total Disbursements	3,560	3,314	246	2,550	0	2,550
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,060)	(1,562)	(502)	15	2,494	2,479
CASH, JANUARY 1	8,617	8,617	0	6,123	6,123	0
CASH, DECEMBER 31	7,557	7,055	(502)	6,138	8,617	2,479

Exhibit B

MADISON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	5,850	5,204	(646)	5,600	5,822	222
Interest	0	149	149	100	45	(55)
Total Receipts	5,850	5,353	(497)	5,700	5,867	167
DISBURSEMENTS						
Ex Officio Recorder of Deeds	3,500	1,122	2,378	3,901	3,337	564
Total Disbursements	3,500	1,122	2,378	3,901	3,337	564
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,350	4,231	1,881	1,799	2,530	731
CASH, JANUARY 1	5,389	5,389	0	2,859	2,859	0
CASH, DECEMBER 31	7,739	9,620	1,881	4,658	5,389	731
<u>CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales tax	0	3,210	3,210	286,000	346,972	60,972
Charges for services	40,000	54,684	14,684	46,640	32,655	(13,985)
Interest	0	218	218	3,000	2,877	(123)
Loan proceeds	0	0	0	27,000	100,000	73,000
Other	0	135	135	0	0	0
Total Receipts	40,000	58,247	18,247	362,640	482,504	119,864
DISBURSEMENTS						
Debt Service	40,000	51,473	(11,473)	379,300	479,648	(100,348)
Total Disbursements	40,000	51,473	(11,473)	379,300	479,648	(100,348)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	6,774	6,774	(16,660)	2,856	19,516
CASH, JANUARY 1	19,516	19,516	0	16,660	16,660	0
CASH, DECEMBER 31	19,516	26,290	6,774	0	19,516	19,516
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property Taxes	70,682	75,126	4,444	68,000	73,562	5,562
Intergovernmental	247,189	241,489	(5,700)	179,299	170,139	(9,160)
Charges for services	1,130	888	(242)	1,152	1,152	0
Interest	950	5,958	5,008	1,041	5,116	4,075
Other	33,010	32,676	(334)	26,488	25,270	(1,218)
Transfers in	73,155	0	(73,155)	0	0	0
Total Receipts	426,116	356,137	(69,979)	275,980	275,239	(741)
DISBURSEMENTS						
Salaries	278,064	278,867	(803)	229,183	228,765	418
Office expenditures	50,265	52,419	(2,154)	17,732	17,915	(183)
Equipment	8,800	8,384	416	10,286	10,284	2
Mileage and training	9,000	9,721	(721)	6,205	6,168	37
Building	26,887	1,498	25,389	2,073	2,152	(79)
Insurance	2,405	3,020	(615)	2,404	2,403	1
Utilities	8,950	8,691	259	7,075	7,080	(5)
Contract services	15,590	14,353	1,237	6,801	7,705	(904)
Other	26,155	7,554	18,601	382	1,393	(1,011)
Total Disbursements	426,116	384,507	41,609	282,141	283,865	(1,724)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(28,370)	(28,370)	(6,161)	(8,626)	(2,465)
CASH, JANUARY 1	10,139	104,858	94,719	22,827	113,484	90,657
CASH, DECEMBER 31	10,139	76,488	66,349	16,666	104,858	88,192

Exhibit B

MADISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FORFEITURE FUND</u>						
RECEIPTS						
Intergovernmental	0	8,049	8,049			
Interest	25	119	94			
Total Receipts	25	8,168	8,143			
DISBURSEMENTS						
Office expenditures	350	235	115			
Total Disbursements	350	235	115			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(325)	7,933	8,258			
CASH, JANUARY 1	1,289	1,289	0			
CASH, DECEMBER 31	964	9,222	8,258			
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	1,750	1,351	(399)			
Total Receipts	1,750	1,351	(399)			
DISBURSEMENTS						
Office expenditures	250	0	250			
Transfers out	5,000	5,000	0			
Total Disbursements	5,250	5,000	250			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,500)	(3,649)	(149)			
CASH, JANUARY 1	5,046	5,081	35			
CASH, DECEMBER 31	1,546	1,432	(114)			
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	668	1,641	973			
Total Receipts	668	1,641	973			
DISBURSEMENTS						
Equipment	400	789	(389)			
Office expenditures	266	290	(24)			
Total Disbursements	666	1,079	(413)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	2	562	560			
CASH, JANUARY 1	239	239	0			
CASH, DECEMBER 31	241	801	560			

Exhibit B

MADISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FLOOD BUY-OUT FUND</u>						
RECEIPTS						
Intergovernmental	0	183,577	183,577			
Total Receipts	0	183,577	183,577			
DISBURSEMENTS						
Flood Buy-outs	0	181,158	(181,158)			
Total Disbursements	0	181,158	(181,158)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,419	2,419			
CASH, JANUARY 1	3,381	3,381	0			
CASH, DECEMBER 31	\$ 3,381	5,800	2,419			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MADISON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Madison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Whitewater Olympic Kayak Trials Fund	2000
Forfeiture Fund	1999
Circuit Clerk Interest Fund	1999
Associate Circuit Division Interest Fund	1999
Flood Buy-Out Fund	1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Assessment Fund	2000 and 1999
Law Enforcement Training Fund	2000 and 1999
911 Fund	2000 and 1999
Prosecuting Attorney Bad Check Fund	2000 and 1999
Capital Improvement Fund	2000 and 1999
Associate Circuit Division Interest Fund	2000
Flood Buy-Out Fund	2000
Special Road and Bridge Fund	1999
Health Center Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund. The county's published financial statements for the years ended December 31, 2000 and 1999, included all funds presented in the accompanying financial statements.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Health Center Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depository insurance or by collateral securities held by the county's or board's custodial bank in the county's or board's name.

3. Property Taxes

Through December 31, 2000, Madison County collected \$49,268 in excess property taxes. Section 67.505, RSMo 2000, requires the county to reduce property taxes for a percentage of sales taxes collected. Madison County voters enacted a half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

4. Subsequent Event

In April 2001, the voters of Madison County approved a half cent sales tax for law enforcement services. The tax increase will be effective October 1, 2001.

Supplementary Schedule

Schedule

MADISON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-0162	46,931	0
		ER0045-9162	0	50,511
	Program Total		46,931	50,511
Office of Administration -				
10.665	Schools and Roads - Grants to States	N/A	72,816	76,879
U.S. DEPARTMENT OF JUSTICE				
Direct program:				
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	235	0
Passed through:				
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,680	1,056
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-062 (5)	0	49,767
		BRO-062 (6)	120,883	12,867
	Program Total		120,883	62,634
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	1,210	0
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety:				
83.548	Hazard Mitigation Grant	FEMA-1270-DR-MO	28,147	77,911
83.unknown	Unmet Needs	FEMA-1270-DR-MO	121,004	0

Schedule

MADISON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.161	Health Program for Toxic Substances and Disease Registry	AOC00380358	53,961	0
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-1162L ERO146-0162CLPP	45 0	0 267
	Program Total		<u>45</u>	<u>267</u>
93.268	Immunization Grants	PG0064-1062IAP PG0064-9162IAP N/A	2,999 0 36,332	0 2,270 34,152
	Program Total		<u>39,331</u>	<u>36,422</u>
Department of Social Services -				
93.563	Child Support Enforcement	N/A	935	2,996
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-1162C PGA067-0162C	4,255 0	0 1,920
	Program Total		<u>4,255</u>	<u>1,920</u>
93.991	Preventive Health and Health Services Block Grant	N/A	433	407
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-1162M ERS146-0162M AOC01380103 C1000015043 C1000005043 N/A	15,642 0 24,867 2,976 0 2,163	0 19,212 0 0 4,570 2,033
	Program Total		<u>45,648</u>	<u>25,815</u>
	Total Expenditures of Federal Awards		<u>\$ 537,514</u>	<u>336,818</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

MADISON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Madison County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Of the amounts for Immunization Grants (CFDA number 93.268), \$36,332 and \$34,152 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the

years ended December 31, 2000 and 1999. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991) represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,163 and \$2,033 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Madison County, Missouri

Compliance

We have audited the compliance of Madison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Madison County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-4 and 00-5.

Internal Control Over Compliance

The management of Madison County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-4 and 00-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Madison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 11, 2001 (fieldwork completion date)

Schedule

MADISON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major program(s): Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program(s):

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.665	Schools and Roads - Grants to States
20.205	Highway Planning and Construction
83.548	Hazard Mitigation Grant
83.unknown	Unmet Needs

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

00-1.

Indebtedness

The county's General Revenue Fund has tax anticipation notes payable and other debt totaling \$294,180 and \$224,958 at December 31, 2000 and 1999, respectively. The General Revenue Fund debt has continued to increase yearly as the county has been renewing or consolidating the tax anticipation notes. In addition, the county's Special Road and Bridge Fund has lease purchase agreements and other bank loans totaling \$200,125 and \$181,231 at December 31, 2000 and 1999, respectively. The debt for the Special Road and Bridge Fund continues to increase yearly as the county continues to buy equipment. The debt balances of the General Revenue Fund and the Special Road and Bridge Fund significantly exceeded the income and revenue less expenditures budgeted for other purposes plus any unencumbered balances from previous years.

Although the General Revenue Fund debt was almost \$300,000 at December 31, 2000, the county budgeted to repay only approximately \$52,000 during 2001. Likewise, the Special Road and Bridge Fund debt exceeded \$200,000 at December 31, 2000 and the county budgeted to repay approximately \$55,000 during 2001.

The county's debt appears to violate the intent of the Missouri Constitution on legal indebtedness absent a vote of the county residents. Article VI, Section 26(a) of the Missouri Constitution states no county shall become indebted in an amount exceeding in any year the income and revenue provided for such a year plus any unencumbered balances from previous years, except as otherwise provided in this constitution. Article VI, Section 26(c) of the Missouri constitution allows counties to incur debt by bond issue, but only after approval of two-thirds of the qualified electors voting thereon. In addition, Section 50.070, RSMo 2000, provides that tax anticipation notes are to be payable in one year or less from the date of issuance out of current county revenues to be derived from taxes or other revenues of the county of the year in which said notes are issued.

WE RECOMMEND the County Commission ensure the county's indebtedness is in compliance with the statutes and the constitution.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated the passing of the law enforcement sales tax will enable the county to pay off the indebtedness of the General Revenue Fund in the next two to three years. The County Commission indicated the county needed to purchase newer equipment from the Special Road and Bridge Fund to maintain the roads and bridges. The county has purchased the equipment needed, so the indebtedness of the Special Road and Bridge Fund should be paid off in the next two to three years.

00-2.

County Sales Tax

The county has not sufficiently reduced its property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by the Madison County voters under the provisions of Section 67.505, RSMo 2000. The county calculated a sales tax rollback but did not rollback the property tax levy due to the county's poor financial condition.

As indicated by the following calculations, the net excess property tax revenues collected as of December 31, 2000, and 1999 have increased due to the county not rolling back the property tax levy.

		<u>Tax Year Ended December 31,</u>	
		<u>2000</u>	<u>1999</u>
ACTUAL SALES TAX REVENUES	\$	375,676	357,756
Required percentage of revenue reduction	X	50%	50%
Required property tax revenue reduction		<u>187,838</u>	<u>178,878</u>
Assessed Valuation		75,140,137	71,059,001
General Revenue Fund tax levy reduction (per \$100 of assessed valuation)	X	<u>0.2047</u>	<u>0.21</u>
Actual property tax revenue reduction		<u>153,812</u>	<u>149,224</u>
EXCESS PROPERTY TAX REVENUES COLLECTED		34,026	29,654
Excess property tax revenue collections from prior years		<u>15,242</u>	<u>(14,412)</u>
NET EXCESS	\$	<u><u>49,268</u></u>	<u><u>15,242</u></u>

The county needs to roll back the property tax levy to adjust for the \$49,268 excess property taxes collected in prior years.

WE RECOMMEND the County Commission ensure appropriate adjustments are made to the levy to reflect excess property taxes collected in prior years.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated the county will roll back this year's property tax levy to adjust for the excess property taxes collected in prior years .

00-3.	Budgetary Practices
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Warrants were issued in excess of approved budgeted expenditures in the following funds during the two years ended December 31, 2000:

Fund	Year Ended December 31,	
	2000	1999
Special Road and Bridge Fund	\$ N/A	126,145
Assessment Fund	25,856	434
Law Enforcement Training Fund	652	655
911 Fund	21,447	9,506
Prosecuting Attorney Bad Check Fund	2,421	4,040
Capital Improvement Fund	11,473	100,348
Health Center Fund	N/A	1,724
Associate Circuit Division Interest Fund	413	N/A
Flood Buy-Out Fund	181,158	N/A

It was ruled in State Ex. Rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

WE RECOMMEND the County Commission and the Health Center not authorize warrants in excess of budgeted expenditures.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commissioners indicated they will monitor this situation and do a better job of sending in budget amendments. The county started doing more budget amendments in 2000 but will improve on ensuring budgets are not overspent.

The Health Center Administrator indicated budgeted expenditures are compared to actual expenditures monthly and budget amendments are made quarterly as needed.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-4.	Highway Planning and Construction
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Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-062(5)and BRO-062(6)
Award Year:	2000 and 1999
Questioned Costs:	\$27,735

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Highway Planning and Construction Program. These projects are 80 percent federally funded.

The county incurred engineering costs of \$34,669 for projects BRO-062 (5) and BRO-062 (6) during the two years ended December 31, 2000. The Presiding Commissioner indicated the engineering firm was chosen because of the county's prior experience with the firm on other projects.

Sections 8.289 and 8.291, RSMo 2000, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have questioned costs of \$27,735 which is the federal share of the engineering costs paid during the audit period.

WE RECOMMEND the County Commission resolve the questioned costs with the grantor agency. For future projects, a statement of qualifications and performance data should be obtained from at least three engineering firms before contracting for these services.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated statements of qualifications have already been obtained from three companies for 2001.

00-5.**Schedule of Expenditures of Federal Awards**

Federal Grantor: U.S. Department of Agriculture
Pass-Through Grantor: Office of Administration
Federal CFDA Number: 10.665
Program Title: Schools and Roads – Grants to States
Pass-Through Entity
Identifying Number: Not Applicable
Award Year: 2000 and 1999
Questioned Costs: Not Applicable

Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Highway Planning and Construction
Pass-Through Entity
Identifying Number: BRO-062 (5)(6)
Award Year: 2000 and 1999
Questioned Costs: Not Applicable

Federal Grantor: Federal Emergency Management Agency
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: 83.548
Program Title: Hazard Mitigation Grant
Pass-Through Entity
Identifying Number: FEMA-1270-DR-MO
Award Year: 2000 and 1999
Questioned Costs: Not applicable

Federal Grantor: Federal Emergency Management Agency
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: 83.unknown
Program Title: Unmet Needs
Pass-Through Entity
Identifying Number: FEMA-1270-DR-MO
Award Year: 2000
Questioned Costs: Not applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, require the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as part of the annual budget.

The county does not have a procedure in place to adequately track federal awards for preparation of the SEFA. The county prepared a SEFA for each of the two years ended December 31, 2000. However, the information presented by the County Clerk for some of the programs did not agree with the county's expenditures records. Some programs were not included on the SEFA schedule while other programs were understated or overstated. As a result, the county over reported expenditures on their SEFA schedule by approximately \$3,000 and \$46,000, for 2000 and 1999, respectively.

Without an accurate and complete SEFA, federal financial activity may not be audited and reported in accordance with federal requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated she will do her best to ensure the next SEFA submitted with the budget filed in January 2002 is as accurate as possible.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MADISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MADISON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

MADISON COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Madison County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 11, 2001. We also have audited the compliance of Madison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 11, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Madison County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Financial Condition

The county's General Revenue Fund is in poor financial condition. The county relies on tax anticipation notes and other loans to maintain a positive cash flow in the General Revenue Fund. The General Revenue Fund outstanding debt of \$294,180 at December 31, 2000 is approximately 25 percent of the total General Revenue Fund receipts for 2000. In April 2001, Madison County passed a one half cent law enforcement sales tax. Even with this sales tax, the county will need to carefully monitor the General Revenue Fund to reduce debt and ensure that disbursements do not exceed receipts.

The county's Special Road and Bridge Fund is in poor financial condition. The cash balance has decreased from \$50,618 at January 1, 1999 to \$20,272 at December 31, 2000. The Special Road and Bridge Fund outstanding debt from lease purchases and bank loans of \$200,125 is approximately 28 percent of the total Special Road and Bridge receipts for 2000.

2. Lost Revenues

The County Collector does not withhold Proposition C commissions in accordance with Section 50.338.2, RSMo 2000, resulting in lost revenues for the General Revenue Fund. In response to our prior audits, the County Collector arbitrarily withheld \$13,500 from one school district; however Proposition C commissions were not withheld from the other school districts. Additional amounts are still owed from the various school districts to the General Revenue Fund. The County Collector has not computed or withheld the amount of Proposition C commissions that should have been withheld from the school districts since

1988. The County Commission indicated they would like to have this situation corrected by the next audit.

3. County Expenditures

The county did not always solicit bids nor was bid documentation always retained for various purchases. In addition, some purchases over \$4,500 were not advertised for bids as required.

The Prosecuting Attorney operates the county prosecuting attorney's office from his private law office. The county does not have a written agreement with the Prosecuting Attorney outlining what office, personnel and equipment costs will be provided by the county and what costs will be provided by the Prosecuting Attorney's private practice.

The county does not have written agreements with other political subdivisions when boarding prisoners for those political subdivisions.

The county makes payments to vendors based on statements received. We noted some vendors made refunds to the county because some amounts had been paid previously. Payments were made to vendors without requiring acknowledgment of receipt of goods or services. Payments were made to some vendors without adequate documentation to support the payment.

The county did not issue Form 1099 to applicable businesses or individuals.

4. Budgets and Financial Statements

The county did not budget emergency expenditures for the two years ended December 31, 2000. Section 50.540, RSMo 2000, requires at least 3 percent of anticipated General Revenue Fund revenues be budgeted for emergency situations.

The county's annual published financial statements did not indicate disbursements by vendor as required by Section 50.800, RSMo 2000.

5. Personnel Policies and Procedures

No centralized leave records are maintained to document vacation and sick leave and compensatory time earned, taken, and accumulated.

The county procedures and records are not adequate for preparing the Employer's Quarterly Federal Tax Return (Form 941) for withholding income and social security taxes.

In addition to her regular salary, the Prosecuting Attorney's secretary received \$22,030 during the two years ended December 31, 2000 for time spent on child support enforcement activities and for services in processing bad checks. These additional payments were not supported by time records and were not reported on the employee's W-2 form.

6. Associate Commissioner Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Madison County's Associate County Commissioners' salaries were each increased \$4,624 yearly.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling \$9,248 for the two years December 31, 2000, should be repaid.

The County Commission indicated an opinion letter has been requested from their Prosecuting Attorney.

7. Vehicle Records

Vehicle logs are not maintained for county road and bridge vehicles. Vehicle logs should identify the employee the vehicle is assigned to, the date used, miles driven, destination, and purpose of the trips. Fuel and oil usage is not reconciled to fuel and oil purchased for county road and bridge vehicles and the Sheriff's Department vehicles.

8. Bank Accounts and Accounting Records

Unclaimed monies are not handled in accordance with state law. Old outstanding checks are voided and the monies remain in the fund the check was written from.

A \$589 receipt was incorrectly deposited into the General Revenue Fund bank account instead of the Flood Buy-Out Fund bank account. This error was corrected on July 16, 2001.

9. Assessment Fund

Quarterly reimbursement claims submitted to the state for reimbursement were overstated approximately \$3,000 for 2000 as fringe benefits amounts claimed were higher than expended. The County Collector does not withhold assessment monies from school tax collections for Proposition C in accordance with Section 50.338, RSMo 2000, resulting in lost revenues for the Assessment Fund. The County Collector has not computed or withheld Proposition C commissions that should have been withheld from the school districts since 1988. As a result, the General Revenue Fund has had to contribute more monies to fund the

Assessment Fund than would have been necessary had Proposition C commissions been withheld.

10. Property Tax System and Computer Controls

The County Clerk does not maintain an account book with the County Collector in accordance with Section 51.150.2, RSMo 2000, which requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. Controls over property tax additions are not adequate as the County Commission does not approve property tax additions. The county does not have program documentation prepared by the computer programmer. The County Clerk indicated she has begun maintaining an account book with the County Collector.

11. Health Center

The budgets prepared by the Health Center did not adequately reflect the Health Center's beginning and ending cash balances. Only the main checking account was included in the cash balance as the Health Center did not include other checking accounts, savings accounts, or certificates of deposits.

This Letter on Other Matters is intended for the information of the management of Madison County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**HOWARD COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-59
August 3, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Howard, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Howard County was a financial and compliance audit of various county operating funds. The following concerns were noted:

- The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards. The county's schedule did not include expenditures related to the majority of its federal grants. In total, expenditures were understated by approximately \$117,000 and \$250,000 for 2000 and 1999, respectively.
- The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. The county incurred engineering costs of \$20,828 for the BRO project. There was no documentation that the County Commission considered other engineering firms when procuring these services. The County Commission indicated the engineering firm was chosen because of prior experience with the firm on other county bridge projects.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Howard County's Associate County Commissioners salaries were each increased approximately \$5,440 yearly.

(over)

YELLOW SHEET

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,880 for the two years ended December 31, 2000, should be repaid.

- Formal budgets were not prepared for some county funds and disbursements were made in excess of approved budgets for various funds. Additionally, the county's annual published financial statements did not include the financial activity of some funds and presented budgeted rather than actual data for some funds.
- As of May 15, 2001, the County Clerk had not typed the minutes into the official record book or submitted them to the County Commissioners for their approval since January 2001. Despite recommendations in two previous audits, the County Commission has yet to formalize a plan for the use or disposition of the Keller Building and formally document its decision on returning the \$285,000 property tax windfall (created when property taxes were paid by taxpayers for a hospital that was no longer in operation) to taxpayers via a future tax reduction.

The audit also includes some matters related to personnel policies, computer issues, significant soda machine proceeds on hand, bridge project expenditures, general fixed assets, and the health department, upon which the county should consider and take appropriate corrective action. Several of these issues had been noted in prior audits.

Copies of the audit are available upon request.

HOWARD COUNTY, MISSOURI

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HOWARD COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Howard County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Howard County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated May 15, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 15, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Shantaye Atkinson



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Howard County, Missouri

We have audited the special-purpose financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 15, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Howard County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Howard County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Howard County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 15, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 514,014	975,894	1,101,220	388,688
Special Road and Bridge	413,959	822,928	965,357	271,530
Assessment	1,606	117,615	117,961	1,260
Law Enforcement Training	505	1,742	449	1,798
Prosecuting Attorney Training	285	260	0	545
Law Enforcement Sales Tax	15,643	430,061	443,992	1,712
Recorder's User Fees	6,367	4,427	5,805	4,989
911 Board	84,779	250,960	222,731	113,008
Sheltered Services Board	92,445	86,612	75,096	103,961
Keller Building Fund	1,766	103,455	104,064	1,157
Victims of Domestic Violence	1,056	364	200	1,220
Civil Defense	2,947	12,434	12,434	2,947
Local Emergency Planning	14,223	792	353	14,662
Sheriff Civil Fees	5,987	11,661	14,729	2,919
Peace Officer Safety Training	0	506	506	0
Levee Districts	213,761	114,498	101,205	227,054
Prosecuting Attorney Bad Check	5,081	5,649	6,238	4,492
Howard County Economic Development	40,408	36,545	24,532	52,421
Election Services	0	1,383	0	1,383
Emergency Shelter Grant	0	5,000	5,000	0
Circuit Clerk Interest	8,718	1,897	0	10,615
Law Library	6,249	1,300	0	7,549
Focus on Kids	395	735	775	355
Total	\$ 1,430,194	2,986,718	3,202,647	1,214,265

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HOWARD COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 554,404	943,668	984,058	514,014
Special Road and Bridge	359,225	991,409	936,675	413,959
Assessment	1,717	108,239	108,350	1,606
Law Enforcement Training	1,123	1,208	1,826	505
Prosecuting Attorney Training	75	300	90	285
Law Enforcement Sales Tax	1,517	408,639	394,513	15,643
Recorder's User Fees	7,340	5,009	5,982	6,367
911 Board	125,981	236,145	277,347	84,779
Sheltered Services Board	75,623	83,712	66,890	92,445
Keller Building Fund	2,502	104,414	105,150	1,766
Victims of Domestic Violence	876	380	200	1,056
Civil Defense	2,947	11,714	11,714	2,947
Local Emergency Planning	11,631	2,792	200	14,223
Sheriff Civil Fees	5,655	7,474	7,142	5,987
Peace Officer Safety Training	0	500	500	0
CDBG-Regional Port Authority	0	279,845	279,845	0
Levee Districts	144,418	161,545	92,202	213,761
Prosecuting Attorney Bad Check	5,769	5,217	5,905	5,081
Howard County Economic Development	29,585	35,502	24,679	40,408
Circuit Clerk Interest	7,546	1,172	0	8,718
Law Library	4,739	1,510	0	6,249
Focus on Kids	35	1,995	1,635	395
Total	\$ 1,342,708	3,392,389	3,304,903	1,430,194

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HOWARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 4,159,696	2,982,786	(1,176,910)	3,978,471	3,185,448	(793,023)
DISBURSEMENTS	4,063,414	3,201,872	861,542	3,822,339	3,180,482	641,857
RECEIPTS OVER (UNDER) DISBURSEMENTS	96,282	(219,086)	(315,368)	156,132	4,966	(151,166)
CASH, JANUARY 1	828,121	1,414,832	586,711	775,502	1,150,616	375,114
CASH, DECEMBER 31	924,403	1,195,746	271,343	931,634	1,155,582	223,948
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	292,800	215,671	(77,129)	263,000	201,831	(61,169)
Sales taxes	275,000	241,663	(33,337)	260,000	234,010	(25,990)
Intergovernmental	457,278	158,072	(299,206)	287,927	149,888	(138,039)
Charges for services	193,900	144,125	(49,775)	236,937	138,337	(98,600)
Interest	39,500	33,363	(6,137)	57,000	28,631	(28,369)
Other	207,822	165,000	(42,822)	336,803	163,271	(173,532)
Transfers in	27,700	18,000	(9,700)	0	27,700	27,700
Total Receipts	1,494,000	975,894	(518,106)	1,441,667	943,668	(497,999)
DISBURSEMENTS						
County Commission	74,706	72,595	2,111	78,857	72,689	6,168
County Clerk	53,894	56,660	(2,766)	56,110	55,867	243
Elections	21,200	37,541	(16,341)	9,000	16,652	(7,652)
Buildings and grounds	406,640	55,667	350,973	418,648	50,592	368,056
Employee fringe benefits	75,000	71,290	3,710	69,000	62,175	6,825
County Treasurer	26,751	27,348	(597)	26,669	26,537	132
County Collector	64,607	60,594	4,013	65,370	59,906	5,464
Ex Officio Recorder of Deeds	14,600	8,048	6,552	15,893	10,722	5,171
Circuit Clerk	21,380	6,666	14,714	19,750	3,671	16,079
Associate Circuit Court	18,437	16,621	1,816	18,800	15,773	3,027
Jury	12,300	1,314	10,986	10,000	4,021	5,979
Court administration	30,205	11,463	18,742	24,750	13,821	10,929
Computer operation	20,548	18,459	2,089	19,951	17,631	2,320
Public Administrator	15,200	15,232	(32)	16,305	16,040	265
Prosecuting Attorney	75,119	73,508	1,611	74,117	74,388	(271)
Juvenile Officer	75,638	68,128	7,510	80,145	79,290	855
County Coroner	10,075	7,372	2,703	10,075	10,522	(447)
Domestic Violence	200	200	0	200	200	0
Civil Defense	17,000	11,249	5,751	16,850	10,511	6,339
Keller Hospital Building	83,209	98,742	(15,533)	84,595	87,576	(2,981)
Public health and welfare services	170,352	165,157	5,195	157,515	156,668	847
Child Support Division	1,299	1,086	213	899	729	170
Presiding Circuit Judge	5,000	0	5,000	5,000	0	5,000
Other	92,788	81,765	11,023	96,712	86,571	10,141
Emergency Fund	44,820	0	44,820	44,104	0	44,104
Transfers out	62,694	134,515	(71,821)	22,352	51,506	(29,154)
Total Disbursements	1,493,662	1,101,220	392,442	1,441,667	984,058	457,609
RECEIPTS OVER (UNDER) DISBURSEMENTS	338	(125,326)	(125,664)	0	(40,390)	(40,390)
CASH, JANUARY 1	514,014	514,014	0	554,404	554,404	0
CASH, DECEMBER 31	514,352	388,688	(125,664)	554,404	514,014	(40,390)

Exhibit B

HOWARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	176,500	170,489	(6,011)	225,400	164,462	(60,938)
Sales taxes	204,000	211,499	7,499	250,000	203,934	(46,066)
Intergovernmental	635,969	402,773	(233,196)	699,886	581,601	(118,285)
Charges for services	20,000	9,557	(10,443)	35,000	20,291	(14,709)
Interest	5,500	21,781	16,281	7,500	18,179	10,679
Other	6,531	6,829	298	3,564	2,942	(622)
Transfers in	328,018	0	(328,018)	0	0	0
Total Receipts	1,376,518	822,928	(553,590)	1,221,350	991,409	(229,941)
DISBURSEMENTS						
Salaries	253,000	251,092	1,908	236,000	230,103	5,897
Employee fringe benefits	65,500	55,170	10,330	58,500	47,323	11,177
Supplies	55,000	61,739	(6,739)	50,000	40,895	9,105
Insurance	15,000	12,426	2,574	20,000	12,017	7,983
Road and bridge materials	20,000	13,778	6,222	20,000	17,468	2,532
Equipment repairs	75,000	59,264	15,736	65,000	49,387	15,613
Equipment purchases	210,000	106,897	103,103	200,000	75,827	124,173
Construction, repair, and maintenance	627,124	312,804	314,320	440,000	377,743	62,257
Other	90,500	92,187	(1,687)	86,000	85,912	88
Total Disbursements	1,411,124	965,357	445,767	1,175,500	936,675	238,825
RECEIPTS OVER (UNDER) DISBURSEMENTS	(34,606)	(142,429)	(107,823)	45,850	54,734	8,884
CASH, JANUARY 1	34,606	413,959	379,353	15,120	359,225	344,105
CASH, DECEMBER 31	0	271,530	271,530	60,970	413,959	352,989
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	94,484	95,809	1,325	83,500	89,744	6,244
Charges for services	2,600	3,352	752	5,230	4,427	(803)
Interest	0	907	907	1,200	668	(532)
Other	0	1,247	1,247	1,075	540	(535)
Transfers in	34,994	16,300	(18,694)	22,352	12,860	(9,492)
Total Receipts	132,078	117,615	(14,463)	113,357	108,239	(5,118)
DISBURSEMENTS						
Assessor	117,415	117,961	(546)	111,082	108,350	2,732
Total Disbursements	117,415	117,961	(546)	111,082	108,350	2,732
RECEIPTS OVER (UNDER) DISBURSEMENTS	14,663	(346)	(15,009)	2,275	(111)	(2,386)
CASH, JANUARY 1	1,606	1,606	0	1,717	1,717	0
CASH, DECEMBER 31	16,269	1,260	(15,009)	3,992	1,606	(2,386)

Exhibit B

HOWARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	3,500	1,008	(2,492)	2,960	1,188	(1,772)
Interest	45	34	(11)	40	20	(20)
Other	0	700	700	0	0	0
Total Receipts	3,545	1,742	(1,803)	3,000	1,208	(1,792)
DISBURSEMENTS						
Sheriff	2,500	449	2,051	2,500	1,826	674
Total Disbursements	2,500	449	2,051	2,500	1,826	674
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,045	1,293	248	500	(618)	(1,118)
CASH, JANUARY 1	505	505	0	1,123	1,123	0
CASH, DECEMBER 31	1,550	1,798	248	1,623	505	(1,118)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	365	249	(116)	340	296	(44)
Interest	10	11	1	10	4	(6)
Total Receipts	375	260	(115)	350	300	(50)
DISBURSEMENTS						
Prosecuting Attorney	375	0	375	375	90	285
Total Disbursements	375	0	375	375	90	285
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	260	260	(25)	210	235
CASH, JANUARY 1	285	285	0	75	75	0
CASH, DECEMBER 31	285	545	260	50	285	235
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	245,000	242,273	(2,727)	240,000	234,218	(5,782)
Intergovernmental	12,000	18,796	6,796	0	11,840	11,840
Charges for services	162,200	51,130	(111,070)	136,500	125,707	(10,793)
Interest	1,800	1,509	(291)	900	1,546	646
Other	9,000	8,503	(497)	15,000	7,628	(7,372)
Transfers in	27,700	107,850	80,150	0	27,700	27,700
Total Receipts	457,700	430,061	(27,639)	392,400	408,639	16,239
DISBURSEMENTS						
Sheriff	272,713	254,095	18,618	197,937	190,473	7,464
Jail	142,259	171,897	(29,638)	157,726	176,340	(18,614)
Transfers out	0	18,000	(18,000)	0	27,700	(27,700)
Total Disbursements	414,972	443,992	(29,020)	355,663	394,513	(38,850)
RECEIPTS OVER (UNDER) DISBURSEMENTS	42,728	(13,931)	(56,659)	36,737	14,126	(22,611)
CASH, JANUARY 1	15,643	15,643	0	1,517	1,517	0
CASH, DECEMBER 31	58,371	1,712	(56,659)	38,254	15,643	(22,611)

Exhibit B

HOWARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	23,000	4,166	(18,834)	23,000	4,800	(18,200)
Interest	500	261	(239)	1,000	209	(791)
Total Receipts	23,500	4,427	(19,073)	24,000	5,009	(18,991)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	12,750	5,805	6,945	12,750	5,982	6,768
Total Disbursements	12,750	5,805	6,945	12,750	5,982	6,768
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,750	(1,378)	(12,128)	11,250	(973)	(12,223)
CASH, JANUARY 1	6,367	6,367	0	7,340	7,340	0
CASH, DECEMBER 31	17,117	4,989	(12,128)	18,590	6,367	(12,223)
<u>911 BOARD FUND</u>						
RECEIPTS						
Sales taxes	242,000	243,644	1,644	256,729	231,187	(25,542)
Interest	3,000	4,590	1,590	2,000	4,787	2,787
Other	0	2,726	2,726	0	171	171
Total Receipts	245,000	250,960	5,960	258,729	236,145	(22,584)
DISBURSEMENTS						
Salaries	171,000	151,303	19,697	160,000	167,501	(7,501)
Office expenditures	6,920	6,008	912	6,079	7,254	(1,175)
Equipment	35,630	35,315	315	30,000	69,082	(39,082)
Phone services	28,500	27,650	850	27,000	26,064	936
Mileage and training	2,000	805	1,195	750	4,156	(3,406)
Other	950	1,650	(700)	900	3,290	(2,390)
Total Disbursements	245,000	222,731	22,269	224,729	277,347	(52,618)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	28,229	28,229	34,000	(41,202)	(75,202)
CASH, JANUARY 1	84,530	84,779	249	122,458	125,981	3,523
CASH, DECEMBER 31	84,530	113,008	28,478	156,458	84,779	(71,679)
<u>SHELTERED SERVICES BOARD FUND</u>						
RECEIPTS						
Property taxes	78,000	80,880	2,880	69,000	78,530	9,530
Interest	1,000	5,732	4,732	2,500	5,182	2,682
Total Receipts	79,000	86,612	7,612	71,500	83,712	12,212
DISBURSEMENTS						
Office and equipment expenses	1,120	668	452	11,120	538	10,582
Client services	86,500	73,707	12,793	103,900	66,352	37,548
Other	0	721	(721)	0	0	0
Total Disbursements	87,620	75,096	12,524	115,020	66,890	48,130
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,620)	11,516	20,136	(43,520)	16,822	60,342
CASH, JANUARY 1	102,044	92,445	(9,599)	51,084	75,623	24,539
CASH, DECEMBER 31	93,424	103,961	10,537	7,564	92,445	84,881

Exhibit B

HOWARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>KELLER BUILDING FUND</u>						
RECEIPTS						
Rental income	118,000	100,109	(17,891)	149,750	100,585	(49,165)
Interest	0	740	740	750	481	(269)
Other	0	1,372	1,372	0	0	0
Transfers in	0	1,234	1,234	0	3,348	3,348
Total Receipts	118,000	103,455	(14,545)	150,500	104,414	(46,086)
DISBURSEMENTS						
Personnel	26,009	29,694	(3,685)	25,295	28,439	(3,144)
Building, office and rental expenses	57,200	74,370	(17,170)	59,300	76,711	(17,411)
Total Disbursements	83,209	104,064	(20,855)	84,595	105,150	(20,555)
RECEIPTS OVER (UNDER) DISBURSEMENTS	34,791	(609)	(35,400)	65,905	(736)	(66,641)
CASH, JANUARY 1	1,766	1,766	0	2,502	2,502	0
CASH, DECEMBER 31	36,557	1,157	(35,400)	68,407	1,766	(66,641)
<u>VICTIMS OF DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	0	295	295	350	335	(15)
Interest	0	69	69	50	45	(5)
Transfers in	200	0	(200)	0	0	0
Total Receipts	200	364	164	400	380	(20)
DISBURSEMENTS						
Domestic Violence Shelter	200	200	0	400	200	200
Total Disbursements	200	200	0	400	200	200
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	164	164	0	180	180
CASH, JANUARY 1	1,056	1,056	0	876	876	0
CASH, DECEMBER 31	1,056	1,220	164	876	1,056	180
<u>CIVIL DEFENSE FUND</u>						
RECEIPTS						
Intergovernmental	3,863	3,287	(576)	18,900	4,096	(14,804)
Interest	30	16	(14)	100	20	(80)
Transfers in	19,000	9,131	(9,869)	0	7,598	7,598
Total Receipts	22,893	12,434	(10,459)	19,000	11,714	(7,286)
DISBURSEMENTS						
Personnel	10,800	11,990	(1,190)	10,900	11,275	(375)
Office and equipment	6,200	444	5,756	5,950	439	5,511
Total Disbursements	17,000	12,434	4,566	16,850	11,714	5,136
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,893	0	(5,893)	2,150	0	(2,150)
CASH, JANUARY 1	0	2,947	2,947	0	2,947	2,947
CASH, DECEMBER 31	5,893	2,947	(2,946)	2,150	2,947	797

Exhibit B

HOWARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LOCAL EMERGENCY PLANNING FUND</u>						
RECEIPTS						
Intergovernmental	2,300	0	(2,300)	3,000	2,278	(722)
Interest	525	792	267	500	514	14
Total Receipts	2,825	792	(2,033)	3,500	2,792	(708)
DISBURSEMENTS						
Office and equipment	1,100	334	766	2,600	200	2,400
Training	725	0	725	0	0	0
Other	1,000	19	981	900	0	900
Total Disbursements	2,825	353	2,472	3,500	200	3,300
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	439	439	0	2,592	2,592
CASH, JANUARY 1	14,223	14,223	0	11,631	11,631	0
CASH, DECEMBER 31	14,223	14,662	439	11,631	14,223	2,592
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	15,500	9,660	(5,840)	8,800	7,160	(1,640)
Interest	350	304	(46)	200	287	87
Other	100	1,697	1,597	0	27	27
Total Receipts	15,950	11,661	(4,289)	9,000	7,474	(1,526)
DISBURSEMENTS						
Sheriff	15,900	14,729	1,171	7,990	7,142	848
Total Disbursements	15,900	14,729	1,171	7,990	7,142	848
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	(3,068)	(3,118)	1,010	332	(678)
CASH, JANUARY 1	5,987	5,987	0	5,655	5,655	0
CASH, DECEMBER 31	6,037	2,919	(3,118)	6,665	5,987	(678)
<u>PEACE OFFICER SAFETY TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,123	506	(617)	1,123	500	(623)
Total Receipts	1,123	506	(617)	1,123	500	(623)
DISBURSEMENTS						
Sheriff	1,123	506	617	1,123	500	623
Total Disbursements	1,123	506	617	1,123	500	623
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0

Exhibit B

HOWARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CDBG-REGIONAL PORT AUTHORITY FUND</u>						
RECEIPTS						
Intergovernmental				268,595	279,845	11,250
Charges for services				0	0	0
Total Receipts				268,595	279,845	11,250
DISBURSEMENTS						
Grant				268,595	279,845	(11,250)
Office				0	0	0
Total Disbursements				268,595	279,845	(11,250)
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0
<u>LEVEE DISTRICTS FUND</u>						
RECEIPTS						
Property taxes	140,810	110,190	(30,620)			
Interest	2,919	4,308	1,389			
Total Receipts	143,729	114,498	(29,231)			
DISBURSEMENTS						
Office expenditures	7,411	3,374	4,037			
Construction, repair, and maintenance	47,435	43,265	4,170			
Loan payment	59,792	53,433	6,359			
Other	3,351	1,133	2,218			
Total Disbursements	117,989	101,205	16,784			
RECEIPTS OVER (UNDER) DISBURSEMENTS	25,740	13,293	(12,447)			
CASH, JANUARY 1	0	213,761	213,761			
CASH, DECEMBER 31	25,740	227,054	201,314			
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	6,000	5,515	(485)			
Interest	200	134	(66)			
Total Receipts	6,200	5,649	(551)			
DISBURSEMENTS						
Prosecuting Attorney	3,750	6,238	(2,488)			
Total Disbursements	3,750	6,238	(2,488)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,450	(589)	(3,039)			
CASH, JANUARY 1	5,081	5,081	0			
CASH, DECEMBER 31	7,531	4,492	(3,039)			

Exhibit B

HOWARD COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HOWARD COUNTY ECONOMIC DEVELOPMENT FUND</u>						
RECEIPTS						
Intergovernmental	0	29	29			
Interest	0	2,688	2,688			
Lease Revenues	36,000	33,828	(2,172)			
Total Receipts	36,000	36,545	545			
DISBURSEMENTS						
Loan payments	36,000	24,532	11,468			
Total Disbursements	36,000	24,532	11,468			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	12,013	12,013			
CASH, JANUARY 1	40,408	40,408	0			
CASH, DECEMBER 31	40,408	52,421	12,013			
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	1,060	1,347	287			
Interest	0	36	36			
Total Receipts	1,060	1,383	323			
DISBURSEMENTS						
Elections	0	0	0			
Total Disbursements	0	0	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,060	1,383	323			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	1,060	1,383	323			
<u>EMERGENCY SHELTER GRANT FUND</u>						
RECEIPTS						
Intergovernmental	0	5,000	5,000			
Total Receipts	0	5,000	5,000			
DISBURSEMENTS						
Grant	0	5,000	(5,000)			
Total Disbursements	0	5,000	(5,000)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

HOWARD COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Howard County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Howard County Sheltered Services Board, the Howard County Levee Districts Boards, or the Howard County 911 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed by warrant or in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Levee Districts Fund	1999
Prosecuting Attorney Bad Check Fund	1999
Howard County Economic Development Fund	1999
Circuit Clerk Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Assessment Fund	2000
Law Enforcement Sales Tax Fund	2000 and 1999
911 Board Fund	1999
Keller Building Fund	2000 and 1999
CDBG-Regional Port Authority Fund	1999
Prosecuting Attorney Bad Check Fund	2000
Emergency Shelter Grant Fund	2000

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2000 and 1999
Prosecuting Attorney Training Fund	2000 and 1999
Peace Officer Safety Training Fund	2000 and 1999
CDBG-Regional Port Authority Fund	1999
Levee Districts Fund	2000 and 1999
Prosecuting Attorney Bad Check Fund	2000 and 1999
Howard County Economic Development Fund	2000 and 1999
Emergency Shelter Grant Fund	2000
Circuit Clerk Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is

to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 2000, \$200,660 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$3,921,943 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

Of the bank balance at December 31, 1999, \$300,011 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$3,474,743 was covered by collateral pledged by one bank and held in the county's name by the safekeeping department of an affiliate of the same bank holding company.

The deposits of the 911 Board and Howard County Sheltered Services Board at December 31, 2000 and 1999, were entirely covered by federal depositary insurance.

3. Prior Period Adjustment

The Levee Districts Fund's cash balance at January 1, 1999, as previously stated has been increased by \$144,418 to reflect the actual combined cash balance of the Howard County Levee Districts' bank accounts instead of only monies held in the County Treasurer's Levee Districts' agency funds .

The Howard County Economic Development Fund's cash balance at January 1, 1999, as previously stated, has been decreased by \$2,000 to adjust for outstanding warrants of the fund at December 31, 1998.

Supplementary Schedule

Schedule

HOWARD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-9144	\$ 0	11,954
		ERO045-0144	11,866	5,360
		ERS045-1144W	4,240	0
	Program Total		<u>16,106</u>	<u>17,314</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	93-DR-62	0	279,845
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO1640318	5,000	0
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.710	Public Safety Partnership and Community Policing Grants	1999UMWX3257	18,796	11,839
Passed through:				
Missouri Sheriff's Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,009	828
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-045 (12)	5,143	0
		BRO-045 (14)	0	190,238
		BRO-045 (19)	16,662	0
	Program Total		<u>21,805</u>	<u>190,238</u>
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	36,845	9,089

Schedule

HOWARD COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.268	Immunization Grants	PG0064-9144IAP	0	1,075
		N/A	15,252	13,042
	Program Total		15,252	14,117
Department of Social Services -				
93.563	Child Support Enforcement	N/A	327	1,068
Department of Health -				
93.575	Child Care and Development Block Grant	PGA067-0144S	955	640
		PGA067-1144S	240	0
	Program Total		1,195	640
93.991	Preventive Health and Health Services Block Grant	N/A	168	155
93.994	Maternal and Child Health Services	ERO175-9144IAP	0	3,795
	Block Grant to the States	ERS175-0144F	4,175	1,898
		ERS175-1144F	1,587	0
		ERO146-9144MCH	0	9,222
		ERS146-0144M	10,627	3,226
		ERS146-1144M	2,890	0
		N/A	842	776
	Program Total		20,121	18,917
	Total Expenditures of Federal Awards		\$ 136,624	544,050

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

HOWARD COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Howard County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$15,252 and \$13,042 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$168 and \$155 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$842 and \$776 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$279,845 to a subrecipient under the Community Development Block Grants/State's Program (CFDA number 14.228) during the year ended December 31, 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Howard County, Missouri

Compliance

We have audited the compliance of Howard County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Howard County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1 and 00-2.

Internal Control Over Compliance

The management of Howard County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1 and 00-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Howard County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

May 15, 2001 (fieldwork completion date)

Schedule

HOWARD COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1. Schedule of Expenditures of Federal Awards
--

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Numbers:	93-DR-62
Award Years:	1999
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-045 (12), BRO-045 (14), and BRO-045 (19)
Award Years:	2000 and 1999
Questioned Costs:	Not applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported. For the years ended December 31, 2000 and 1999, the county's SEFA did not include expenditures related to the majority of its federal grants. Information pertaining to only one federal grant for 2000

and two federal grants for 1999 were presented. In total, expenditures were understated by approximately \$117,000 and \$250,000 for 2000 and 1999, respectively. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials. Considering the overall incompleteness of the SEFA, it appears the County Clerk's efforts to prepare an accurate and complete SEFA were inadequate.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk's office will look into each program that has any potential of being a federal grant. In previous years, it was not clear that some programs, such as the emergency shelter grant and health department programs, were federal and, therefore, they were not included on the SEFA. For future budgets, if programs are determined to be federal, they will be included on the SEFA. The County Clerk will try to implement the recommendation.

00-2. Procurement of Professional Services Contract

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-045(12), BRO-045(14), and BRO-045(19)
Award Years:	2000 and 1999
Questioned Costs:	\$16,662

The county contracts with the State Highway and Transportation Commission for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. These projects are 80 percent federally funded.

The county incurred engineering costs of \$20,828 for project BRO-045(19). There was no documentation that the County Commission considered other engineering firms when procuring these services. The County Commission indicated the engineering firm was chosen because of the county's prior experience with the firm on other county bridge projects.

Sections 8.289 and 8.291, RSMo 2000, provide that when obtaining engineering services for any capital improvement project, at least three firms should be considered. The firms should be evaluated based upon specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of

performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have questioned costs of \$16,662, which is the federal share of engineering costs paid during 2000.

WE RECOMMEND the County Commission obtain information as required by law when contracting for professional services.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We have already taken this recommendation into consideration. We are currently working on a bridge project for which we solicited proposals from five engineering firms. We considered only three firms because two firms submitted their qualifications late. We developed an evaluation process and rating scale, and chose the firm with the highest rating.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HOWARD COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Howard County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1998.

98-1. Omission of Budgetary Information

Budgets were not prepared for various county funds.

Recommendation:

The County Commission and other applicable officials ensure budgets are prepared for all county funds as required by state law.

Status:

Partially implemented. The number of county funds for which budgets were not prepared in 1999 and 2000 was greatly reduced from the prior audit. The lack of budgetary information for the funds not budgeted in 1999 and 2000 was not a significant omission from the county's financial statements. While not repeated in the current finding, our recommendation remains as stated above. See additional comments regarding budgetary procedures in the Letter on Other Matters.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HOWARD COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

HOWARD COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Howard County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 15, 2001. We also have audited the compliance of Howard County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 15, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Howard County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Budgets and Financial Reporting

Budgets were not prepared for various county funds for the two years ended December 31, 2000. In addition, disbursements were made in excess of approved budgets for various funds.

Several inaccuracies were noted with the cash, receipts, and disbursements data presented for several funds. Receipts such as federal and state reimbursements and distributions were not always classified in specific and appropriate categories. There was a failure to consistently reflect transfers between county funds. The General Revenue Fund budget also included budget estimates and actual receipt and disbursement activity for some other funds, which were separately budgeted and had the same financial data reported.

For some funds budgeted receipts and/or disbursements varied significantly from actual receipts and/or disbursements. Budgeted projections clearly exceeded prior historical information and, as a result, the budgets lacked reasonableness and were less effective as a monitoring tool.

Financial activity pertaining to some funds was not included in the county's annual published financial statements. In addition, budgeted rather than actual data was included for some funds.

The 911 Board overspent its budget by approximately \$52,000 in 1999.

The Sheltered Services Board prepares budgets in December for the subsequent year. As a result, the 2000 and 1999 budgets presented actual receipts and disbursements data as of the budget preparation date, rather than for the entire year, and cash balances prior to December 31.

2. Personnel Policies and Procedures

Time sheets are not submitted to the County Clerk's office for some employees. As a result, the County Clerk is not monitoring leave and compensatory time usage and balances for some employees. In addition, several county employees had accumulated vacation leave balances in excess of 96 hours, which is the maximum allowed by county policy.

Road and bridge employees are accruing vacation and sick leave at the beginning of the year instead of monthly as stated in the personnel manual and are therefore able to use leave prior to it actually being earned.

3. County Commission Minutes and Keller Building

As of May 15, 2001, the County Clerk had not typed the minutes into the official record book or submitted them to the County Commissioners for their approval since January 2001.

In our previous two audits we had recommended the County Commission develop a formal plan for the use or disposition of the Keller Building and formally document its decision on returning the \$285,000 property tax windfall (created when property taxes were paid by taxpayers for a hospital that was no longer in operation) to taxpayers via a future tax reduction. The County Commission indicated to us they have not addressed these recommendations and have yet to formalize any decisions regarding the Keller Building and property tax monies.

In addition, a review of the Keller Building rental receipts and related operating costs during the audit period shows that receipts are significantly less than anticipated while operating costs are significantly more than planned for by the county commission.

4. County Computer Issues

The county has not developed a formal disaster recovery plan. Various officials do not keep backup disks offsite.

5. Soda Machine Commissions

The County Commission maintains two soda machines on county property. The Commission does not have adequate controls over the proceeds of these machines, which are used to replenish soda supplies and pay for the county's annual Christmas party. No ledger of receipts, disbursements, and cash balances is maintained. Monies are not deposited into a

bank account, but are held in cash by the county commissioners. As of April 30, 2001, cash of approximately \$1,200 from soda machine proceeds was on hand locked in a file cabinet.

6. Federal Awards

The county participates in various federal highway planning and construction bridge projects. While the county normally pays the contractor before requesting reimbursement, we noted one instance during 1999 in which \$5,143 of federal monies was received and held approximately ten months before being disbursed to the contractor. As a result, the county did not comply with federal guidelines which limit the time which elapses between receipt of federal project monies and the disbursement of such monies to contractors.

7. General Fixed Assets

The county does not maintain adequate property records. Although the County Clerk obtains inventory lists from the various county officials each year, no review of these lists are performed and no comprehensive county property records or procedures have been developed. Property tags are not affixed to county property.

8. Howard County Health Department

The receipts of the health department are not transmitted to the County Treasurer intact or timely. Some monies are retained from transmittals for use as a change fund; however, the change fund is not maintained at a set amount.

In addition, health center personnel do not monitor amounts expended on Comprehensive Family Planning (CFP) services and the average cost per client of providing CFP services is not periodically calculated. We also noted that for several months of 2000, administrative expenses were being inappropriately included in actual costs of comprehensive family planning services.

9. Associate Commissioner Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed county salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Howard County's Associate County Commissioners salaries were each increased approximately \$5,440 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of the statute. The Supreme Court held that this section of statute violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$10,880 for the two years ended December 31, 2000, should be repaid.

The County Commission indicated they have already consulted with the county Prosecuting Attorney and he will be providing a written legal opinion.

This Letter on Other Matters is intended for the information of the management of Howard County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**AUDIT OF
DEPARTMENT OF SOCIAL SERVICES
ELECTRONIC BENEFIT SECURITY® CARD
AND
ELECTRONIC BENEFIT TRANSFER
BENEFIT DELIVERY SYSTEM**

**From The Office Of State Auditor
Claire McCaskill**

The Department of Social Services' new electronic benefit delivery system has improved the distribution of food stamp and other government benefits while reducing food stamp fraud.

**Report No. 2001-58
August 3, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office Of
Missouri State Auditor
Claire McCaskill

August 2001

www.auditor.state.mo.us

Government benefits delivered better with new electronic system

The Department of Social Services' new electronic benefits transfer system disburses benefits more efficiently and reduces the chance of fraud. This audit found no major deficiencies in the new system, which replaced paper benefit coupons.

Benefit payment accuracy rate above national average

The new system pushed Missouri's food stamp payment accuracy rate above the national average. Before the new system started, Missouri had an 88 percent accurate payment rate as compared to the 90 percent national average. But since the 1998 inception of the new system, Missouri's payment record has consistently ranked above the national average, with a 92 percent accuracy rate in 2000. Department officials credit a quality control system, which logs over- and under-payment errors, and a monthly staff publication with suggestions on improving accuracy. (See page 5)

Benefits still paid to deceased persons

About 72 percent of the deceased persons checked in our audit tests still received \$31,130 in benefits following their deaths. Department officials said a reasonable time to stop payments due to a death is 2 months. Our tests showed it took 6 months on average to terminate benefit payments. (See page 6)

Prisoners receive benefit payments while incarcerated

Audit tests showed prisoners received benefit payments in violation of state and federal laws. Of the 114 inmates reviewed in these tests, 45 inmates received payments totaling at least \$13,100. Prisoners received payments for up to 12 months in some cases. (See page 7)

Photographs on cards too costly, useless

The state and the federal government have nearly split the \$1.8 million cost to place client photographs on the electronic benefit security cards. This cost is about to increase when the state renews the contract and purchases new camera equipment for \$752,000. State officials expected the cards to help deter fraud, but federal regulations allow any family member to use the card, which renders the photographs useless for fraud or identification. Retailers, in fact, are trained to ignore the photograph, since transactions are valid if the purchaser has the card and personal identification number. (See page 8)

YELLOW SHEET

**DEPARTMENT OF SOCIAL SERVICES
ELECTRONIC BENEFIT SECURITY® CARD
AND
ELECTRONIC BENEFIT TRANSFER
BENEFIT DELIVERY SYSTEM**

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Kathy Martin, Director Department of Social Services
and
Denise Cross, Director Division of Family Services
Jefferson City, Missouri

The State Auditor's Office audited the Electronic Benefit Transfer system that was established by the Department of Social Services as a result of the Personal Responsibility and Work Opportunity Reconciliation Act passed by the U. S. Congress in 1996. The electronic system acts as a framework for the distribution of various state and federal benefit programs including Food Stamps and Temporary Assistance for Needy Families.

The purpose of the audit was to evaluate: if the system has effectively replaced the paper coupon food stamp delivery system; if department and division officials appropriately administered the system; the cost and effectiveness of including client photographs on electronic benefit cards; and the appropriateness of the eligibility determinations for food stamp and temporary assistance made by the Division of Family Services.

We concluded the electronic benefits transfer system is a significant improvement over the old paper coupon system because it allows for a safer and more efficient delivery of benefits, the system is effectively managed by the department, and the electronic food stamp delivery system has reduced opportunities for client fraud. At the same time, the system also provides transaction records that improve the prospects of identifying client fraud when it does occur. However, the statutorily required inclusion of a client photograph on each card does not effectively prevent fraud or serve as proper identification as intended by the General Assembly. Future costs for the photographs will increase significantly and as a result, the requirement should be eliminated.

We also determined that Division of Family Services personnel could be more effective in responding to the eligibility problems we identified and could improve their operations by improving communications and other efforts to stop or prevent benefits payments to persons who are not eligible because of death, incarceration, or absence from the home.

The audit was made in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests of the procedures and records as were considered appropriate under the circumstances.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

May 25, 2001 (fieldwork completion)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
Audit Manager:	James Helton, CPA,
In-Charge Auditor:	Christina Davis
Audit Staff:	Stacy Griffin
	Michael Paynter

RESULTS AND RECOMMENDATIONS

Missouri's Electronic Benefits Transfer System Has Improved Delivery of Services

The Department of Social Services has established an electronic benefits delivery system that has improved the delivery of food stamp and other government benefits while reducing food stamp fraud problems. No major deficiencies were found in the system. Our audit found that benefits were generally delivered appropriately, on time, and food stamp payment error rates have significantly improved. The audit identified some enhancements that would assist the department in identifying and preventing instances of improper benefits approval or continuation of eligibility for food stamp and temporary assistance programs. Improved coordination between Division of Family Services managers, caseworkers, social workers, and external agency personnel would help reduce the frequency of improper approval or continuation of benefits for ineligible clients who have died, been incarcerated, or are parents of children who have been taken into state custody.

In addition, the photographs on the electronic benefit transfer cards (electronic benefit card) do not meet the intended purposes of serving as (i) a fraud deterrent, or (ii) acceptable identification for the card holder.

How Missouri's electronic benefits transfer system works

The Department of Social Services is responsible for administering an electronic delivery system for certain state and federal benefits. Missouri's electronic benefits delivery system is used to issue food stamp and temporary assistance benefits to the state's needy clients. During April 2001, the Division of Family Services (the division) issued approximately \$33 million in food stamps and \$11.8 million in temporary assistance. The division is responsible for determining the eligibility and benefit levels of clients for the food stamp and temporary assistance programs.

The Missouri Legislature enacted Section 208.182, RSMo 2000, to comply with the electronic benefits transfer provisions required by the Personal Responsibility and Work Opportunity Reconciliation Act (the Act). That section requires the Division of Family Services to establish an electronic transfer of benefits system. It also prohibits disclosure of client information by service providers such as banks, other financial institutions, and vendors, and provides for the Department of Social Services to require the use of photographic identification on electronic benefit cards issued to system recipients. Section 208.182, RSMo 2000, also allows the electronic benefit card to be used for various other programs including temporary assistance; women, infants and children; early periodic screening diagnosis and treatment; supplemental security income; Medicaid; child support; and other programs.



Missouri was one of eight states to form the Southern Alliance of States in response to Section 825 of the Act. The purpose of the alliance was to design and support the strategic implementation of electronic benefits transfer services and implement an electronic payment system for interstate access to government-issued benefits. The alliance and the state of Missouri contracted with Citibank to provide the electronic benefits transfer services, and Citibank subcontracted with other corporations for certain services such as card production, personal identification number (PIN) mailer-processing operations, training and retail management operations. The PIN is used to confirm client identity, or client authorization when initiating a transaction using the electronic benefit card. Clients are allowed to change their card PIN number at any time, and ongoing training or help is available if they have any problems accessing the system or using the card.

Missouri
teams up with
7 states to lead
development

Various divisions within the Department of Social Services administer Missouri's electronic benefits transfer system. The divisions and their responsibilities are as follows:

- ❑ Division of Family Services – Eligibility
 - Food Stamps.
 - Temporary Assistance.
- ❑ Division of Budget and Finance – Finances
- ❑ Division of Data Processing – Interfacing data between Division of Family Services and subcontractor systems
- ❑ Division of Legal Services – Welfare Investigation Unit
- ❑ Division of Family Services – Management and coordination of the electronic benefits transfer system

Missouri completed electronic benefits transfer acceptance testing in May 1997, implemented its initial pilot area project in June 1997, and achieved statewide expansion during June 1998. Missouri uses the electronic benefit card for delivery of the food stamp and temporary assistance program benefits. The program requires that clients use their card at an ATM or retailer point-of-sale terminal to access their benefits accounts to make withdrawals and/or purchases.

Recipients use food stamp benefits to purchase approved food items at U. S. Department of Agriculture authorized food retailers. Benefits from state and federal (non-food stamp) cash benefit programs such as temporary assistance or veterans benefits can be used to make merchandise purchases or to withdraw cash from bank ATM terminals to use as the client wishes. These transactions may be made legitimately by the Head of Household on the benefit case (person responsible for the family's financial management, whose photograph is on the card) or by any other member of the family who has the card and PIN number. Some other person designated by the recipient may also make transactions using the card. *(See Appendix II, page 13, for more background information.)*

Electronic
benefit card
eases burden
for clients

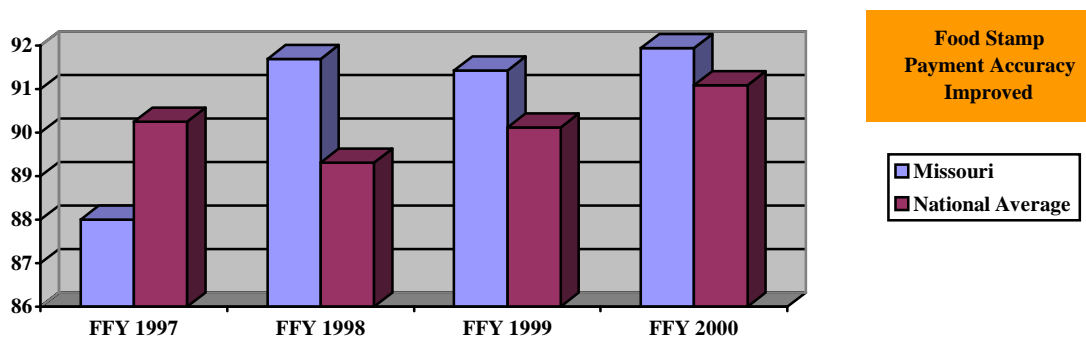
The Department of Social Services has improved the benefit delivery system

The electronic benefits delivery system eliminated many problems that existed when benefits were delivered in a non-electronic mode. Some of these problems were: lost client temporary assistance benefit checks and lost or stolen paper food stamp coupons. Food stamp payment error rates decreased and benefit delivery costs were held within federal cost share guidelines.

The electronic benefits delivery system has facilitated new food stamp fraud prevention and detection activities that were not possible with the previous paper food stamp coupons. These activities allow the department to analyze the electronic transactions to help it recognize certain types of transactions that may indicate potential fraud or illegal activities committed by recipients and/or retailers.

Electronic system helps detect potential fraud

The division uses a quality control system to assess food stamp payment accuracy and integrity, and to identify both overpayment and underpayment errors. The data compiled through the quality control system is useful in identifying specific areas of error concentration. Missouri has reduced the risk of federal sanction penalties by improving the Federal Fiscal Year (FFY) food stamp accuracy rate to above the national average, as illustrated in the following chart.



The quality control unit attributes this increase in payment accuracy to the implementation of:

- A quality service delivery plan initiated in FFY 98, involving staff at all levels.
- A corrective action plan known as the Strategies of Success that identifies the types of errors and the specific locations where they are occurring.
- *The Vision Team Gazette*, a newsletter that provides local offices and workers with up-to-date payment accuracy rate information and helpful suggestions on how to improve program accuracy. The Vision Team meets monthly to address the errors noted during recent months and to identify and consider new ideas to improve payment accuracy.

These initiatives have helped make the electronic benefits delivery system a successful program for Missouri citizens.

Policy changes and reinforcements are needed to enhance follow-up and communication in the food stamp and temporary assistance programs

The audit included a series of tests that matched food stamp and temporary assistance clients against lists of persons who are not eligible to receive benefits. The purpose was to determine if benefit payments were made to ineligible recipients. Ineligibles included persons who are deceased, in prison, or parents of children who are in state custody. The audit tests showed that not all recipients of benefits were eligible for them.

Electronic benefits were paid to accounts of deceased persons

People who had access to deceased clients' electronic benefits cards and personal identification numbers (PIN) received and used at least \$2,117 in benefits. The audit matched benefit recipients in September 2000 to the Department of Health, Bureau of Vital Records death data through January 2001. The client deaths identified by this process were then reviewed in detail to identify the improper payments. In total, 300 of 418, or 72 percent of the deceased individuals' accounts included in our test had received \$31,130 in food stamps and/or temporary assistance benefits following the death of the recipient.

According to division personnel, it is reasonable to take up to 2 months to close a deceased person's case file and terminate benefits payments, because of normal delays between the death and the receipt of notification from the Department of Health's, Bureau of Vital Records. In 28 of 40 cases that remained active in the division's electronic benefit payment system as of our test date, the decedent's account was paid monthly for up to 20 months. On average, it took 6 months from a client's death to terminate benefits payments. Approximately \$500 of these overpayments had been used and another \$11,500 remains vulnerable to use until the case file is closed and benefits are terminated.

Our test matched individuals who were deceased according to data from the Department of Health, Bureau of Vital Records against individuals receiving food stamps or temporary assistance. The division performs a similar match each month, and the appropriate local division office and worker is notified to review each case and make changes necessitated by the client's death. Supervisors are also informed so they can ensure proper case adjustments have been made. The following vulnerabilities in this case closing process allowed the above problems to occur:

- Names of deceased individuals are only listed on the division report in the month the death is reported, instead of remaining on the list until the case record is corrected or cleared. This one time listing does not allow for adequate follow-up by division workers and supervisors to ensure the deceased person's case is closed in a timely manner.
- Supervisors do not always adequately monitor death notice cases handled by caseworkers in accordance with division policy.

- Caseworkers do not always check the computerized death list when processing case reapplications as required by departmental policy. Since every case must be reapplied every 1-12 months, it is reasonable to believe that some of the above error cases had passed reapplication and were approved for benefits by the caseworker even though the client was listed as deceased.

Division officials stated they are working to develop a match using Social Security Administration death data in which the name of the deceased will continue to appear on the local office reports until the case is corrected.

Better communication is needed to ensure prisoners do not receive benefits while still incarcerated

Audit tests determined that at least \$13,100 of mostly food stamp benefits was issued to the benefit accounts of persons while they were housed in state correctional facilities. This money was either spent by the inmate who was on daytime community release (see below) or escape status, or by someone in possession of the inmate's electronic benefits card and PIN. The audit matched benefit recipients in September 2000 to persons incarcerated during October 2000. The inmates identified by this process were then reviewed in detail to identify the number of months of improper payments and spending. Testing identified 45 of 114 inmates had received benefits while incarcerated. The length of time benefits were paid to inmates' accounts ranged up to 12 months and the average was 4 months.

\$13,100 was paid to inmates who were in state facilities

State and federal laws and division policy prohibit prisoners from receiving food stamp or temporary assistance payments while incarcerated. (*See Appendix II, page 13, for more information on eligibility laws*). According to division policy, each benefit case must be assigned a head of household. The head of household must serve as the family's representative to the division, live in the household, be responsible for the care of the children, and the family's financial management. Division policy also prohibits prison inmates from being classified as head of household, because they do not live in the home and cannot represent the family. However, 39 of the 45 inmates who received benefits were classified as head of household.

Eleven of the 45 inmates who were receiving food stamp and temporary assistance benefits were housed at the St. Louis Community Release Center. Because the inmates housed at the release center are typically nearing release and must look for employment, or work at their job, they were also able to personally apply for food stamps at the local division office and be approved for benefits. A review of those local division case files revealed that 5 of the 11 inmates used their Department of Corrections inmate identification card to identify themselves to the worker and claimed they had already been released from prison. In addition to being approved for regular food stamp benefits, several were also approved for additional benefits under the expedited or emergency need rules.

These inmates were incorrectly approved for benefits because the worker did not confirm the inmates' release status with the Department of Corrections. Under federal rules and division policy, any reasonable documents that establish the applicant's identity must be accepted, and no specific type of document, such as birth certificate, may be required. However, policy should be developed to advise caseworkers to check the applicants' status with the Department of Corrections when the applicant uses a Department of Corrections identification card or states they have previously been incarcerated.

Prevention
would be
practical and
cost less

Eventually, the division of Family Services identified 8 of the 11 improper St. Louis benefit approvals, closed the cases, and established claims for repayment.

Better communication is needed between division workers to ensure children in state custody are also removed from the parents' benefit cases

Audit tests estimated \$20,750 in erroneous benefits was paid to families for children who were in state custody. In 25 of 141 of the cases tested, parents received an estimated \$13,600 in food stamps while those children were in state custody. Similarly, in 5 of 167 cases tested, parents received an estimated \$7,150 in temporary assistance. Although federal rules and division policy allow for temporary assistance to parents to continue for up to 60 days upon removal of a child when the child is expected to return to the home within 60 days, the average time a child continued in state custody and was still included on the parent's food stamp and temporary assistance case totaled 8 and 12½ months respectively.

Benefits
continued
after children
were removed

Children are placed in state custody for a variety of reasons. Often, families affected by these placements already receive food stamp and temporary assistance benefits. Because assistance program benefit amounts are based on the number of family members as well as need, a child's removal from the family unit often results in reduced eligibility for benefits, which warrants a reduction in benefit payments.

Social workers
and
caseworkers
need to
coordinate

We attribute the above payment errors to a lack of communication between social workers who removed children from the home and caseworkers who handled the benefits cases, and to caseworkers who failed to check the division computer system for the child's current status, as required by division policy when processing a case reapplication.

Photograph requirement does not meet intent of law

State law, Section 208.182.(3), RSMo 2000, mandates that client photographs will be placed on the clients' electronic benefit cards. The legislative intent of the photograph requirement was to reduce fraud and provide a form of identification for clients. The audit determined that the photograph requirement does not meet the intent of the law. Since others can legitimately use the electronic benefit card, the client photograph does not serve as a fraud deterrent or as

identification of valid users. To place the photographs on the cards, Missouri had to add the feature to their electronic benefit transfer system contract. The current contract price was negotiated at a per card price. Missouri's portion of the contract cost for the photographs for FFY 2000 was \$22,276.

Reasons photographs do not meet their intended purposes

Federal regulations require that electronic benefit cards must be usable by anyone in the family's household, and/or by a designated person. As a result, card usage cannot be restricted to the Head of Household whose picture is on the card. U. S. Department of Agriculture, Food and Nutrition Services personnel indicate federal food stamp policy does not allow retailers to be required to limit card users to the person pictured. Retailers are trained to disregard the photo, because transactions are valid as long as a person has the card and the PIN. Additionally, we have observed that many retailer point-of-sale card terminals are positioned so as to prevent retailer personnel from being able to see the card picture when the client swipes the card and enters the PIN.

Federal rules
limit use of
photograph to
prevent fraud

The photograph does not provide clients a valid, usable identification card; because they lack the typically required information (see Section 302.181(7), RSMo 2000) such as address, date of birth, and physically identifying information. Further, state non-driver identification cards can be obtained from the Missouri Department of Revenue, Division of Motor Vehicle, Driver's License Bureau offices at a minimal charge.

47 states do
not use
photographs

While nearly all states use electronic benefit cards to distribute food stamps, only three other states use a photo on the card and only one state cites similar reasons for using a picture card.

Future Costs

Total costs of placing the photographs on the electronic benefit cards, from inception to December 31, 2000 were \$1,801,858. The federal and state portions were approximately \$947,280 and \$854,578 respectively. According to department officials, the electronic benefit card contract must be renewed under a new contract bid process during the fall of 2001 to allow a new contractor to be prepared to operate the system starting in February 2003, when the current contract expires. Not only does the department expect contract prices to increase, the cost of producing photographs is also expected to increase because current electronic cameras are becoming obsolete and parts will be unavailable soon. The necessary new replacement cameras are expected to cost over \$752,000. Additional expenditures also appear necessary for updates to computer software used to process and transmit the photos before a new contractor takes over the contract in 2003.

Photograph
costs are
expected to
increase

Conclusions

The electronic benefits system implemented by the Department of Social Services is a significant improvement over the old paper coupon system, because it allows for a safer and more efficient delivery of benefits and presents better means for identification of user fraud. While no major problems with the system were identified, we did find several enhancements that could be made to further improve the system. These enhancements could be made by implementing the following recommendations:

Recommendations

We recommend the General Assembly:

- 1.1 Revise state law to discontinue the client photograph requirement for the Missouri electronic benefit card.

We recommend the Director, Division of Family Services:

- 1.2 Follow-up to ensure cases of deceased persons are closed in a timely manner.
- 1.3 Reinforce policy to ensure supervisors are following-up on the closing of cases of deceased persons.
- 1.4 Reinforce compliance with current policy to ensure caseworkers are reviewing the computerized death list while working on client reapplications.
- 1.5 Communicate with the Department of Corrections to ensure caseworkers are allowed to confirm the current release status of applicants known to have been inmates.
- 1.6 Develop policy instructing caseworkers to confirm inmate release status with the Department of Corrections when they learn an applicant has been in prison.
- 1.7 Develop a review policy or system for the periodic review of inappropriate inmate cases found through the division's current match of food stamp clients against Department of Corrections prisoners. This system should identify reasons for improper approval of incarcerated persons and disseminate that information to caseworkers through policy or training changes to help minimize similar future payment errors.
- 1.8 Reinforce policy that caseworkers check the computer system to ensure children are currently in the parent's household when processing case reapplications.
- 1.9 Implement policy to ensure appropriate communication occurs between social workers and caseworkers when children are removed from their homes into state custody.

Department of Social Services Response

DFS has reviewed the performance audit draft pertaining to the effectiveness of the Department of Social Services' Electronic Benefit Transfer (EBT) program. Below, please find responses to recommendations for improvement enhancements made by the State Auditor's Office (SAO) concerning findings.

1.2 The process for DFS staff actually getting an alert to a death from the time of death can typically be up to two months. The SAO acknowledged this in the performance summary. The DFS partially agrees.

1.3 The DFS agrees and will issue a reminder memo to staff.

1.4 The DFS agrees and will revise our system to continue showing death information until action is taken.

1.5,1.6

& 1.7 The DFS partially agrees. The information obtained through various Corrections matches is not always reliable and the SAO has acknowledged this. We will continue to work with the Department of Corrections to refine the information available on inmates.

1.8,1.9 The DFS partially agrees. Children's Services staff will be reminded that when they assume charge of a case where a child is placed into state custody and the household is receiving public assistance, they should initiate contact with the Income Maintenance staff who have charge of the assistance case.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objectives of the audit were to (1) evaluate whether the electronic benefits transfer system was effective in replacing the paper coupon system while reducing opportunities for food stamp trafficking, (2) determine if the Department of Social Services and various divisions, including the Division of Family Services were appropriately administering the new system based on electronic technology, (3) evaluate the cost and effectiveness of the inclusion of client photographs on the electronic benefit cards, and (4) evaluate the appropriateness of clients' eligibility determinations for the food stamp and temporary assistance programs in compliance with state and federal laws and regulations and departmental policy.

Scope and Methodology

The audit included:

- A review of state and federal laws and regulations that govern operations of the food stamp and electronic benefits transfer programs and departmental and divisional policies and procedures.
- Interviews of various department administrators, employees, and supervisors to obtain an understanding of various applicable operations, policies, and procedures.
- A review of internal controls over department transactions and reconciliation with, and staff access to the electronic benefits transfer contractor's system and system operating protocols.
- Performing, reviewing, and analyzing various computerized matches of food stamp and temporary assistance benefit recipients against lists of likely ineligible individuals such as those who are deceased, incarcerated, or in state custody such as children in foster care or in residential treatment programs and the review of certain client case files.
- Obtaining historical costs from department officials for items such as electronic cameras and electronic photograph transmittal technologies involved in providing client photographs on the electronic benefit cards. We also obtained and estimated future costs for continuing the photograph requirement.
- Obtaining and reviewing national and state statistical analyses of food stamp and temporary assistance usage trends and food stamp error rates. We also received and reviewed concerns from a hunger prevention advocacy group.

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BACKGROUND, STATUTES AND REGULATIONS

Department of Social Services' mission

The Missouri Department of Social Services uses the electronic benefits transfer system to deliver food stamp and temporary assistance benefits to help meet its mission of maintaining or improving the quality of life for the people of Missouri. The goal is to provide the best possible services to the public, with respect, responsiveness and accountability, which will enable individuals and families to better fulfill their potential.

Welfare reform legislation mandates electronic benefits transfer system

The U. S. Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act during 1996. The act is also known as the Welfare Reform Act. Section 825 of the Act requires states to implement an electronic benefits transfer program by October 1, 2002, to disburse food stamp benefits. This new method of disbursing benefits replaces the previous use of paper food stamp coupons. Additional congressional acts such as the Balanced Budget Act of 1996 require the implementation of electronic transfer programs for the distribution of cash benefits from programs such as temporary assistance for needy families and veterans benefits. The electronic benefits transfer system is similar to bank debit card systems. The system allows recipients to authorize transfer of their government benefits from a federal or state account to a retailer account to pay for products received, or to draw cash benefits from a bank automated teller machine (ATM).

Food Stamps

The state of Missouri and the Department of Social Services have operated a food stamp program for many years. The program is designed to promote the general welfare and to safeguard the health and well being of the population by raising the levels of nutrition among low-income households. The food stamp program is a federally sponsored program governed by the U. S. Department of Agriculture (USDA). Under the program, the direct cost of all food stamps provided to qualified individuals is paid from federal fund sources. Each state operates a food stamp program and the program administrative costs are shared between state and federal sources by a federal to state cost reimbursement process.

Until recent years, all food stamp beneficiaries were given paper food stamp coupons that could be used to purchase approved food items in USDA authorized retail grocery stores. However, paper coupons were subject to several problems, including theft and fraud such as client sale in exchange for cash, known as trafficking in food stamps. The problems inherent in a paper coupon program eventually resulted in Congressional action to improve the food stamp program by implementing the electronic benefits transfer system.

Electronic benefits transfer is the method by which clients receive and use food stamp benefits. Clients may use their electronic benefit cards in any grocery store or retail location anywhere in the United States that has been authorized by the USDA Food and

APPENDIX II

Nutrition Service and displays the Quest® system symbol. When paying for groceries, the food stamp client's card is swiped through a point-of-sale terminal, and the client enters the secret PIN number to access the food stamp account. The system verifies the PIN and the account balance, and authorizes or denies the transaction. If authorized, the client's food stamp account balance is reduced by the amount of the purchase, and the retailer is credited. Payment is made to the retailer through a settlement process at the end of each day.

The benefits may be used to purchase any food or food products prepared for human consumption except alcoholic beverages and tobacco, hot foods or foods prepared for immediate consumption. Benefits may also be used to buy seeds and plants for use in gardens to produce food for the personal consumption of the household. Under certain conditions, members of the eligible households who are 60 years of age or older may use the benefits to pay for home delivered meals and other meals prepared for elderly persons, and the homeless may purchase meals from certain restaurants.

According to Division of Family Services policy and Title 7 Code of Federal Regulation part 273, the eligibility requirements for a person or household to receive Food Stamps are as follows:

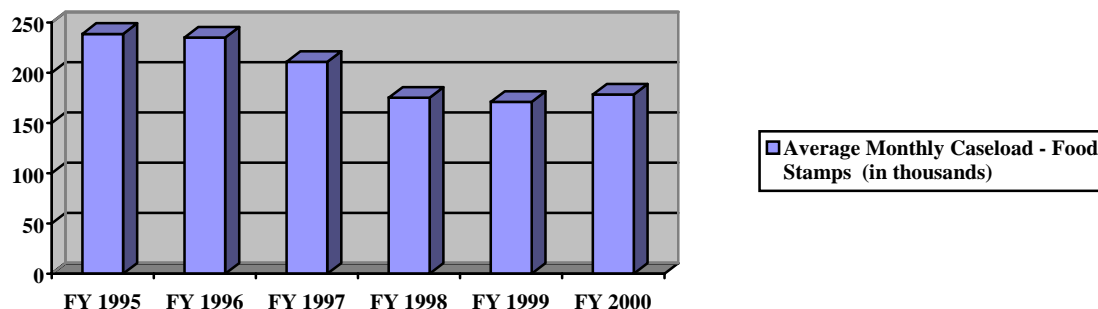
- ☐ Is a U.S. citizen, or qualified legal immigrant.
- ☐ If a student, meets the definition of an eligible student.
- ☐ Has not been disqualified from the food stamp program for fraud.
- ☐ Does not have resources of \$2,000 or if elderly of \$3,000.
- ☐ If not elderly or disabled, has a gross income equal to or below 130 percent of poverty and net income equal to or below 100 percent of poverty.
- ☐ If elderly or disabled, has gross income equal to or below 165 percent of poverty.
- ☐ Is not a fleeing felon and is not in violation of condition of probation or parole imposed under a federal or state law.
- ☐ Has not been convicted after August 22, 1996, in a federal or state court of a felony or any crime related to illegal possession, use, or distribution of a controlled substance.
- ☐ If age 18 to 50 and able bodied with no dependents, complies with food stamp work requirements.
- ☐ Complies with Missouri Employment and Training Program requirements, unless exempt.

Once a household is determined eligible, the caseworker must assign a certification period usually ranging from 1 to 12 months beginning with the first month the household is eligible to receive benefits. Food stamp eligibility ends with the expiration of the certification period, and the household must reapply and again be determined eligible for benefits.

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Households with predictable income and/or stable circumstances typically are assigned longer certification periods, while those less stable or ones with less predictable income are typically assigned shorter certification periods.

The following graph shows the food stamp participation levels in Missouri during state fiscal years 1995 to 2000. Participation declined from 1995 to 1999, but started rising in 2000.



According to the Office of Management and Budget's A-133 Single Audit Compliance Supplement for the food stamp program, "each state is required to have a system for monitoring and improving its administration of the Food Stamp Program, particularly the accuracy of the eligibility and benefit determinations." As a result, the department operates a quality control unit that monitors the food stamp program. Quality reviews include review of case management, retesting of eligibility determinations, and reporting to the USDA Food and Consumer Service program on the state's performance. The Quality Control Unit randomly selects case files to be reviewed and retested. The federal government may sanction state food stamp programs if the state exceeds the national average state payment error rates.

Temporary Assistance

The purpose of the temporary assistance program is to provide cash assistance to needy families with children so they can be cared for in their own home and to reduce dependency by promoting job preparation, work and marriage. The temporary assistance program is a combined federal and state effort to keep families together and to help ensure a normal family life for the children. Federal legislation created the Temporary Assistance for Needy Families block grant to assist states in providing this time-limited cash assistance to those families

Clients receive temporary assistance cash benefits either by direct deposit into a personal bank account or into the electronic benefit card account. If the client chooses to receive his/her temporary assistance by using the electronic benefit card, the cash benefits may be accessed at any ATM or retail location displaying the Quest® system symbol, using the client's secret PIN number. The system verifies the PIN and the account balance, and authorizes or denies the transaction. If authorized, the client's cash account is reduced by the amount of the withdrawal, and the bank or retailer account is credited.

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According to Division of Family Services policy, Section 208.010, RSMo 2000, and Title 45 Code of Federal Regulations part 260, temporary assistance eligibility requirements for a person or household are as follows:

The child who is:

- ☐ Under the age of 18 years, or 19 and attending high school or equivalent and expected to graduate.
- ☐ In need of assistance because there is insufficient income to meet basic needs.
- ☐ Deprived of support because of the death, physical or mental incapacity or the continued absence (caretaker, parent) from the home, or unemployment.
- ☐ Living with one or both parents or a close relative who makes application for assistance.

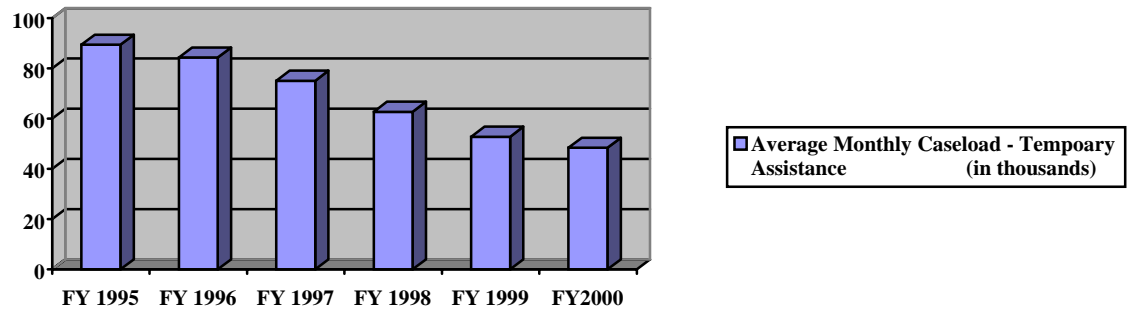
And whose parent(s) with whom the child is living:

- ☐ Has not been convicted after August 22, 1996, in a federal or state court of a felony or any crime related to illegal possession, use, or distribution of a controlled substance.
- ☐ Does not own resources valued at more than \$1,000 at application, excluding the home and one car. Recipients may own resources valued to \$5,000 once a self-sufficiency pact is signed.
- ☐ Assigns his or her rights for child support to Division of Family Services and further cooperates in identifying, locating and collecting child support from any parent who is absent from the home because of divorce, desertion, or abandonment.
- ☐ Uses the money for the benefit of the children.
- ☐ Attempts to support or help support the children by accepting employment when offered.
- ☐ Applies for social security numbers for all members of the assistance group.
- ☐ Is not a fleeing felon and is not in violation of a condition of probation or parole imposed under a federal or state law.

After establishing eligibility for assistance, the caseworker is to ensure the client remains eligible and adjust the cash grant amount when circumstances change. Examples would include the return of an absent child, a change in living arrangements, or an additional household member. This process is called reinvestigation. The minimum frequency of contact to review eligibility for temporary assistance is once every 12 months. The frequency of contact between the caseworker and participating families depends on the level of work readiness of the family.

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The following graph shows the Temporary Assistance participation during state fiscal years 1995 to 2000:



For more information on the Department of Social Services and Division of Family Services and assistance programs, readers may go to the Internet Website at <http://www.dss.state.mo.us>.



**HARRISON COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-57
August 1, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Harrison, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Harrison County was a financial and compliance audit of various county operating funds.

- The county's General Revenue Fund reflects a weakening financial trend. The 2001 budget reflects an anticipated ending cash balance of \$7,289.

The financial condition of the 911 Fund is declining because of increasing operating costs. The cash balance at December 31, 2000 was \$79,419 and the 2001 fiscal year budget expenditures projects an ending fund balance of \$14,869. The county provides dispatching services for a number of entities and does not recover the majority of the related costs; only two of nine entities pay the county for 911 services.

- During the 1997 salary commission meeting, a motion was made and passed to "set salaries of all elected officials of Harrison county at 100 percent maximum allowance compensation per statutes to take effect prior to the new term". As a result, all elected officials were given a salary increase mid-term. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. While the action taken by the 1997 salary commission was not voted under Section 50.333.13 RSMo, due to the Supreme Court decision, the salary commission should reevaluate the decision to give mid-term salary increases to all officials. The County Commission indicated they will ask the county's legal counsel to review this matter and will discuss it at the 2001 salary commission meeting.

(over)

SHEET
MOT
YELLOW

- The county does not have adequate procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). Expenditures on the schedule were overstated approximately \$118,000 and \$128,000 for 2000 and 1999, respectively.
- The county has not established cash management procedures to ensure the minimum time elapses between its receipt of federal project monies and the distribution of such monies to contractors.
- The county incurred engineering costs of \$38,580 for the bridge project we reviewed. There was no documentation that the County Commission considered other engineering firms when procuring these services.
- Special Road and Bridge Fund revenues were significantly underestimated and expenditures were significantly overestimated, reducing the effectiveness of the budget as a management tool.

The audit also includes some matters related to the large cash balance of the Special Road and Bridge Fund, monitoring of reimbursements for bridge projects, misclassification of Special Road and Bridge Fund expenditures, and County Commission minutes, upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

HARRISON COUNTY, MISSOURI

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HARRISON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Harrison County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Harrison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Harrison County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Harrison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 29, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 29, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Lonnie Breeding III
Audit Staff:	Lori Melton



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Harrison County, Missouri

We have audited the special-purpose financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

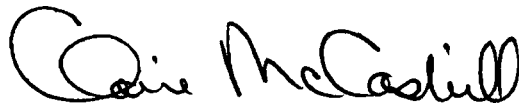
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Harrison County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Harrison County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Harrison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 29, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

HARRISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 81,069	773,063	798,052	56,080
Special Road and Bridge	1,791,952	1,824,265	1,550,439	2,065,778
Assessment	1,296	109,470	103,446	7,320
Law Enforcement Training	17,728	9,453	3,145	24,036
Prosecuting Attorney Training	8,082	2,484	1,695	8,871
Recorder's User Fees	6,090	4,393	1,141	9,342
Prosecuting Attorney Bad Check	10,169	11,785	15,927	6,027
Domestic Violence	0	445	445	0
Prosecuting Attorney Delinquent Tax	153	0	0	153
911	102,275	145,973	168,829	79,419
Lake Project	850,223	241,005	806,970	284,258
Crestview Nursing Home	322,283	131,076	86,630	366,729
Crestview Addition	89,447	107,516	92,102	104,861
Special Poor	74,506	8,981	11,647	71,840
Lottie Wilson Trust	26,793	1,473	900	27,366
Police Officer Standards Training	4,539	4,483	4,087	4,935
Local Emergency Planning Committee	9,071	396	0	9,467
Health Center	298,967	547,561	558,457	288,071
Law Library	9,157	5,245	23	14,379
Circuit Clerk's Interest	4,694	3,000	2,653	5,041
Total	\$ 3,708,494	3,932,067	4,206,588	3,433,973

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HARRISON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 124,542	743,983	787,456	81,069
Special Road and Bridge	1,957,027	1,523,020	1,688,095	1,791,952
Assessment	5,746	109,711	114,161	1,296
Law Enforcement Training	10,484	9,690	2,446	17,728
Prosecuting Attorney Training	5,980	2,566	464	8,082
Recorder's User Fees	2,214	4,897	1,021	6,090
Prosecuting Attorney Bad Check	10,843	14,381	15,055	10,169
Domestic Violence	0	430	430	0
Prosecuting Attorney Delinquent Tax	153	0	0	153
911	98,860	142,867	139,452	102,275
Lake Project	748,841	239,751	138,369	850,223
Crestview Nursing Home	325,095	115,846	118,658	322,283
Crestview Addition	42,658	140,491	93,702	89,447
Special Poor	75,003	8,614	9,111	74,506
Lottie Wilson Trust	26,099	1,294	600	26,793
Police Officer Standards Training	0	4,637	98	4,539
Local Emergency Planning Committee	8,725	346	0	9,071
Health Center	419,872	584,162	705,067	298,967
Law Library	8,599	5,400	4,842	9,157
Circuit Clerk's Interest	4,802	2,831	2,939	4,694
Total	\$ 3,875,543	3,654,917	3,821,966	3,708,494

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HARRISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

Year Ended December 31,						
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 3,495,031	3,932,067	521,310	3,467,503	3,650,280	182,777
DISBURSEMENTS	5,566,392	4,206,588	1,359,804	4,928,244	3,821,868	1,106,376
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,071,361)	(274,521)	(838,494)	(1,460,741)	(171,588)	(923,599)
CASH, JANUARY 1	3,708,675	3,708,341	(334)	3,875,378	3,875,390	12
CASH, DECEMBER 31	1,637,314	3,433,820	1,694,134	2,414,637	3,703,802	1,289,165
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	263,000	274,269	(11,269)	244,400	256,370	11,970
Sales taxes	200,000	208,493	(8,493)	185,100	196,579	11,479
Intergovernmental	24,400	24,900	(500)	28,650	37,818	9,168
Charges for services	206,500	205,864	636	240,500	198,618	(41,882)
Interest	10,000	10,205	(205)	14,000	8,426	(5,574)
Other	46,300	49,332	(3,032)	50,501	46,172	(4,329)
Transfers in	65,000	0	65,000	35,000	0	(35,000)
Total Receipts	815,200	773,063	42,137	798,151	743,983	(54,168)
DISBURSEMENTS						
County Commission	71,001	69,663	1,338	72,001	70,803	1,198
County Clerk	65,152	61,456	3,696	65,106	60,485	4,621
Elections	73,843	47,155	26,688	36,790	30,033	6,757
Buildings and grounds	61,350	59,350	2,000	84,706	61,582	23,124
Employee fringe benefits	40,000	34,054	5,946	40,000	32,218	7,782
County Treasurer and Ex Officio Collector	54,783	54,199	584	55,815	54,903	912
Ex Officio Recorder of Deeds	27,460	20,583	6,877	24,880	22,258	2,622
Associate Circuit Court	3,550	3,550	0	10,762	10,182	580
Court administration	8,602	6,519	2,083	13,602	7,020	6,582
Public Administrator	41,906	46,913	(5,007)	34,038	27,135	6,903
Sheriff	176,096	166,319	9,777	161,511	145,174	16,337
Jail	34,000	26,338	7,662	36,000	29,643	6,357
Prosecuting Attorney	60,936	58,408	2,528	67,186	58,423	8,763
Juvenile Officer	31,792	10,122	21,670	45,399	28,961	16,438
County Coroner	12,410	10,297	2,113	13,340	12,339	1,001
Insurance	60,000	58,909	1,091	50,000	50,000	0
University Extension	26,344	27,094	(750)	39,252	42,431	(3,179)
Other	15,150	12,864	2,286	21,750	11,731	10,019
Transfers out	0	800	(800)	0	800	(800)
Emergency Fund	27,000	23,459	3,541	40,000	31,335	8,665
Total Disbursements	891,375	798,052	93,323	912,138	787,456	124,682
RECEIPTS OVER (UNDER) DISBURSEMENTS	(76,175)	(24,989)	(51,186)	(113,987)	(43,473)	70,514
CASH, JANUARY 1	81,069	81,069	0	124,542	124,542	0
CASH, DECEMBER 31	4,894	56,080	(51,186)	10,555	81,069	70,514

Exhibit B

HARRISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Sales taxes	370,000	416,549	46,549	370,000	393,099	23,099
Intergovernmental	875,000	1,241,359	366,359	868,000	1,001,400	133,400
Charges for services	25,000	24,313	(687)	25,000	36,534	11,534
Interest	60,000	99,813	39,813	60,000	79,729	19,729
Other	500	42,231	41,731	14,500	12,258	(2,242)
Total Receipts	1,330,500	1,824,265	493,765	1,337,500	1,523,020	185,520
DISBURSEMENTS						
Salaries	213,540	170,394	43,146	184,580	184,580	0
Employee fringe benefits	67,000	28,801	38,199	54,500	40,829	13,671
Supplies	12,000	14,991	(2,991)	12,000	29,174	(17,174)
Road and bridge materials	410,000	209,566	200,434	340,000	268,607	71,393
Equipment repairs	40,000	9,339	30,661	20,000	8,954	11,046
Equipment purchases	100,000	52,916	47,084	50,000	40,340	9,660
Construction, repair, and maintenance	1,480,500	1,024,819	455,681	1,255,500	1,024,364	231,136
Insurance	0	12,805	(12,805)			
Miscellaneous	50,000	3,066	46,934	50,000	3,380	46,620
Emergency	100,000	262	99,738	500,000	4,188	495,812
Building and land acquisition	70,000	17,354	52,646	70,000	80,162	(10,162)
Utilities	10,000	5,896	4,104	10,000	3,517	6,483
Transfers out	65,000	230	64,770	40,000	0	40,000
Total Disbursements	2,618,040	1,550,439	1,067,601	2,586,580	1,688,095	898,485
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,287,540)	273,826	1,561,366	(1,249,080)	(165,075)	1,084,005
CASH, JANUARY 1	1,792,385	1,791,952	(433)	1,957,027	1,957,027	0
CASH, DECEMBER 31	504,845	2,065,778	1,560,933	707,947	1,791,952	1,084,005
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	117,300	105,093	(12,207)	114,215	105,917	(8,298)
Interest	2,000	909	(1,091)	1,740	756	(984)
Other	6,475	3,468	(3,007)	5,400	3,038	(2,362)
Total Receipts	125,775	109,470	(16,305)	121,355	109,711	(11,644)
DISBURSEMENTS						
Assessor	127,049	103,446	23,603	127,049	114,161	12,888
Total Disbursements	127,049	103,446	23,603	127,049	114,161	12,888
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,274)	6,024	7,298	(5,694)	(4,450)	1,244
CASH, JANUARY 1	1,296	1,296	0	5,746	5,746	0
CASH, DECEMBER 31	22	7,320	7,298	52	1,296	1,244

Exhibit B

HARRISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	6,000	8,269	2,269	6,000	9,073	3,073
Interest	300	1,184	884	300	617	317
Total Receipts	6,300	9,453	3,153	6,300	9,690	3,390
DISBURSEMENTS						
Sheriff	7,000	3,145	3,855	7,000	2,446	4,554
Total Disbursements	7,000	3,145	3,855	7,000	2,446	4,554
RECEIPTS OVER (UNDER) DISBURSEMENTS	(700)	6,308	7,008	(700)	7,244	7,944
CASH, JANUARY 1	17,728	17,728	0	10,484	10,484	0
CASH, DECEMBER 31	17,028	24,036	7,008	9,784	17,728	7,944
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,800	2,058	258	1,800	2,270	470
Interest	200	426	226	200	296	96
Total Receipts	2,000	2,484	484	2,000	2,566	566
DISBURSEMENTS						
Prosecuting Attorney	4,000	1,695	2,305	1,000	464	536
Total Disbursements	4,000	1,695	2,305	1,000	464	536
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	789	2,789	1,000	2,102	1,102
CASH, JANUARY 1	8,082	8,082	0	5,980	5,980	0
CASH, DECEMBER 31	6,082	8,871	2,789	6,980	8,082	1,102
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	4,000	3,936	(64)	4,000	4,776	776
Interest	25	457	432	25	121	96
Total Receipts	4,025	4,393	368	4,025	4,897	872
DISBURSEMENTS						
Ex Officio Recorder of Deeds	3,150	1,141	2,009	1,500	1,021	479
Total Disbursements	3,150	1,141	2,009	1,500	1,021	479
RECEIPTS OVER (UNDER) DISBURSEMENTS	875	3,252	2,377	2,525	3,876	1,351
CASH, JANUARY 1	6,090	6,090	0	2,214	2,214	0
CASH, DECEMBER 31	6,965	9,342	2,377	4,739	6,090	1,351

Exhibit B

HARRISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY</u>						
<u>BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	13,500	11,288	(2,212)	13,500	13,891	391
Interest	450	497	47	500	490	(10)
Total Receipts	13,950	11,785	(2,165)	14,000	14,381	381
DISBURSEMENTS						
Prosecuting Attorney	17,346	15,927	1,419	12,646	15,055	(2,409)
Total Disbursements	17,346	15,927	1,419	12,646	15,055	(2,409)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,396)	(4,142)	(746)	1,354	(674)	(2,028)
CASH, JANUARY 1	10,169	10,169	0	10,843	10,843	0
CASH, DECEMBER 31	6,773	6,027	(746)	12,197	10,169	(2,028)
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	400	445	45	400	430	30
Total Receipts	400	445	45	400	430	30
DISBURSEMENTS						
Women and children abuse center	400	445	(45)	400	430	(30)
Total Disbursements	400	445	(45)	400	430	(30)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>911 FUND</u>						
RECEIPTS						
Charges for services	94,601	97,119	2,518	90,000	95,151	5,151
Interest	2,000	4,977	2,977	2,000	4,314	2,314
Other	43,000	43,877	877	43,402	43,402	0
Total Receipts	139,601	145,973	6,372	135,402	142,867	7,465
DISBURSEMENTS						
Salaries and employee benefits	115,648	126,622	(10,974)	95,830	99,620	(3,790)
Telephone	40,000	28,911	11,089	40,000	34,607	5,393
Equipment	25,000	4,500	20,500	3,000	3,000	0
Other	7,450	8,796	(1,346)	4,400	2,225	2,175
Total Disbursements	188,098	168,829	19,269	143,230	139,452	3,778
RECEIPTS OVER (UNDER) DISBURSEMENTS	(48,497)	(22,856)	25,641	(7,828)	3,415	11,243
CASH, JANUARY 1	102,275	102,275	0	98,860	98,860	0
CASH, DECEMBER 31	53,778	79,419	25,641	91,032	102,275	11,243

Exhibit B

HARRISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAKE PROJECT FUND</u>						
RECEIPTS						
Sales taxes	200,000	208,492	8,492	180,000	196,579	16,579
Interest	30,000	28,886	(1,114)	30,000	40,053	10,053
Other	2,690	3,627	937	2,170	3,119	949
Total Receipts	232,690	241,005	8,315	212,170	239,751	27,581
DISBURSEMENTS						
Bond payment	765,626	766,928	(1,302)	102,903	103,369	(466)
Maintenance	0	0	0	35,000	35,000	0
Construction	75,000	40,042	34,958	0	0	0
Total Disbursements	840,626	806,970	33,656	137,903	138,369	(466)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(607,936)	(565,965)	41,971	74,267	101,382	27,115
CASH, JANUARY 1	850,223	850,223	0	748,841	748,841	0
CASH, DECEMBER 31	242,287	284,258	41,971	823,108	850,223	27,115
<u>CRESTVIEW NURSING HOME FUND</u>						
RECEIPTS						
Interest	13,000	19,009	6,009	12,500	13,071	571
Other	103,000	112,067	9,067	120,000	102,775	(17,225)
Total Receipts	116,000	131,076	15,076	132,500	115,846	(16,654)
DISBURSEMENTS						
Bond payment	82,068	82,068	0	82,068	88,907	(6,839)
Repairs and replacement	50,000	4,562	45,438	50,000	29,751	20,249
Total Disbursements	132,068	86,630	45,438	132,068	118,658	13,410
RECEIPTS OVER (UNDER) DISBURSEMENTS	(16,068)	44,446	60,514	432	(2,812)	(3,244)
CASH, JANUARY 1	322,283	322,283	0	325,095	325,095	0
CASH, DECEMBER 31	306,215	366,729	60,514	325,527	322,283	(3,244)
<u>CRESTVIEW ADDITION FUND</u>						
RECEIPTS						
Interest	1,000	4,894	3,894	1,000	3,066	2,066
Other	95,000	102,622	7,622	95,000	137,425	42,425
Total Receipts	96,000	107,516	11,516	96,000	140,491	44,491
DISBURSEMENTS						
Bond payment	120,000	92,102	27,898	120,000	93,702	26,298
Total Disbursements	120,000	92,102	27,898	120,000	93,702	26,298
RECEIPTS OVER (UNDER) DISBURSEMENTS	(24,000)	15,414	39,414	(24,000)	46,789	70,789
CASH, JANUARY 1	89,447	89,447	0	42,658	42,658	0
CASH, DECEMBER 31	65,447	104,861	39,414	18,658	89,447	70,789

Exhibit B

HARRISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL POOR FUND</u>						
RECEIPTS						
Interest	3,000	3,956	956	3,000	3,524	524
Other	5,000	5,025	25	5,000	5,090	90
Total Receipts	8,000	8,981	981	8,000	8,614	614
DISBURSEMENTS						
Assistance programs	18,250	11,647	6,603	18,250	9,111	9,139
Total Disbursements	18,250	11,647	6,603	18,250	9,111	9,139
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,250)	(2,666)	7,584	(10,250)	(497)	9,753
CASH, JANUARY 1	74,506	74,506	0	75,003	75,003	0
CASH, DECEMBER 31	64,256	71,840	7,584	64,753	74,506	9,753
<u>LOTTIE WILSON TRUST FUND</u>						
RECEIPTS						
Interest	1,200	1,473	273	1,300	1,294	(6)
Total Receipts	1,200	1,473	273	1,300	1,294	(6)
DISBURSEMENTS						
Assistance to indigent	900	900	0	900	600	300
Total Disbursements	900	900	0	900	600	300
RECEIPTS OVER (UNDER) DISBURSEMENTS	300	573	273	400	694	294
CASH, JANUARY 1	26,793	26,793	0	26,099	26,099	0
CASH, DECEMBER 31	27,093	27,366	273	26,499	26,793	294
<u>POLICE OFFICER STANDARDS</u>						
<u>TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	4,000	4,087	87			
Interest	2,000	396	(1,604)			
Total Receipts	6,000	4,483	(1,517)			
DISBURSEMENTS						
Sheriff	3,000	4,087	(1,087)			
Total Disbursements	3,000	4,087	(1,087)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,000	396	(2,604)			
CASH, JANUARY 1	4,539	4,539	0			
CASH, DECEMBER 31	7,539	4,935	(2,604)			
<u>LOCAL EMERGENCY PLANNING</u>						
<u>COMMITTEE FUND</u>						
RECEIPTS						
Interest	300	396	96	300	346	46
Other	0	0	0	2,000	0	(2,000)
Total Receipts	300	396	96	2,300	346	(1,954)
DISBURSEMENTS						
Emergency planning	2,000	0	2,000	2,000	0	2,000
Total Disbursements	2,000	0	2,000	2,000	0	2,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,700)	396	2,096	300	346	46
CASH, JANUARY 1	9,071	9,071	0	8,725	8,725	0
CASH, DECEMBER 31	7,371	9,467	2,096	9,025	9,071	46

Exhibit B

HARRISON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	103,000	106,748	3,748	102,435	102,754	319
Intergovernmental	95,250	89,644	(5,606)	95,000	91,709	(3,291)
Charges for services	373,840	335,611	(38,229)	371,955	373,123	1,168
Interest	17,000	15,558	(1,442)	20,210	16,576	(3,634)
Total Receipts	589,090	547,561	(41,529)	589,600	584,162	(5,438)
DISBURSEMENTS						
Salaries and employee benefits	383,750	358,149	25,601	487,200	464,219	22,981
Office expense	47,665	48,490	(825)	46,989	48,105	(1,116)
Office equipment	0	1,759	(1,759)	6,000	4,011	1,989
Mileage and training	26,805	20,381	6,424	37,210	32,388	4,822
Medicare refunds	35,000	10,293	24,707	34,900	34,900	0
Professional fees	77,870	90,293	(12,423)	92,392	100,277	(7,885)
Medical supplies	18,000	29,092	(11,092)	15,889	21,167	(5,278)
Total Disbursements	589,090	558,457	30,633	720,580	705,067	15,513
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(10,896)	(10,896)	(130,980)	(120,905)	10,075
CASH, JANUARY 1	298,967	298,967	0	419,872	419,872	0
CASH, DECEMBER 31	298,967	288,071	(10,896)	288,892	298,967	10,075
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	5,000	5,245	245	3,500	5,400	1,900
Total Receipts	5,000	5,245	245	3,500	5,400	1,900
DISBURSEMENTS						
Law library	1,000	23	977	3,500	4,842	(1,342)
Total Disbursements	1,000	23	977	3,500	4,842	(1,342)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,000	5,222	1,222	0	558	558
CASH, JANUARY 1	9,158	9,157	(1)	8,944	8,599	(345)
CASH, DECEMBER 31	13,158	14,379	1,221	8,944	9,157	213
<u>CIRCUIT CLERK'S INTEREST FUND</u>						
RECEIPTS						
Interest	3,000	3,000	0	3,000	2,831	(169)
Total Receipts	3,000	3,000	0	3,000	2,831	(169)
DISBURSEMENTS						
Circuit Clerk	3,000	2,653	347	1,500	2,939	(1,439)
Total Disbursements	3,000	2,653	347	1,500	2,939	(1,439)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	347	347	1,500	(108)	(1,608)
CASH, JANUARY 1	4,594	4,694	100	4,445	4,802	357
CASH, DECEMBER 31	\$ 4,594	5,041	447	5,945	4,694	(1,251)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

HARRISON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Harrison County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Peace Officer Standards Training Fund for the year ended December 31, 1999.

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Bad Check Fund	1999
Domestic Violence Fund	2000 and 1999
Lake Project Fund	1999
Police Officer Standards Training	2000

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	1999
Circuit Clerk's Interest Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2000 and 1999, did not include the Law Library Fund and the Circuit Clerk's Interest Fund.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance, commercial insurance provided through a guaranty bond, or by collateral securities held by the agent of the county in the county's name.

The Health Center Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the agent of the health center in the Health Center Board's name.

3. Liability

At December 31, 2000, the General Revenue Fund owed the school districts \$105,940. The liability resulted because fees on bonds were not always charged in accordance with state law. This amount was paid to the various school districts in April 2001.

Supplementary Schedule

Schedule

HARRISON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
10.069	Direct Program - Conservation Reserve Program		\$ 2,090	2,090
	Passed through state:			
	Department of Health -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS0451140W ER0045-0140 ER0045-9140	25,372	26,635
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state Highway and Transportation Commission:			
20.205	Highway Planning and Construction	BRO 041 (19)	205,060	148,680
		BRO 041 (20)	110,028	61,010
		BRO 041 (21)	0	195,419
		BRO 041 (22)	15,998	0
		BRO 041 (23)	17,898	0
		BRO 041 (24)	19,273	0
	Program Total		368,257	405,109
GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	531	3,603
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state:			
	Department of Health -			
93.268	Immunization Grants	N/A PG0064-9140IAP	20,872 0	14,260 900
	Department of Health -			
93.575	Child Care and Development Block Grant	PGA067-1140D PGA067-0140C ERO146-9140 CCH&SCS PGA067-1140S PGA067-0140S	1,938	1,185

Schedule

HARRISON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
	Department of Health -			
93.991	Preventive Health Services Block Grant	N/A	214	170
93.994	Maternal and Child Health Services Block Grant to the States	N/A	1,074	849
		ERS146-1140M		
		ERS146-0140M		
		ERO146-9140MCH	10,671	14,328
	Program Total		11,745	15,177
	Total Expenditures of Federal Awards		\$ 431,019	469,129

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

HARRISON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Harrison County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003 represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$18,039 and \$14,260 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the year ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$214 and \$170 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,074 and \$849 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amount for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Harrison County, Missouri

Compliance

We have audited the compliance of Harrison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Harrison County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

Internal Control Over Compliance

The management of Harrison County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Harrison County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 29, 2001 (fieldwork completion date)

Schedule

HARRISON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program.

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1.

Federal Awards

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-041(19), BRO-041(20), BRO-041(21), BRO-041(22), BRO-041(23) & BRO-041(24)
Award Year:	2000 and 1999
Questioned Costs:	\$30,864

- A. Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements.

The county's procedures for tracking federal assistance are not adequate. The county prepared a SEFA for the years ended December 31, 2000 and 1999; however, the schedule contained a number of errors and omissions. For example, the schedule included the county match for some federal programs. In addition, some expenditures were reported on the SEFA in the wrong year. Expenditures were overstated approximately \$118,000 and \$128,000 for the years ended December 31, 2000 and 1999, respectively.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

- B. The county has not established cash management procedures to ensure the minimum time elapses between its receipt of federal project monies and the distribution of such

monies to contractors. We noted four reimbursements: \$58,606, \$19,273, \$8,266, and \$7,350 being held 34, 19, 90, and 51 days, respectively. While the liability was incurred prior to reimbursement, payment was not made to the contractor in a timely manner.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to their disbursement.

- C. The county incurred engineering costs of \$38,580 for project BRO-041(19). There was no documentation that the County Commission considered other engineering firms when procuring these services.

Sections 8.289 and 8.291, RSMo 2000, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based upon specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have questioned costs of \$30,864, which is the federal share of engineering costs for this project.

WE RECOMMEND the County Commission:

- A. And the County Clerk ensure all federal award expenditure amounts are properly recorded on the Schedule of Expenditures of Federal Awards.
- B. Establish procedures to minimize the time between the receipt of federal monies and disbursement of such funds to comply with federal requirements.
- C. Resolve the questioned costs with the grantor agency. In addition, the County Commission should obtain information as required by law when contracting for professional services.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

- A. *The County Commission and County Clerk will implement the recommendation.*
- B. *The County Commission will implement the recommendation. In the future, disbursements will comply with federal requirements. The time lags resulted from problems with the construction projects.*
- C. *The County Commission will contact the grantor agency and resolve the questioned costs within the next three months. The County Commission will comply with state law on future projects.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

HARRISON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

HARRISON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

HARRISON COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Harrison County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 29, 2001. We also have audited the compliance of Harrison County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 29, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audits of the special-purpose financial statements of Harrison County and of its compliance with the types of compliance requirements applicable to its major federal program but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Financial Condition – General Revenue Fund

The county's General Revenue Fund reflects a weakening financial trend. The following shows receipts, disbursements, and ending cash balances for the two years ended December 31, 2000.

Cash Balance, January 1, 1999	\$ 124,542
Receipts	743,983
Disbursements	<u>(787,456)</u>
Cash Balance, December 31, 1999	81,069
Receipts	773,063
Disbursements	<u>(798,052)</u>
Cash Balance, December 31, 2000	\$ <u>56,080</u>

The 2001 budget reflects an anticipated ending cash balance of \$7,289. In addition, \$105,940 was paid to schools in April 2001 as a result of a liability noted in our prior report.

2. Financial Condition – 911 Fund

The financial condition of the 911 Fund is declining because of increasing operating costs. The cash balance at December 31, 2000, was \$79,419 and the 2001 budget projects an ending fund balance of \$14,869. The County Commission should monitor revenues, expenditures, and the financial condition of this fund.

The county provides dispatching services for a number of entities and does not recover the majority of the related costs. The county provides dispatching services to a city, two ambulance districts, and six fire districts. However, only two of these entities pay the county for 911 services. The contracts have not been updated since 1994 for the two entities which do pay the county for 911 services. Our review of estimated usage and costs associated with these services revealed that one entity is paying only approximately one-third of the estimated costs related to its dispatching services and another entity is paying more than the estimated costs.

3. Special Road and Bridge Fund

The approved budget documents did not adequately project the anticipated receipts, disbursements, and the ending cash balance of the Special Road and Bridge Fund for the two years ended December 31, 2000 as follows:

	Year Ended December 31,					
	2000			1999		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$1,330,550	1,824,265	493,765	1,337,500	1,523,020	185,520
Expenditures	2,618,040	1,550,439	1,067,601	2,586,580	1,688,095	898,485
Cash Balance	504,845	2,065,778	1,560,933	707,947	1,791,952	1,084,005

In addition, based upon past history, it appears the 2001 budget also reflects under estimated revenues and over estimated expenditures. As evidenced by the amounts presented above, the County Commission does not adequately review historical cost data when preparing the budget.

Failure to approve a realistic budget and monitor budget to actual data reduces the effectiveness of the budget as a management tool.

4. Large Cash Balances

The Special Road and Bridge Fund has a large cash balance at December 31, 2000. During the two years ended December 31, 2000, the cash balance increased \$108,751 to a total of \$2,065,778. This amount exceeds actual 2000 expenditures by approximately \$500,000. The County Commission indicated the reserve is necessary for emergencies and a possible change to a county form of government which would require the county to assume more responsibilities. In addition, the County Commission has developed a two to three year plan which includes updating some road equipment, implementing a brush control program and continuing to purchase all CART rock and the present program of building at least two bridges each year.

5. Unreimbursed Expenses

The county does not properly monitor reimbursement for projects under the Highway Planning and Construction program. Two reimbursements received in April 2001 totaling \$70,974 were not received on a timely basis. One reimbursement request for \$3,806 was submitted to the Missouri Department of Transportation (MODOT) in July 1999. Another request for \$67,168 was submitted in July 2000 and was held by MODOT pending completion of engineering paperwork. The county should monitor the status of reimbursement requests and ensure appropriate information is submitted to facilitate the processing of reimbursement requests.

6. Misclassification of Special Road and Bridge Fund Expenditures

The county misclassified approximately \$92,000 of Special Road and Bridge Fund expenditures for the two years ended December 31, 2000, as other expenditures. According to the County Clerk, these expenses represented supplies and budget overruns on other line items within the Special Road and Bridge Fund. In addition, the county misclassified approximately \$62,000 as emergency expenses for the two years ended December 31, 2000. The County Clerk stated that these expenses related to budget overruns on other line items within the Special Road and Bridge Fund. To ensure accurate, comparable, and useful financial information, expenditures should be properly classified. These amounts have been reclassified on Exhibit B.

7. County Commission Minutes

The County Commission does not retain an official record of all closed meetings. In addition, the open meeting minutes lack sufficient detail to record the day-to-day business of the County Commission. For example, the minutes do not refer to all bids solicited. Finally, the minutes are not prepared and approved in a timely manner. As of February 2001, the last entry in the minutes was related to a November 2000 meeting.

8. County Officials' Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed county salary commissions in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two to four years. On May 15, 2001, the Missouri Supreme Court handed down an opinion that challenged the validity of that statute. The Supreme Court held that this section of law violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v Douglass et al.*, holds that raises given pursuant to this statute section are unconstitutional.

During the 1997 salary commission meeting, a motion was made and passed to "set salaries of all elected officials of Harrison County at 100 percent maximum allowance compensation per statutes to take effect prior to the new term". As a result, all elected officials were given

a salary increase mid-term. The action taken by the 1997 salary commission was not voted under Section 50.333.13, RSMo. However, as a result of the Supreme Court decision, the salary commission should reevaluate the decision to give mid-term salary increases to all officials. The County Commission indicated they will ask the county's legal counsel to review this matter and will discuss it at the 2001 salary commission meeting.

This Letter on Other Matters is intended for the information of the management of Harrison County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**PULASKI COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-56
July 24, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

July 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Pulaski, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Pulaski County was a financial and compliance audit of various county operating funds.

- The county needs to improve its monitoring and controls over federal grant expenditures. The county does not accurately report federal grant expenditures on its Schedule of Expenditures of Federal Awards. In addition, \$14,200 for the Emergency Shelter Grants Program and \$17,630 for the Local Law Enforcement Block Grants Program have been questioned due to the county not adequately monitoring the expenditure of the monies or complying with applicable federal regulations.
- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in August 1997 Pulaski County's Associate County Commissioners salaries were each increased approximately \$5,800 yearly.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$19,000 for the period September 1, 1997 to December 31, 2000, should be repaid.

The audit also includes matters related to county tourism tax and property tax collection procedures which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

YELLOW SHEET

PULASKI COUNTY, MISSOURI

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PULASKI COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Pulaski County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Pulaski County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Pulaski County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Pulaski County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Pulaski County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1,

which is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 5, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 5, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	David Martin, CPA
Audit Staff:	Joyce Medlock
	Norma Payne



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Pulaski County, Missouri

We have audited the special-purpose financial statements of various funds of Pulaski County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 5, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Pulaski County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Pulaski County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Pulaski County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 5, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

PULASKI COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 423,242	2,244,700	2,335,266	332,676
Special Road and Bridge	117,985	1,039,184	1,081,246	75,923
Assessment	395	160,891	159,202	2,084
Law Enforcement Training	3,308	14,488	8,529	9,267
Prosecuting Attorney Training	9,834	3,109	4,209	8,734
911 Emergency Services	7,981	326,589	331,213	3,357
Courthouse Sales Tax	2,212,588	108,666	15	2,321,239
Special Road and Bridge Sales Tax	47,255	593	47,737	111
Prosecuting Attorney User Fee	30,153	35,952	44,975	21,130
Prosecuting Attorney Delinquent Sales Tax	19,803	9,223	3,487	25,539
Recorder User Fee	25,656	14,276	28,757	11,175
Crisis Center	10,293	13,232	12,754	10,771
Civil Fees	3,169	44,114	47,282	1
Timbers NID	14,829	13,310	12,169	15,970
Criminal Investigation Assistance Expense	15,735	8,839	2,610	21,964
Country Hills NID	13,022	2,863	5,413	10,472
Northwood NID	17,580	20,058	18,551	19,087
Dye Estates NID	13,328	3,637	2,996	13,969
Eagle Point NID	9,915	6,588	5,521	10,982
Tourism Board	15,936	163,663	161,465	18,134
Family Reunion	705	28	90	643
Sewer Grant	22	6,673	6,673	22
H Highway NID	229,585	41,458	42,117	228,926
Northlake NID	32,092	3,327	26,494	8,925
White Oaks NID	0	165,274	151,203	14,071
Election Services	0	4,684	0	4,684
Law Library	15,749	10,334	20,423	5,660
Senate Bill 40 Board	167,246	160,480	135,968	191,758
Senior Citizens Services Board	29,277	88,571	76,615	41,233
Circuit Clerk Interest	7,897	24,387	3,333	28,951
Family Court	13,532	0	5,088	8,444
Total	\$ 3,508,112	4,739,191	4,781,401	3,465,902

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PULASKI COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 473,745	2,212,057	2,262,560	423,242
Special Road and Bridge	87,100	1,017,398	986,513	117,985
Assessment	1,464	156,079	157,148	395
Law Enforcement Training	2,580	10,405	9,677	3,308
Prosecuting Attorney Training	12,221	2,439	4,826	9,834
911 Emergency Services	33,588	273,854	299,461	7,981
Courthouse Sales Tax	2,173,080	117,564	78,056	2,212,588
Special Road and Bridge Sales Tax	44,807	2,448	0	47,255
Prosecuting Attorney User Fee	11,662	40,953	22,462	30,153
Prosecuting Attorney Delinquent Sales Tax	12,652	7,151	0	19,803
Recorder User Fee	25,928	18,101	18,373	25,656
Crisis Center	9,622	19,011	18,340	10,293
Civil Fees	1,251	44,101	42,183	3,169
Timbers NID	64,487	8,467	58,125	14,829
Criminal Investigation Assistance Expense	9,667	9,648	3,580	15,735
Country Hills NID	46,931	2,184	36,093	13,022
Northwood NID	17,106	22,022	21,548	17,580
Dye Estates NID	41,784	13,573	42,029	13,328
Eagle Point NID	40,364	1,493	31,942	9,915
Tourism Board	1,477	141,003	126,544	15,936
Family Reunion	1,488	46	829	705
Sewer Grant	7	6,588	6,573	22
H Highway NID	210,591	67,456	48,462	229,585
Northlake NID	0	86,134	54,042	32,092
Law Library	7,170	10,351	1,772	15,749
Senate Bill 40 Board	126,628	137,687	97,069	167,246
Senior Citizens Services Board	29,076	84,894	84,693	29,277
Circuit Clerk Interest	9,425	15,628	17,156	7,897
Family Court	18,071	0	4,539	13,532
Total	\$ 3,513,972	4,528,735	4,534,595	3,508,112

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 5,770,446	4,714,804	(1,055,642)	6,576,392	4,502,756	(2,073,636)
DISBURSEMENTS	5,745,011	4,772,980	972,031	6,528,697	4,511,128	2,017,569
RECEIPTS OVER (UNDER) DISBURSEMENTS	25,435	(58,176)	(83,611)	47,695	(8,372)	(56,067)
CASH, JANUARY 1	3,468,959	3,486,683	17,724	3,469,905	3,479,306	9,401
CASH, DECEMBER 31	3,494,394	3,428,507	(65,887)	3,517,600	3,470,934	(46,666)
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	30,000	29,659	(341)	25,000	30,026	5,026
Sales taxes	1,250,000	1,154,875	(95,125)	1,000,000	1,017,138	17,138
Intergovernmental	310,917	277,566	(33,351)	494,500	480,378	(14,122)
Charges for services	501,400	474,436	(26,964)	460,200	418,855	(41,345)
Interest	22,000	17,205	(4,795)	40,000	17,092	(22,908)
Other	74,150	112,169	38,019	144,000	90,546	(53,454)
Transfers in	466,070	178,790	(287,280)	594,943	158,022	(436,921)
Total Receipts	2,654,537	2,244,700	(409,837)	2,758,643	2,212,057	(546,586)
DISBURSEMENTS						
County Commission	97,192	94,258	2,934	94,294	93,319	975
County Clerk	104,700	90,488	14,212	98,460	79,058	19,402
Elections	79,760	88,479	(8,719)	53,225	30,667	22,558
Buildings and grounds	131,880	108,270	23,610	122,263	112,092	10,171
Employee fringe benefits	230,000	213,006	16,994	214,092	180,774	33,318
County Treasurer	33,857	33,665	192	30,750	31,449	(699)
County Collector	83,730	82,729	1,001	76,854	75,675	1,179
Ex Officio Recorder of Deeds	40,300	38,752	1,548	36,682	36,958	(276)
Circuit Clerk	22,600	20,055	2,545	21,650	21,017	633
Associate Circuit Court	7,200	6,067	1,133	1,000	0	1,000
Associate Circuit (Probate)	19,500	7,850	11,650	5,000	2,718	2,282
Court administration	63,396	74,565	(11,169)	55,765	113,930	(58,165)
Public Administrator	75,820	60,459	15,361	71,822	54,026	17,796
Sheriff	577,600	644,606	(67,006)	460,200	516,077	(55,877)
Jail	20,500	34,026	(13,526)	8,700	18,997	(10,297)
Prosecuting Attorney	191,105	187,463	3,642	175,446	177,175	(1,729)
Juvenile Officer	151,000	83,250	67,750	151,016	119,774	31,242
County Coroner	19,850	16,714	3,136	16,090	16,018	72
Tax Increment Financing Commission	70,000	48,800	21,200	45,000	53,441	(8,441)
Regional Commence and Growth Association	35,000	44,750	(9,750)	56,000	46,415	9,585
Other	448,537	309,023	139,514	397,609	347,780	49,829
Transfers out	29,139	47,991	(18,852)	406,913	135,200	271,713
Emergency Fund	90,000	0	90,000	85,000	0	85,000
Total Disbursements	2,622,666	2,335,266	287,400	2,683,831	2,262,560	421,271
RECEIPTS OVER (UNDER) DISBURSEMENTS	31,871	(90,566)	(122,437)	74,812	(50,503)	(125,315)
CASH, JANUARY 1	423,242	423,242	0	473,745	473,745	0
CASH, DECEMBER 31	455,113	332,676	(122,437)	548,557	423,242	(125,315)

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	784,823	384,782	(400,041)	524,240	293,706	(230,534)
Intergovernmental	663,500	602,678	(60,822)	600,000	622,522	22,522
Interest	10,000	8,892	(1,108)	8,000	9,321	1,321
Other	107,000	42,832	(64,168)	20,000	6,649	(13,351)
Transfers in	0	0	0	85,200	85,200	0
Total Receipts	1,565,323	1,039,184	(526,139)	1,237,440	1,017,398	(220,042)
DISBURSEMENTS						
Salaries	373,960	342,701	31,259	343,476	331,613	11,863
Employee fringe benefits	57,463	50,343	7,120	59,010	51,232	7,778
Supplies	107,600	119,951	(12,351)	108,900	113,946	(5,046)
Insurance	25,000	20,060	4,940	13,000	24,741	(11,741)
Road and bridge materials	128,750	98,083	30,667	227,077	225,424	1,653
Equipment repairs	90,000	82,015	7,985	85,300	84,172	1,128
Rentals	5,000	4,665	335	7,200	2,092	5,108
Equipment purchases	1,500	10,750	(9,250)	1,200	1,306	(106)
Construction, repair, and maintenance	237,500	206,513	30,987	0	0	0
Other	9,612	696	8,916	5,000	5,258	(258)
Transfers out	415,464	145,469	269,995	395,464	146,729	248,735
Total Disbursements	1,451,849	1,081,246	370,603	1,245,627	986,513	259,114
RECEIPTS OVER (UNDER) DISBURSEMENTS	113,474	(42,062)	(155,536)	(8,187)	30,885	39,072
CASH, JANUARY 1	117,985	117,985	0	87,100	87,100	0
CASH, DECEMBER 31	231,459	75,923	(155,536)	78,913	117,985	39,072
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	153,050	153,742	692	144,300	147,126	2,826
Interest	639	982	343	1,700	817	(883)
Other	0	176	176	0	136	136
Transfers in	13,488	5,991	(7,497)	29,713	8,000	(21,713)
Total Receipts	167,177	160,891	(6,286)	175,713	156,079	(19,634)
DISBURSEMENTS						
Assessor	167,572	159,202	8,370	177,177	157,148	20,029
Total Disbursements	167,572	159,202	8,370	177,177	157,148	20,029
RECEIPTS OVER (UNDER) DISBURSEMENTS	(395)	1,689	2,084	(1,464)	(1,069)	395
CASH, JANUARY 1	395	395	0	1,464	1,464	0
CASH, DECEMBER 31	0	2,084	2,084	0	395	395

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	3,200	4,041	841	0	3,115	3,115
Charges for services	7,000	10,214	3,214	12,000	7,069	(4,931)
Interest	100	233	133	1,200	221	(979)
Total Receipts	10,300	14,488	4,188	13,200	10,405	(2,795)
DISBURSEMENTS						
Sheriff	12,000	8,529	3,471	12,000	9,677	2,323
Total Disbursements	12,000	8,529	3,471	12,000	9,677	2,323
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,700)	5,959	7,659	1,200	728	(472)
CASH, JANUARY 1	3,308	3,308	0	2,580	2,580	0
CASH, DECEMBER 31	1,608	9,267	7,659	3,780	3,308	(472)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,580	2,552	972	1,500	1,758	258
Interest	696	491	(205)	700	627	(73)
Other	0	66	66	100	54	(46)
Total Receipts	2,276	3,109	833	2,300	2,439	139
DISBURSEMENTS						
Prosecuting Attorney	12,000	4,209	7,791	12,000	4,826	7,174
Total Disbursements	12,000	4,209	7,791	12,000	4,826	7,174
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,724)	(1,100)	8,624	(9,700)	(2,387)	7,313
CASH, JANUARY 1	9,834	9,834	0	12,221	12,221	0
CASH, DECEMBER 31	110	8,734	8,624	2,521	9,834	7,313
<u>911 EMERGENCY SERVICES FUND</u>						
RECEIPTS						
Interest	3,000	1,686	(1,314)	5,035	3,077	(1,958)
Telephone surcharges	304,000	282,903	(21,097)	270,500	228,777	(41,723)
Transfers in	15,651	42,000	26,349	42,000	42,000	0
Total Receipts	322,651	326,589	3,938	317,535	273,854	(43,681)
DISBURSEMENTS						
Salaries	254,400	258,101	(3,701)	241,187	232,080	9,107
Office expense	41,800	36,657	5,143	41,170	40,050	1,120
Equipment	27,432	31,700	(4,268)	24,000	14,955	9,045
Mileage and training	6,000	2,477	3,523	9,000	10,035	(1,035)
Other	1,000	2,278	(1,278)	127,121	2,341	124,780
Total Disbursements	330,632	331,213	(581)	442,478	299,461	143,017
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,981)	(4,624)	3,357	(124,943)	(25,607)	99,336
CASH, JANUARY 1	7,981	7,981	0	33,588	33,588	0
CASH, DECEMBER 31	0	3,357	3,357	(91,355)	7,981	99,336

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COURTHOUSE SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	1,000	184	(816)	50,000	2,394	(47,606)
Interest	78,000	108,482	30,482	200,000	114,255	(85,745)
Other	0	0	0	0	915	915
Total Receipts	79,000	108,666	29,666	250,000	117,564	(132,436)
DISBURSEMENTS						
Courthouse maintenance and repair	100,000	15	99,985	100,000	78,056	21,944
Total Disbursements	100,000	15	99,985	100,000	78,056	21,944
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,000)	108,651	129,651	150,000	39,508	(110,492)
CASH, JANUARY 1	2,212,588	2,212,588	0	2,173,080	2,173,080	0
CASH, DECEMBER 31	2,191,588	2,321,239	129,651	2,323,080	2,212,588	(110,492)
<u>SPECIAL ROAD AND BRIDGE</u>						
<u>SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	100	32	(68)	150	129	(21)
Interest	500	561	61	10,000	2,319	(7,681)
Total Receipts	600	593	(7)	10,150	2,448	(7,702)
DISBURSEMENTS						
Equipment	47,855	47,737	118	40,000	0	40,000
Total Disbursements	47,855	47,737	118	40,000	0	40,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(47,255)	(47,144)	111	(29,850)	2,448	32,298
CASH, JANUARY 1	47,255	47,255	0	44,807	44,807	0
CASH, DECEMBER 31	0	111	111	14,957	47,255	32,298
<u>PROSECUTING ATTORNEY</u>						
<u>USER FEE FUND</u>						
RECEIPTS						
Charges for services	35,000	35,489	489	36,000	40,175	4,175
Interest	700	463	(237)	800	778	(22)
Total Receipts	35,700	35,952	252	36,800	40,953	4,153
DISBURSEMENTS						
Prosecuting Attorney	9,200	10,106	(906)	12,200	7,033	5,167
Transfers out	35,775	34,869	906	23,600	15,429	8,171
Total Disbursements	44,975	44,975	0	35,800	22,462	13,338
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,275)	(9,023)	252	1,000	18,491	17,491
CASH, JANUARY 1	30,153	30,153	0	11,662	11,662	0
CASH, DECEMBER 31	20,878	21,130	252	12,662	30,153	17,491

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY</u>						
<u>DELINQUENT SALES TAX FUND</u>						
RECEIPTS						
Intergovernmental	5,000	8,278	3,278	6,400	6,405	5
Interest	500	945	445	600	746	146
Total Receipts	5,500	9,223	3,723	7,000	7,151	151
DISBURSEMENTS						
Prosecuting Attorney	5,000	3,487	1,513	2,000	0	2,000
Total Disbursements	5,000	3,487	1,513	2,000	0	2,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	5,736	5,236	5,000	7,151	2,151
CASH, JANUARY 1	19,803	19,803	0	12,652	12,652	0
CASH, DECEMBER 31	20,303	25,539	5,236	17,652	19,803	2,151
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for services	17,500	13,259	(4,241)	17,000	16,588	(412)
Interest	1,500	1,017	(483)	1,600	1,513	(87)
Total Receipts	19,000	14,276	(4,724)	18,600	18,101	(499)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	24,500	28,757	(4,257)	24,500	18,373	6,127
Total Disbursements	24,500	28,757	(4,257)	24,500	18,373	6,127
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,500)	(14,481)	(8,981)	(5,900)	(272)	5,628
CASH, JANUARY 1	25,656	25,656	0	25,928	25,928	0
CASH, DECEMBER 31	20,156	11,175	(8,981)	20,028	25,656	5,628
<u>CRISIS CENTER FUND</u>						
RECEIPTS						
Intergovernmental	15,000	5,280	(9,720)	10,000	11,352	1,352
Charges for services	7,000	7,498	498	7,500	7,150	(350)
Interest	500	454	(46)	500	509	9
Total Receipts	22,500	13,232	(9,268)	18,000	19,011	1,011
DISBURSEMENTS						
Payments to Crisis Center	27,000	12,754	14,246	17,687	18,340	(653)
Total Disbursements	27,000	12,754	14,246	17,687	18,340	(653)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,500)	478	4,978	313	671	358
CASH, JANUARY 1	10,293	10,293	0	9,622	9,622	0
CASH, DECEMBER 31	5,793	10,771	4,978	9,935	10,293	358

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	46,781	44,083	(2,698)	50,000	44,021	(5,979)
Interest	50	31	(19)	100	80	(20)
Total Receipts	46,831	44,114	(2,717)	50,100	44,101	(5,999)
DISBURSEMENTS						
Sheriff	50,000	47,282	2,718	50,100	42,183	7,917
Total Disbursements	50,000	47,282	2,718	50,100	42,183	7,917
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,169)	(3,168)	1	0	1,918	1,918
CASH, JANUARY 1	3,169	3,169	0	1,251	1,251	0
CASH, DECEMBER 31	0	1	1	1,251	3,169	1,918
<u>TIMBERS NID FUND</u>						
RECEIPTS						
Property taxes	18,800	12,579	(6,221)	23,900	195	(23,705)
Charges for services	0	0	0	0	5,840	5,840
Interest	1,000	731	(269)	1,600	2,432	832
Bond proceeds	0	0	0	125,000	0	(125,000)
Total Receipts	19,800	13,310	(6,490)	150,500	8,467	(142,033)
DISBURSEMENTS						
Bond repayment	15,000	12,169	2,831	150,500	58,125	92,375
Total Disbursements	15,000	12,169	2,831	150,500	58,125	92,375
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,800	1,141	(3,659)	0	(49,658)	(49,658)
CASH, JANUARY 1	14,829	14,829	0	64,487	64,487	0
CASH, DECEMBER 31	19,629	15,970	(3,659)	64,487	14,829	(49,658)

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CRIMINAL INVESTIGATION ASSISTANCE</u>						
<u>EXPENSE FUND</u>						
RECEIPTS						
Charges for services	9,000	8,084	(916)	10,000	8,984	(1,016)
Interest	700	755	55	400	664	264
Total Receipts	9,700	8,839	(861)	10,400	9,648	(752)
DISBURSEMENTS						
Sheriff	20,000	2,610	17,390	17,000	3,580	13,420
Total Disbursements	20,000	2,610	17,390	17,000	3,580	13,420
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,300)	6,229	16,529	(6,600)	6,068	12,668
CASH, JANUARY 1	15,735	15,735	0	9,667	9,667	0
CASH, DECEMBER 31	5,435	21,964	16,529	3,067	15,735	12,668
<u>COUNTRY HILLS NID FUND</u>						
RECEIPTS						
Property taxes	7,700	2,376	(5,324)	21,900	429	(21,471)
Interest	100	487	387	1,000	1,755	755
Bond proceeds	0	0	0	71,000	0	(71,000)
Total Receipts	7,800	2,863	(4,937)	93,900	2,184	(91,716)
DISBURSEMENTS						
Bond repayment	9,500	5,413	4,087	93,900	36,093	57,807
Total Disbursements	9,500	5,413	4,087	93,900	36,093	57,807
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,700)	(2,550)	(850)	0	(33,909)	(33,909)
CASH, JANUARY 1	7,336	13,022	5,686	46,931	46,931	0
CASH, DECEMBER 31	5,636	10,472	4,836	46,931	13,022	(33,909)
<u>NORTHWOOD NID FUND</u>						
RECEIPTS						
Property taxes	21,400	19,019	(2,381)	67,000	20,678	(46,322)
Interest	1,200	1,039	(161)	1,200	1,344	144
Total Receipts	22,600	20,058	(2,542)	68,200	22,022	(46,178)
DISBURSEMENTS						
Bond repayment	22,000	18,551	3,449	24,000	21,548	2,452
Total Disbursements	22,000	18,551	3,449	24,000	21,548	2,452
RECEIPTS OVER (UNDER) DISBURSEMENTS	600	1,507	907	44,200	474	(43,726)
CASH, JANUARY 1	17,580	17,580	0	17,106	17,106	0
CASH, DECEMBER 31	18,180	19,087	907	61,306	17,580	(43,726)

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DYE ESTATES NID FUND</u>						
RECEIPTS						
Property taxes	5,852	3,066	(2,786)	0	0	0
Charges for services	0	0	0	20,800	11,876	(8,924)
Interest	300	571	271	1,000	1,697	697
Bond proceeds	0	0	0	56,000	0	(56,000)
Total Receipts	6,152	3,637	(2,515)	77,800	13,573	(64,227)
DISBURSEMENTS						
Bond repayment	5,000	2,996	2,004	77,800	42,029	35,771
Total Disbursements	5,000	2,996	2,004	77,800	42,029	35,771
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,152	641	(511)	0	(28,456)	(28,456)
CASH, JANUARY 1	13,328	13,328	0	41,784	41,784	0
CASH, DECEMBER 31	14,480	13,969	(511)	41,784	13,328	(28,456)
<u>EAGLE POINT NID FUND</u>						
RECEIPTS						
Property taxes	7,199	6,118	(1,081)	26,000	0	(26,000)
Interest	750	470	(280)	1,000	1,493	493
Bond proceeds	0	0	0	68,000	0	(68,000)
Total Receipts	7,949	6,588	(1,361)	95,000	1,493	(93,507)
DISBURSEMENTS						
Bond repayment	10,000	5,521	4,479	95,000	31,942	63,058
Total Disbursements	10,000	5,521	4,479	95,000	31,942	63,058
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,051)	1,067	3,118	0	(30,449)	(30,449)
CASH, JANUARY 1	9,915	9,915	0	40,364	40,364	0
CASH, DECEMBER 31	7,864	10,982	3,118	40,364	9,915	(30,449)
<u>TOURISM BOARD FUND</u>						
RECEIPTS						
Lodging taxes	225,000	162,904	(62,096)	100,000	140,604	40,604
Interest	400	759	359	20	399	379
Total Receipts	225,400	163,663	(61,737)	100,020	141,003	40,983
DISBURSEMENTS						
Payments to Tourism Board	225,400	161,465	63,935	101,497	126,544	(25,047)
Total Disbursements	225,400	161,465	63,935	101,497	126,544	(25,047)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,198	2,198	(1,477)	14,459	15,936
CASH, JANUARY 1	15,936	15,936	0	1,477	1,477	0
CASH, DECEMBER 31	15,936	18,134	2,198	0	15,936	15,936

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FAMILY REUNION FUND</u>						
RECEIPTS						
Interest	50	28	(22)	150	46	(104)
Other	0	0	0	400	0	(400)
Total Receipts	50	28	(22)	550	46	(504)
DISBURSEMENTS						
Other	675	90	585	1,629	829	800
Total Disbursements	675	90	585	1,629	829	800
RECEIPTS OVER (UNDER) DISBURSEMENTS	(625)	(62)	563	(1,079)	(783)	296
CASH, JANUARY 1	705	705	0	1,488	1,488	0
CASH, DECEMBER 31	80	643	563	409	705	296
<u>SEWER GRANT FUND</u>						
RECEIPTS						
Intergovernmental	8,500	6,673	(1,827)	378,900	6,573	(372,327)
Other	0	0	0	0	15	15
Total Receipts	8,500	6,673	(1,827)	378,900	6,588	(372,312)
DISBURSEMENTS						
Construction projects	8,515	6,673	1,842	378,907	6,573	372,334
Total Disbursements	8,515	6,673	1,842	378,907	6,573	372,334
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15)	0	15	(7)	15	22
CASH, JANUARY 1	22	22	0	7	7	0
CASH, DECEMBER 31	7	22	15	0	22	22
<u>H HIGHWAY NID FUND</u>						
RECEIPTS						
Property taxes	51,000	31,941	(19,059)	51,000	46,520	(4,480)
Charges for services	0	0	0	0	9,325	9,325
Interest	11,000	9,517	(1,483)	10,000	11,611	1,611
Total Receipts	62,000	41,458	(20,542)	61,000	67,456	6,456
DISBURSEMENTS						
Bond repayment	102,000	42,117	59,883	45,000	42,843	2,157
Road maintenance	0	0	0	0	5,619	(5,619)
Total Disbursements	102,000	42,117	59,883	45,000	48,462	(3,462)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(40,000)	(659)	39,341	16,000	18,994	2,994
CASH, JANUARY 1	229,585	229,585	0	210,591	210,591	0
CASH, DECEMBER 31	189,585	228,926	39,341	226,591	229,585	2,994

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>NORTHLAKE NID FUND</u>						
RECEIPTS						
Property taxes	10,000	2,574	(7,426)	0	605	605
Charges for services	0	0	0	0	20,529	20,529
Interest	1,000	753	(247)	0	0	0
Bond proceeds	0	0	0	370,000	65,000	(305,000)
Total Receipts	11,000	3,327	(7,673)	370,000	86,134	(283,866)
DISBURSEMENTS						
Bond repayment	15,000	26,494	(11,494)	370,000	0	370,000
Construction	0	0	0	0	54,042	(54,042)
Total Disbursements	15,000	26,494	(11,494)	370,000	54,042	315,958
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,000)	(23,167)	(19,167)	0	32,092	32,092
CASH, JANUARY 1	32,092	32,092	0	0	0	0
CASH, DECEMBER 31	28,092	8,925	(19,167)	0	32,092	32,092
<u>WHITE OAKS NID FUND</u>						
RECEIPTS						
Charges for services	0	17,750	17,750			
Interest	0	691	691			
Bond proceeds	75,000	71,750	(3,250)			
Loan proceeds	75,000	75,083	83			
Total Receipts	150,000	165,274	15,274			
DISBURSEMENTS						
Constuction	75,000	67,594	7,406			
Loan repayment	75,000	83,481	(8,481)			
Other	0	128	(128)			
Total Disbursements	150,000	151,203	(1,203)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	14,071	14,071			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	14,071	14,071			

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	4,000	4,622	622			
Interest	0	62	62			
Total Receipts	4,000	4,684	684			
DISBURSEMENTS						
Elections	500	0	500			
Total Disbursements	500	0	500			
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,500	4,684	1,184			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	3,500	4,684	1,184			
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	5,000	10,334	5,334			
Total Receipts	5,000	10,334	5,334			
DISBURSEMENTS						
Law library	9,000	20,423	(11,423)			
Total Disbursements	9,000	20,423	(11,423)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,000)	(10,089)	(6,089)			
CASH, JANUARY 1	4,271	15,749	11,478			
CASH, DECEMBER 31	271	5,660	5,389			
<u>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Property taxes	129,179	142,074	12,895	102,472	122,322	19,850
Intergovernmental	1,800	49	(1,751)	1,800	1,079	(721)
Interest	8,000	11,231	3,231	3,500	10,987	7,487
Other	5,800	7,126	1,326	6,300	3,299	(3,001)
Total Receipts	144,779	160,480	15,701	114,072	137,687	23,615
DISBURSEMENTS						
Salaries	2,500	2,925	(425)	2,500	2,350	150
Office expenditures	4,500	1,439	3,061	22,199	2,896	19,303
Building fund	25,000	25,000	0	97,000	19,709	77,291
Reserve fund	20,000	10,926	9,074	6,000	0	6,000
Transportation payments	1,200	881	319	1,000	896	104
Contractual services	117,400	94,797	22,603	102,600	71,218	31,382
Total Disbursements	170,600	135,968	34,632	231,299	97,069	134,230
RECEIPTS OVER (UNDER) DISBURSEMENTS	(25,821)	24,512	50,333	(117,227)	40,618	157,845
CASH, JANUARY 1	166,686	167,246	560	117,227	126,628	9,401
CASH, DECEMBER 31	140,865	191,758	50,893	0	167,246	167,246

Exhibit B

PULASKI COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENIOR CITIZENS</u>						
<u>SERVICES BOARD FUND</u>						
RECEIPTS						
Property taxes	151,646	85,668	(65,978)	156,279	82,062	(74,217)
Intergovernmental	675	515	(160)	1,890	675	(1,215)
Interest	2,000	2,388	388	2,400	2,157	(243)
Total Receipts	154,321	88,571	(65,750)	160,569	84,894	(75,675)
DISBURSEMENTS						
Office expenditures	5,603	372	5,231	5,603	693	4,910
Contractual services	80,169	76,243	3,926	93,362	84,000	9,362
Total Disbursements	85,772	76,615	9,157	98,965	84,693	14,272
RECEIPTS OVER (UNDER) DISBURSEMENTS	68,549	11,956	(56,593)	61,604	201	(61,403)
CASH, JANUARY 1	29,277	29,277	0	29,076	29,076	0
CASH, DECEMBER 31	\$ 97,826	41,233	(56,593)	90,680	29,277	(61,403)

The accompanying Notes to the Financial Statement are an integral part of this statement.

Notes to the Financial Statements

PULASKI COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Pulaski County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Senate Bill 40 Board, or the Senior Citizens Services Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	1999
Circuit Clerk Interest Fund	2000 and 1999
Family Court Fund	2000 and 1999

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
911 Emergency Services Fund	2000
Recorder User Fee Fund	2000
Crisis Center Fund	1999
Tourism Board Fund	1999
H Highway NID Fund	1999
Northlake NID Fund	2000
White Oaks NID Fund	2000
Law Library Fund	2000

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, a deficit balance was budgeted in the 911 Emergency Services Fund for the year ended December 31, 1999.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2000 and 1999, did not include the Law Library Fund, Circuit Clerk Interest Fund, or the Family Court Fund.

For the Senate Bill 40 Board Fund, the county's published financial statement for the year ended December 31, 2000, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has

adopted such a policy. The policy permits investments in securities having principal and interest guaranteed by the United States government and collateralized time and demand deposits.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Senate Bill 40 Board's, and Senior Citizens Services Board's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's or boards' custodial banks in the county's or boards' names.

3. Subsequent Event

On April 11, 2001, the Pulaski County Sheriff filed a lawsuit against various defendants, including the Pulaski County Commission, County Clerk, and County Treasurer in their official capacity, seeking clarification of certain statutory authority and duties of the Sheriff versus the County Commission. The potential liability to the county cannot be determined at this time.

Supplementary Schedule

Schedule

PULASKI COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER0045-9185	\$ 0	115,876
		ER0045-0185	119,598	34,144
		ERS045-1185	37,035	0
	Program Total		156,633	150,020
10.559	Summer Food Service Program for Children	ERS 146	741	0
Office of Administration -				
10.665	Schools and Roads - Grants to States	N/A	68,469	74,997
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	98-PF-26	110,544	6,573
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ER0164 0386	3,810	10,390
U.S. DEPARTMENT OF JUSTICE				
Direct programs:				
16.592	Local Law Enforcement Block Grants Program	N/A	0	0
16.607	Bulletproof Vest Partnership Program	N/A	0	6,692
16.710	Public Safety Partnership and Community Policing Grants	N/A	19,918	68,995

Schedule

PULASKI COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
Passed through:				
State Department of Public Safety -				
16.546	Delinquency and Youth Violence	N/A	21,006	0
16.548	Title V - Delinquency Prevention Program	N/A	21,251	0
16.575	Crime Victim Assistance	N/A	0	20,954
Missouri Sheriff's Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,000	1,700
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through State Emergency Management Agency -				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants (Hazardous Materials Emergency Preparedness Training and Planning Grants (HMEP))	N/A	1,502	0
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	287	445
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through State Emergency Management Agency -				
83.544	Public Assistance Grants	N/A	1,966	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERO146-0185CLPP	0	10

Schedule

PULASKI COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2000	1999
93.268	Immunization Grants	PG0064-9185IAP	0	2,135
		N/A	11,486	6,743
	Program Total		<u>11,486</u>	<u>8,878</u>
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	N/A	676	0
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	28,570	27,346
	Department of Health -			
93.575	Child Care and Development Block Grant	PGA067-0185C	440	275
		PGA067-0185S	1,570	840
		PGA067-1185C	440	0
		PGO0067-9185	0	1,530
	Program Total		<u>2,450</u>	<u>2,645</u>
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-90013	0	3,591
		ERS161-00023	3,171	2,078
	Program Total		<u>3,171</u>	<u>5,669</u>
93.940	HIV Prevention Activities - Health Department Based	N/A	0	46
93.945	Assistance Programs for Chronic Disease Prevention and Control	C906267001	3,850	1,200
93.991	Preventive Health and Health Services Block Grant	AOC00380219	16,436	5,460
		AOC01380041	5,234	0
		AOC9000100	0	17,869
		N/A	137	80
	Program Total		<u>21,807</u>	<u>23,409</u>
93.994	Maternal and Child Health Services Block Grant to the States	ER0 146-9185MCH	0	30,666
		ER0 146-0185MCH	16,286	7,339
		ER0 146-1185MCH	9,125	0
		ER0 175-9185FP	0	3,071
		ERS 175- 0185FP	3,574	966
		ER0 175 1185FP	1,380	0
		N/A	684	401
	Program Total		<u>31,049</u>	<u>42,443</u>
	Total Expenditures of Federal Awards		<u>\$ 510,186</u>	<u>452,412</u>

Notes to the Supplementary Schedule

PULASKI COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Pulaski County, Missouri, except for the programs accounted for in the Pulaski County Public Housing Agency Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended December 31, 2000 and 1999.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$11,486 and \$6,743 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$137 and \$80 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$684 and \$401 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$3,810 and \$10,390 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Pulaski County, Missouri

Compliance

We have audited the compliance of Pulaski County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Pulaski County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1, 00-2, and 00-3.

Internal Control Over Compliance

The management of Pulaski County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-1, 00-2, and 00-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Pulaski County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 5, 2001 (fieldwork completion date)

Schedule

PULASKI COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Schools and Roads – Grants to States
16.710	Public Safety Partnership and Community Policing Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-1.	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ERS045-1185
Award Year:	2000 and 1999
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads – Grants to States
Pass-Through Entity	
Identifying Number:	Not Applicable
Award Year:	2000 and 1999
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Not Applicable
Federal CDFA Number:	16.710
Program Title:	Public Safety Partnership and Community Policing Grants
Pass Through Entity	
Identifying Number:	Not Applicable
Award Year:	2000 and 1999
Questioned Costs:	Not Applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported.

The county does not have procedures in place to adequately track federal awards for preparation of the SEFA. For the years ended December 31, 2000 and 1999, the county's SEFA contained numerous errors and omissions. For example, expenditures relating to several federal awards were not included on the schedules. In addition, the information presented by the County Clerk for several of the awards did not agree with the county's expenditure records. Most of the awards that were not properly reported or were omitted were handled by offices other than the County Commission, mainly the Health Center and Sheriff's Department. The County Commission should take steps to ensure these other offices properly track federal awards, or consider appointing a county-wide grants coordinator to ensure all federal awards are properly accounted for on the SEFA.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget. The County Commission should take steps to ensure other offices properly track federal awards, or consider appointing a county-wide grants coordinator.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We will take steps to improve the accuracy and completeness of the schedule of expenditures of federal awards. We plan to send a letter to all officeholders requiring all grant information to flow through the County Commission. We will consider appointing a grants administrator.

00-2.

Emergency Shelter Grants Program

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Social Services
Federal CFDA Number:	14.231
Program Title:	Emergency Shelter Grants Program
Pass-Through Entity	
Identifying Number:	ERO1640386
Award Year:	2000 and 1999
Questioned Costs:	\$14,200

Pulaski County received \$3,810 and \$10,390 in Emergency Shelter Grant monies during 2000 and 1999, respectively. The county then granted the Emergency Shelter Grant monies

to the Pulaski County Crisis Center (Crisis Center). The county does not have a contract with the Crisis Center regarding the use of these funds. As a result, we questioned the entire \$14,200 received during the audit period.

Section 432.070, RSMo 2000, requires all agreements to be in writing. Furthermore, Section 410(d) of OMB Circular A-133 requires the county to inform the Crisis Center of various information about the award and requirements imposed on them by Federal laws and regulations.

Written agreements and periodic monitoring would help ensure that monies distributed to the Crisis Center are expended in accordance with grant requirements and as intended by the County Commission. In addition, written agreements are necessary to clearly outline the expectations and responsibilities of each party, establish time frames for project completion, and specify services to be provided and the related compensation.

A similar condition has been noted in our prior two reports. Although the county indicated they would implement our recommendations, no corrective action has been taken.

WE RECOMMEND the County Commission enter into a written agreement with the Crisis Center regarding the use of Emergency Shelter Grant monies.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

We have discussed this with the Crisis Center and are in the process of obtaining a contract.

00-3. Local Law Enforcement Block Grants Program

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Not Applicable
Federal CFDA Number:	16.592
Program Title:	Local Law Enforcement Block Grants Program
Pass-Through Entity	
Identifying Number:	Not Applicable
Award Year:	1999
Questioned Costs:	\$17,630

Pulaski County was awarded \$17,630 in 1999 from the Local Law Enforcement Block Grants Program (LLEBG) to promote reduction of crime and improvement of public safety. The monies were drawn down by the Sheriff from the U.S. Department of Justice in April 2000; however, as of April 2001, none of these monies were expended and were still being held in the county's General Revenue Fund. The grant requires the county to hold an advisory board meeting and a public hearing before any monies are drawn down. However, the Sheriff was unable to provide any documentation or minutes that either of these meetings occurred. In addition, the grant requires that any monies drawn down be accounted for separately. The county has not accounted for these funds separately since they are

commingled with General Revenue Funds. As a result, we questioned the entire \$17,630 received during the audit period.

Under the Local Law Enforcement Block Grants Program, prior to the obligation of any funds received, an advisory board that includes representatives of groups with recognized interest in criminal justice and crime or abuse prevention and treatment must be formed and a meeting must be held to make recommendations to the unit of local government for the use of funds received under this program. Also, a public hearing must be held regarding the use of the funds. We spoke with two members who the Sheriff indicated in the grant application were supposedly on the advisory board, and they indicated they were not aware they were members of the board and that they did not attend any advisory board meetings or public hearings.

In addition to the award in 1999, the county received LLEBG awards in 2000 and 1998 in the amounts of \$20,903 and \$18,116, respectively. The 1998 grant was forfeited because it was not drawn down during the period of availability which expired September 30, 2000. It appears the county has until July 31, 2001, to draw down the 2000 grant award, but it needs to hold the required meetings and public hearing prior to drawing down the funds. If the county does not act quickly to draw down the 2000 grant, the county could lose a total of \$56,649 in federal funding because these grant awards were not properly managed.

WE RECOMMEND the county resolve the questioned costs with the U.S. Department of Justice and ensure appropriate federal regulations are followed for future federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

We will work with the Department of Justice to resolve the questioned costs and request extensions on the requirements for advisory board meetings and public meetings. We will establish procedures and inform all officeholders to ensure applicable federal guidelines are followed in the future.

The Sheriff provided the following response:

A former officer was in charge of conducting the meetings and ensuring all guidelines were met. It was my understanding that these meetings had occurred and all guidelines were met. Preparations were made to acquire equipment with this grant money but I was not aware the money had been received by the county until the audit was conducted in 2001. We will endeavor to comply with all federal guidelines on any future grants.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PULASKI COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PULASKI COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

Findings - Two Years Ended December 31, 1998

98-1. Emergency Shelter Grants Program

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Social Services
Federal CFDA Number:	14.231
Program Title:	Emergency Shelter Grants Program
Pass-Through Entity	
Identifying Number:	ERO1640156
Award Years:	1998 and 1997
Questioned Costs:	\$18,200

The county did not have a written agreement with the Pulaski County Crisis Center to ensure that funds provided for the Emergency Shelter Grant program were used in accordance with the grant requirements.

Recommendation:

The County Commission enter into a written agreement with the Pulaski County Crisis Center regarding the use of Emergency Shelter Grant monies.

Status:

Not implemented. The county has discussed, but not entered into a written agreement with the Crisis Center and has not had any contact with the grantor agency regarding the questioned costs. See finding number 00-2.

Findings - Two Years Ended December 31, 1996

96-3. Written Agreements

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Social Services
Federal CFDA Number:	14.231
Program Title:	Emergency Shelter Grants Program
Pass-Through Entity	
Identifying Number:	ERO1640156
Award Years:	1996 and 1995
Questioned Costs:	\$18,722

The county did not have a written agreement with the Pulaski County Crisis Center to ensure that funds provided for the Emergency Shelter Grant Program were used in accordance with the grant requirements.

Recommendation:

The County Commission enter into formal written agreements when providing or receiving goods or services and resolve the questioned costs with the grantor agency.

Status:

Not implemented. The county has discussed, but not entered into a written agreement with the Crisis Center and has not had any contact with the grantor agency regarding the questioned costs. See finding number 00-2.

SECTION ON OTHER MATTERS

PULASKI COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

Findings - Two Years Ended December 31, 1998

98-1. Emergency Shelter Grants Program

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Social Services
Federal CFDA Number:	14.231
Program Title:	Emergency Shelter Grants Program
Pass-Through Entity	
Identifying Number:	ERO1640156
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Questioned Costs:	\$18,200

The county did not have a written agreement with the Pulaski County Crisis Center to ensure that funds provided for the Emergency Shelter Grant program were used in accordance with the grant requirements.

Recommendation:

The County Commission enter into a written agreement with the Pulaski County Crisis Center regarding the use of Emergency Shelter Grant monies.

Status:

Not implemented. The county has discussed, but not entered into a written agreement with the Crisis Center and has not had any contact with the grantor agency regarding the questioned costs. See finding number 00-2.

Findings - Two Years Ended December 31, 1996

96-3. Written Agreements

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	State Department of Social Services
Federal CFDA Number:	14.231
Program Title:	Emergency Shelter Grants Program
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Identifying Number:	ERO1640156
Award Years:	1996 and 1995
Questioned Costs:	\$18,722

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Recommendation:

The County Commission enter into formal written agreements when providing or receiving goods or services and resolve the questioned costs with the grantor agency.

Status:

Not implemented. The county has discussed, but not entered into a written agreement with the Crisis Center and has not had any contact with the grantor agency regarding the questioned costs. See finding number 00-2.



**MANAGEMENT OF DRUGS
AT THE DEPARTMENT OF MENTAL HEALTH –
DIVISION OF COMPREHENSIVE PSYCHIATRIC
SERVICES' STATE-OPERATED FACILITIES**

**From The Office Of State Auditor
Claire McCaskill**

Better management of the drugs and pharmacies of state-operated mental health facilities is needed from the Department of Mental Health, Division of Comprehensive Psychiatric Services.

**Report No. 2001-55
July 20, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office Of
Missouri State Auditor
Claire McCaskill

July 2001

www.auditor.state.mo.us

Better management of pharmacies at state psychiatric service facilities could curb the risk of missing, misused or stolen drugs

This audit reviewed how state-operated psychiatric service facilities manage drugs disbursed to patients. The review focused on the 10 state facilities run by the Department of Mental Health's Division of Comprehensive Psychiatric Services and its internal controls over drug dispensation, inventories, formularies and pharmacy stocks. To test drug management, the audit tracked the drug dispensation from pharmacy to patient in about 60 instances at each facility. The following highlights the audit's findings:

Drugs records: some missing, others had discrepancies

The audit found instances at three facilities in which staff could not locate portions of patient medical records or controlled substance records. One facility could not find two weeks of daily controlled substance inventory records at two wards. In reconstructing some of these records, the audit staff found shortages of drugs, such as Valium, Ativan and Tylenol No. 3. Audit tests could not pinpoint what happened to these drugs. In addition, audit tests showed 15 instances in five facilities where pharmacy records showed one drug dosage charged to a patient, but patient records do not show if they received or refused the drug. (See page 4)

Overstocked pharmacies show need for better drug inventory

Several facilities overstocked pharmacies at the end of the fiscal year to increase reserves of high cost and frequently prescribed drugs. One facility made 77 percent of its drug expenditures in the last two months of fiscal year 2000, which left enough of some drugs to last more than two years. The overstocking seemed unnecessary since the prime drug vendor delivers within two days of an order. In addition, if the drugs expired from non-use, the state would pay 10 percent of the drug cost to return drugs purchased more three months prior. (See page 10)

Better drug formularies could control drug expenditures

Drug formularies, which are continually updated lists of approved medications, promote optimal patient care. The state does not require psychiatric facilities to maintain drug formularies. And of the seven facilities that have developed formularies, many are too broad. One facility had 14 drugs on its list to treat depression and 12 to treat psychosis, but some of these drugs were seldom or never used. Each facility had one or more drugs for either depression or psychosis that had fewer than 100 units dispensed over the fiscal year 2000. In addition, drugs dispensed at places without drug formularies are not properly controlled or tracked. (See page 15)

YELLOW SHEET

**MANAGEMENT OF DRUGS
AT THE DEPARTMENT OF MENTAL HEALTH-
DIVISION OF COMPREHENSIVE PSYCHIATRIC
SERVICES' STATE OPERATED FACILITIES**

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Roy C. Wilson, M.D., Director, Department of Mental Health
and
Dorn Schuffman, Director, Division of Comprehensive Psychiatric Services
Jefferson City, MO 65102

The State Auditor's Office performed an audit of the management of drugs at the Department of Mental Health - Division of Comprehensive Psychiatric Services' 10 state-operated facilities.

The objectives of this audit were to determine whether (1) controls to account for drug inventories and the disposition of drugs dispensed to wards and clients were in place and operating effectively; (2) drug formularies were properly developed and managed; and (3) drug stocks in the pharmacies and wards were efficiently managed.

We concluded that the Division of Comprehensive Psychiatric Services needs to better manage and control pharmacy operations and procedures related to drug inventories, administration, and formularies to ensure that drugs are properly handled and the best patient care is provided at the least cost.

Our audit was conducted in accordance with applicable generally accepted government auditing standards published by the U. S. General Accounting Office and included such procedures we considered necessary under the circumstances.

A handwritten signature in black ink that reads "Claire McCaskill".

Claire McCaskill
State Auditor

March 16, 2001 (fieldwork completion)

The following auditors participated in the preparation of this report:

Director of Audits: William D. Miller, CIA
Audit Manager: John Luetkemeyer, CPA
In-Charge Auditor: John Lieser, CPA
Audit Staff: Norma Payne

RESULTS AND RECOMMENDATIONS

1. Controls Over Drugs Dispensed to the Wards Could Be Improved

The Department of Mental Health, Division of Comprehensive Psychiatric Services (Psychiatric Services) needs to improve the monitoring of administering and accounting for drugs dispensed to the wards at the Psychiatric Services' facilities. Enhanced monitoring could reduce the risk of drug loss, misuse or theft. Audit tests found that:

- ✓ Psychiatric Services' facilities could not locate records that account for the disposition of narcotics and other controlled substances.
- ✓ Numerous discrepancies and omissions were present in the controlled substances records of inventory and administration.
- ✓ Control procedures that document drug wastage and shift counts of controlled substances were not always followed.
- ✓ Discrepancies in recording drug administration were present in the medical records.

Routine procedures did not exist at many of the Psychiatric Services' facilities to review the controlled substance records of inventory and administration for completeness and accuracy. In addition, Psychiatric Services has not developed standard procedures to monitor drug control procedures. As a result, the control procedures in place at most facilities were insufficient to detect deficiencies in the drug administration records.

Background

Controlled substances and other drugs are dispensed from each facility's pharmacy to the wards to be given to patients as prescribed by the doctors. Each facility requires the administering nurse to document administration of medications on the patient's medication administration record. The nurse is also required to document any instances when prescribed drugs are not administered due to patient refusal. Unused drugs, if not contaminated, are returned to the pharmacy.

Controlled substances are drugs subject to additional controls by federal and state law because of their susceptibility to abuse. (*See Appendix III, page 26, for additional information.*) Records of the receipt, administration, wastage, and balance of the controlled substances are prepared by the medication nurses in the wards. These controlled substance inventory and administration records are maintained in addition to the medical administration record and are sent to the pharmacies after completion for billing purposes and filing. During shift changes, the incoming and outgoing medication nurses are required to count the controlled substances in their respective wards. According to Psychiatric Services' procedures, the counts should be documented on the controlled substance inventory and administration records and any discrepancies between the counted amounts and the recorded balances should be investigated.

Audit Methodology

We tested the disposition of drugs from the pharmacy records to the patient medical records and other drug distribution records at the 10 Psychiatric Services' facilities. The records we reviewed included pharmacy billings and order lists, doctors' orders, medical administration records, and when necessary and available, controlled substance inventory and administration records, drug wastage records, and return-to-pharmacy records. For testing, we tracked one or more drugs dispensed for a patient for one dispensing period. The dispensing periods of the facilities varied from 1 day to 1 month. At most facilities, we tracked 60 items. In total, we tracked 560 at the 10 facilities. In addition to these tests, we scanned additional controlled substance inventory and administration records at some facilities and expanded specific tests because of weaknesses found in internal controls identified in our tracking of drug dispositions. The audit results represent conditions noted with these specific tests and do not represent a projection to all drugs dispensed. Issues discussed in the report as a result of these tests represent internal control problems that are systemic.

Missing records were noted at three facilities

Personnel at the Metropolitan St. Louis Psychiatric Center, St. Louis Psychiatric Rehabilitation Center, and Mid Missouri Mental Health Center were unable to locate portions of patient medical records or controlled substance records requested during the audit.

- The Metropolitan St. Louis Psychiatric Center could not locate the medical administration records spanning 3 days for one patient. This facility also could not locate the daily controlled substance inventory and administration record for two wards covering 14 days. The pharmacist speculated these records became missing after he returned the records to the wards for correction of various errors he discovered.
- The St. Louis Psychiatric Rehabilitation Center could not locate the doctor's orders and medical administration records spanning 1 month for one patient.
- The Mid Missouri Mental Health Center could not locate 1 day's controlled substance inventory and administration record of one ward.

Records were missing

Missing controlled substance inventory and administration records and other medical records leaves drugs unaccounted for and creates opportunities to conceal theft or misuse of drugs.

Controlled substances records had discrepancies and omissions

Audit tests disclosed discrepancies and omissions were present in the controlled substance inventory and administration records for June 2000. Examples of weaknesses in inventory controls follow:

- Audit staff reconstructed the missing records for the 14-day period at the Metropolitan St. Louis Psychiatric Center using ending balances of the preceding period's records, pharmacy issuances to the wards, and patient medical administration records. There were discrepancies in balances for several drugs. Our calculated drug balance should have represented the ending balance of the 14-day period and been equal to the next period's beginning balance recorded on the controlled substance inventory and administration record. The largest discrepancies were shortages of 18 tablets of Valium 5 mg, 12 tablets of Ativan 2 mg, and 10 tablets of Tylenol No. 3. Audit tests could not disclose whether these drugs were stolen, consumed, or lost.
- The administration of controlled substances was not promptly recorded for seven controlled substance inventory and administration records. These records contained one or more entries where the time recorded for giving the drug to the patient was not in proper sequence. For example, by examining the record, a reviewer would see that the fourth entry shows a time of administration earlier than that for the first, second, and third entry. Since entries to the controlled substance inventory and administration record must be made immediately upon administration, there is no viable reason for entries to be out of sequence. For the seven instances, neither facility staff nor we could determine, if these entries were backdated, cover-ups for lost or stolen drugs, or record-keeping errors.
- In 33 instances, the controlled substance inventory and administration record did not agree with medical records that documented drug administration to the patient. Often, the drug administered according to the inventory record was not recorded on the patient's medical record. This raises a question concerning whether the patient received the medication or whether the drug was misappropriated. We also noted instances where (1) the medical record reported the administration of a drug that was not reported on the inventory record, (2) the time of administration was reported differently on the inventory and medical record, and (3) the inventory record and medical record reported the administration of different dosages of the same drug.

Shortages of controlled substances were noted

Additionally, we noted 11 instances where the signature of the administering or receiving nurse was omitted from the controlled substance inventory and administration record.

These discrepancies and omissions could be indicative of errors in recording the medication administration or potentially more serious errors involving the administration of drugs not in accordance with the orders of the physicians. Additionally, such errors could be part of efforts to conceal fraud or theft of drugs. The St. Louis Psychiatric Rehabilitation Center recently investigated the shortage of a controlled substance in the ward, but was unable to pinpoint the cause of the shortage. The pharmacists responsible for reviewing the controlled substance inventory and administration records did not conduct thorough enough reviews to detect the deficiencies noted above. None of the facilities had a routine procedure to compare controlled substance inventory and administration records to patient medical records to determine if drugs were administered.

Drug records are not adequately reviewed

Documentation requirements for wastage and shift counts of controlled substances were not followed

Two signatures are required when controlled substances are disposed of and for inventory counts when nursing shift changes occur. The purpose for these controls is to guard against fraud and misuse. Audit tests disclosed that these controls were not always working as evidenced by our scan of June 2000 records for controlled substances.

- The witness to the wastage of a controlled substance did not sign the controlled substance inventory and administration record in 18 instances. Therefore, the record does not indicate that there was a witness, and state auditors could not determine if there was a witness or if the drugs were misappropriated.
- The shift count was not documented or only one nurse signed the entry for the shift count in 30, 11, and 9 instances at the St. Louis Psychiatric Rehabilitation Center, Metropolitan St. Louis Psychiatric Center, and Cottonwood Residential Treatment Center, respectively. Additionally, there were two instances at the St. Louis Psychiatric Rehabilitation Center where no explanation was documented for the recorded count shortage of one or two tablets.

Audit tests disclosed discrepancies between drugs dispensed and administered

For the month of June 2000, facility staff could not account for drugs dispensed from the pharmacy. We noted 15 instances at the Cottonwood Residential Treatment Center, Northwest Missouri Psychiatric Rehabilitation Center, Hawthorn Children's Psychiatric Hospital, Southeast Missouri Mental Health Center, and Fulton State Hospital where one dosage of a drug was dispensed from the pharmacy and charged to the patient and not recorded as administered to the patient or refused by the patient. Documentation indicating the drug as wasted or returned to the pharmacy did not exist. One of these instances involved a controlled substance. The nursing and pharmacy personnel at these facilities stated the discrepancies could be due to incorrect execution of procedures as follows:

- The nursing directors at the Cottonwood Residential Treatment Center and Northwest Missouri Psychiatric Rehabilitation Center said the items were omissions by the nursing staff in documenting the administration of drugs.
- The pharmacists at the Hawthorn Children's Psychiatric Hospital and Southeast Missouri Mental Health Center indicated the nursing staff sometimes return the unused drugs of a discharged client to the pharmacy without identifying the client. The pharmacist would not be able to apply a credit in these instances.
- The pharmacist at the Hawthorn Children's Psychiatric Hospital indicated the nurses sometimes borrow a drug tablet from the supply for one patient to make up for a shortage in the supply of another patient.

Lack of clarity in policies and procedures attributed to the conditions noted in this report. For example, for non-controlled substances, the Hawthorn Children's Psychiatric Hospital policy and procedures allows the medication nurse to destroy drugs contaminated during administration without documenting the wastage. To ensure control, drug wastage should be witnessed and documented. These facilities do not employ adequate oversight procedures to ensure that dispensed drugs are properly administered.

Accountability
for drug
administration
is needed

Conclusions

The policies and procedures developed by the Psychiatric Services' facilities have not been sufficient to prevent and detect instances of missing records and discrepancies and omissions within the records related to administration and control over drugs in the nursing wards. Ensuring that controlled substance inventory and administration records agree with patient medical records would provide protection from many of the discrepancies and omissions noted in this report. Additionally, procedures to record the wastage of non-controlled substances along with testing to account for drugs dispensed from the pharmacy as administered or wasted could provide assurance that drugs have been properly handled in the wards. Psychiatric Services staff has not required the development of such procedures by the facilities. Standard procedures for all facilities should be implemented to prevent exposing drugs to risk of loss or theft and to provide assurance that patients are issued appropriate drugs.

Recommendations

We recommend the Director, Division of Comprehensive Psychiatric Services:

- 1.1 Require facilities to develop controls to (a) ensure controlled substance inventory and administration records are properly completed and retained, (b) ensure wastage and nursing shift counts of controlled substances are properly conducted and documented, and (c) ensure drugs dispensed from the pharmacy are properly accounted for as administered to the patient or returned to the pharmacy.
- 1.2 Establish an ongoing monitoring function to ensure the above controls are functioning effectively.

Department of Mental Health's responses:

Controls Over Drugs Dispensed to the Wards Could Be Improved.

While the Division of Comprehensive Psychiatric Services acknowledges that processes may always be improved, we disagree with the general conclusion that our facilities have failed to insure that drugs are not exposed to increased risk of loss, misuse, or theft. CPS facilities dispense over half a million doses of medication each month, and each month perform over 3,400 control inventory counts to assure accountability.

- A. *Regarding missing records that were noted at 3 facilities:*

- Auditors note that Metropolitan St. Louis Psychiatric Facility could not locate medication administration records for 3 days for 1 patient. The record identified was in transfer between the unit and the pharmacy for quality control re-check and was sent to the Auditor at a later date. Metropolitan St. Louis Psychiatric Center generates 2,400 medication administration records per month.
- At Metropolitan Psychiatric Center regarding the 2 wards missing 14-days of controlled substance inventory and administration records, we agree that discrepancies exist. While we cannot prove that the drugs were not lost or stolen, nor is there evidence that the drugs were not consumed by patients as intended. Additional monitoring has been put into place.
- Regarding the Medication Administration Record and doctor's orders for one patient for one month at St. Louis Psychiatric Rehab Center. Since St. Louis Psychiatric Rehab Center generates 850 medication administration records per month this is an error rate of 0.1%.
- Regarding the one-day, one ward Controlled Substance Administration record at Mid Mo Mental Health Center. Since Mid Mo Mental Health Center generates 120 controlled substance inventories a month this is an error rate of 0.8%.

B. Discrepancies and omissions in controlled substance records. The auditors identify a total of 44 errors of documentation that occur on controlled substance and administration records. CPS facilities inventory controlled substances 3 times a day, on each unit. In a 1-month period CPS facilities generate 3,473 controlled substance administration records. This represents a documentation error rate of less than 1.3%.

C. Documentation of wastage and shift counts.

The auditor's identify 18 incidences of errors of documentation of wastage. As previously noted, CPS facilities generate 3,473 inventory counts including wastage documentation monthly. This is a documentation error rate of approximately 0.5%. Regarding shift counts, the auditors identify only 2 instances of actual discrepancy at St. Louis Psychiatric Rehab Center. For St. Louis Psychiatric Rehab Center, which administers 1400 doses of controlled substances a month this represents an error rate of 0.14%.

D. Audit tests disclose discrepancies between dispensing administration

The auditor's note 15 instances, in 5 facilities, where records of pharmacy dispensing do not match records of administration. These 5 department facilities administer over 350,000 doses of medication each month and generate 2,173 medication administration records for individual patients monthly. This represents a documentation error rate of .004% per doses administered.

E. Conclusions: CPS facilities are constantly engaged in continuous quality improvement to prevent and reduce errors of documentation and improve their medication management process. We agree with auditors that such processes may always be improved further.

CPS has standard procedures in place that prevent exposing drugs to risk of loss and theft and assure that patients receive the appropriate drugs.

F. Recommendations:

1.1 & 1.2 CPS will conduct a pilot audit of a random sample at each facility to monitor, and verify that controlled substances dispensed from pharmacy and issued to nursing units are administered to patients as intended. Data sources will include controlled substance administration records, medication administration records, and pharmacy controlled substance inventory records. The results from the initial pilot will be used to determine whether the improvements achieved merit continued periodic audits.

State Auditor Comments:

Psychiatric Services calculated “error rates” based on the total population of events possible in a given month. We did not test all transactions for any given month. As a result the error rates calculated by Psychiatric Services are wrong. As explained in our audit methodology, we generally tested approximately 60 items at each facility and scanned additional transactions at some facilities. These tests were patient specific and for a single episode of administration. They were not projected to a total month’s activity for all patients and all medical administration episodes.

While pilot audits may be beneficial, the report clearly shows there are procedural weaknesses that need to be corrected as recommended in recommendation 1.1.

2. Controls Over Drug Inventories Should Be Improved

Drug inventories were exposed to increased risk of loss, misuse, theft, and expiration due to the purchasing and dispensing practices and inventory controls of Psychiatric Services' facilities. The Department of Mental Health allocated funds to Psychiatric Services' facilities to acquire drugs near the end of the fiscal year 2000. As a result, significant overstocking of drugs at some of the facilities occurred. Additionally, there were inconsistencies among the facilities in procedures to control drug inventories and dispense drugs to the patient care areas as follows:

- ✓ Some facilities maintained perpetual drug inventory records for all drugs, while other facilities maintained perpetual inventory records for only some of their drugs.
- ✓ The perpetual records, where they were maintained, were often inaccurate.
- ✓ Complete physical drug inventory counts were not conducted regularly by most facilities.
- ✓ Some facilities dispense drugs infrequently to the patient care areas and consequently maintain significant stocks of drugs in those areas.

Psychiatric Services staff has not established consistent drug inventory controls and has not reviewed the adequacy of controls currently in place at Psychiatric Services' facilities. As a result, the facilities have developed inconsistent and often ineffective controls over drug inventories and drugs are vulnerable to theft.

Background

Psychiatric Services' facilities use their individual budget appropriations to purchase drugs. Psychiatric Services also allocated funds for medications to facilities. Psychiatric Services' facilities that maintain pharmacy inventories, order drugs from the state's prime vendor. The prime vendor delivers drugs within 48 hours of receiving the order. The concept of prime vendor is to provide "just-in-time" delivery and reduce the need for large inventories of products.

Except for the Southwest Missouri Psychiatric Rehabilitation Center, Mid Missouri Mental Health Center, and Cottonwood Residential Treatment Center, each facility has a pharmacy where drugs are stored after purchase. Drugs prescribed to patients are dispensed from these pharmacies to the wards, usually according to a regular schedule. The drugs dispensed for patients are housed in medication rooms in the wards until administered to the patients by nursing staff. Drugs for patients of Southwest Missouri Psychiatric Rehabilitation Center, Mid Missouri Mental Health Center, and Cottonwood Residential Treatment Center are dispensed to the wards of the facilities from contracted off-site pharmacies.

Year-end drug purchases resulted in overstocked drugs

The drug inventories for certain drugs in the pharmacies of the Psychiatric Services' facilities were excessive on June 30, 2000, because drugs were acquired near the end of the state fiscal year to expend remaining appropriations. Although Psychiatric Services staff could not quantify the amount of funds allocated to facilities to acquire drugs near the end of the fiscal year 2000,

the amounts were significant. The facilities used the allocations to increase their reserves of high cost and frequently prescribed drugs, the most prevalent of which was Olanzapine in various strengths. As a result, the facilities' stocks of this anti-psychotic drug at June 30, 2000, were in excess of immediate needs. The Western Missouri Mental Health Center, Fulton State Hospital, and St. Louis Psychiatric Rehabilitation Center all held stores of Olanzapine on June 30, 2000, that were particularly excessive.

- The Western Missouri Mental Health Center spent \$368,000 on drugs of which \$287,000 was spent in the final 2 months of the fiscal year ending June 30, 2000. It held total stocks of Olanzapine on June 30, 2000, with a value of \$202,669. Based on usage of this drug during the preceding year, the Western Missouri Mental Health Center held supplies on June 30, 2000, of the 5 mg, 7.5 mg, and 10 mg tablets equivalent to usage for 28, 19, and 16 months, respectively.
- On June 30, 2000, the Fulton State Hospital held supplies of Olanzapine 7.5 mg tablets equivalent to usage of about 9 months.
- The St. Louis Psychiatric Rehabilitation Center held supplies of all dosages of Olanzapine equivalent to usage of about 4 months.

Large year-end purchases resulted in overstocking

The drug quantities on hand in the pharmacies on June 30, 2000, were much larger than necessary to meet the needs of the facilities. Because the prime vendor delivers within 2 days of ordering, it should not be necessary to maintain more than a few days' supply of drugs on hand at any time. Given the reorder time frames, the drug stocks could be reduced significantly. Overstocking of drug inventories unnecessarily commits state funds and increases the potential for misuse, theft, or expiration of drugs. Such overstocking also does not account for the possibility of introducing a new drug that could have an impact on historical issue rates of the current drug.

Psychiatric Services' staff indicated that the year-end purchases were made to obtain drugs at cheaper prices due to an annual drug inflation rate of approximately 12 percent. However, our review of Olanzapine prices indicated no change from June 2000 prices through February 2001. Staff also indicated that no wastage of drugs due to expiration is possible because expired drugs can be returned to the prime vendor for full credit. While it is true that expired drugs may be returned to the prime vendor, a fee of at least 10 percent is charged for returns made more than 90 days after purchase.

Large differences between perpetual inventory records and physical inventory counts existed




Psychiatric Services' staff has not established inventory procedures or guidelines for the facilities. The facilities have independently developed various policies related to perpetual inventory systems and physical inventory counts. However, Psychiatric Services has not reviewed the adequacy of those procedures or routinely monitored facility compliance with those procedures.

Perpetual drug inventory records are maintained to varying degrees at the facilities. All facilities maintain perpetual inventory records for Schedule II controlled substances (drugs that have high severe psychic or physical dependence liability) due to the high risk of abuse and misuse for these drugs. Additionally, the St. Louis Psychiatric Rehabilitation Center, Metropolitan St. Louis Psychiatric Center, Hawthorn Children’s Psychiatric Hospital, and Southeast Missouri Mental Health Center maintain perpetual inventory records for all other drugs, and the Fulton State Hospital maintains perpetual records for only all other controlled substances (Schedule III-V drugs). The Fulton State Hospital previously had maintained perpetual records for some of its most costly drugs to provide additional controls over these drugs, but stopped tracking these drugs because it found the procedure to be ineffective and labor intensive.

Drug inventory records are not reliable

The perpetual inventory records contained numerous inaccuracies for three of the four facilities maintaining perpetual records for all drugs. The individual drug balances maintained in the perpetual records of St. Louis Psychiatric Rehabilitation Center, Metropolitan St. Louis Psychiatric Center, and Hawthorn Children’s Psychiatric Hospital often varied significantly from the quantities counted during the most recent physical inventory count, and negative balances were recorded for many drugs.

The wide disparity in counts compared to records made the records unreliable. The facilities’ staffs investigated the variances between the counted and recorded quantities and determined that errors had been made in entering transactions into the perpetual records. Examples of these errors were: (i) recording the wrong unit for the drug in the records, and (ii) recording a “date received” as a “quantity” in the records. The occurrence of these discrepancies indicates that accurate record keeping is not a priority. The following table shows some of the drugs with variances between the recorded and counted quantities.

Table 2.1 - Selected Drugs with Quantity Variances			
Facility	Metropolitan St. Louis Psychiatric Center	Recorded	Quantity Counted
	Lithium Carbonate 150 mg	-413,057	131
	Acetaminophen 325 mg (Tylenol)	382	1,068
	Citalopram 10 mg (Celexa)	956	26
	Divalproex 500 mg (Depakote)	827	457
	Haloperidol 5mg/ml (Haldol)	-914	126
Facility	St. Louis Psychiatric Rehabilitation Center		
	Lithium Citrate 8meq/5ml	7,213	0
	Acetaminophen 325 mg (Tylenol)	-825	3,000
	Bupropion SR 100 mg	-3,918	718
	Carbamazepine 200 mg (Tegretol)	-7,235	3,000
	Divalproex 500 mg (Depakote)	4,628	2,300
Facility	Hawthorn Children’s Psychiatric Center		
	Risperidone 1 mg	494	62
	Carbamazepine 200 mg unit dose	-1,974	232
	Clonidine HCL .1 mg	1,212	238
	Benzotropine 1 mg unit dose	-1,324	207
	Methylphenidate HCL 10 mg	1,082	1,390

Source: Facility records

While each facility conducted physical inventory counts of controlled substances at least annually, some facilities were not conducting periodic physical inventory counts for all other drugs. The most recent complete physical inventory counts of St. Louis Psychiatric Rehabilitation Center, Metropolitan St. Louis Psychiatric Center, Northwest Missouri Psychiatric Rehabilitation Center, and Hawthorn Children's Psychiatric Hospital were conducted more than 1 year following the previous count. More than 3 years had elapsed between complete physical inventory counts at Hawthorn Children's Psychiatric Hospital. By contrast, Fulton State Hospital, Southeast Missouri Mental Health Center, and Western Missouri Mental Health Center have conducted complete physical inventory counts annually and compared the total counted value to an expected value based on the previous year's count and total purchases and usages during the year. Pharmacy inventories are exposed to increased risk of loss and theft when perpetual records are not maintained correctly and periodic physical inventory counts are not properly conducted.

Drug inventory procedures are not consistent

Psychiatric Services' staff could assist the facilities in developing appropriate methods of controlling pharmacy inventories. The procedure development process could be facilitated by a sharing of experiences among the facilities of the advantages and disadvantages of the various systems. While differing procedures may be appropriate at the various facilities, Psychiatric Services should review and approve each facility's procedures and then establish an ongoing monitoring function to ensure compliance with those procedures. One of the highest priorities in any inventory procedure is the reconciliation of records to physical counts.

Untimely dispensing intervals to the wards caused excessive stocks of drugs

Some facilities maintain excessive stocks of drugs in the wards because the pharmacies do not dispense drugs to the wards often enough. Drugs are dispensed on a daily cycle to the wards of the Western Missouri Mental Health Center, Southeast Missouri Mental Health Center, and Mid Missouri Mental Health Center. The other facilities have adopted dispensing intervals of various frequencies ranging from three times each week to once each month. Psychiatric Services has not developed policies or guidelines for the facilities regarding dispensing intervals.

Drug quantities in wards are too large

The quantity of drugs maintained in the wards should be maintained at minimal levels to reduce the risk of theft or loss of drugs and to reduce the record keeping burden over ward stocks. Psychiatric Services should develop and institute policies for the facilities to maintain minimal drug stores in the wards. This is especially important because of the problems noted in Issue 1 of this report regarding accountability of drugs on wards and records of administration of drugs to the patients.

Conclusions

Psychiatric Services' oversight and management of the drug inventories and policies of the Psychiatric Services' facilities has not been sufficient to provide for consistent and effective control over drugs. At Psychiatric Services' facilities, the inventories of drugs in the pharmacies and wards have been overstocked, perpetual inventory records have been maintained

inaccurately, and complete physical inventory counts have been conducted infrequently. Consequently, drugs have been exposed to increased risk of loss, misuse, theft, and expiration.

Recommendations

We recommend the Director, Division of Comprehensive Psychiatric Services:

- 2.1 Curtail fiscal year-end drug purchasing of excessive quantities of drugs.
- 2.2 Review and approve pharmacy procedures at each facility and then establish an ongoing monitoring function to ensure compliance with those procedures.
- 2.3 Review dispensing intervals at pharmacies to reduce the quantities of drugs stored in the ward areas.

Department of Mental Health's responses:

Controls Over Drug Inventory Should Be Improved

- A. *Year-end drug purchases result in overstocked drugs. CPS agrees that in some years it purchases advance inventory of drugs, but disagrees that this represents overstocking. Medication prices are subject to unpredictable cost increases. While Olanzapine did not change its price during the time period noted by the auditors the practice of purchasing advance medications has yielded significant savings for other medications for other periods of time. It is not possible to predict precisely which medication will increase in price and at exactly what time.*
- B. *Differences between perpetual inventory records and physical inventory counts exist. CPS agrees that these discrepancies render the perpetual inventories unusable and is discontinuing perpetual inventories for all except controlled substances. The smaller number of drugs that are controlled substances and the much smaller volume of doses of controlled substances utilized make perpetual inventories possible to do in an accurate manner within a reasonable commitment of manpower. The additional risk of controlled substances merits continuing perpetual inventories. Regarding timely physical inventories CPS agrees that Hawthorn's Children Psychiatric Hospital's inventory for the period between the last 2 inventories was excessive. However, all other facilities were in acceptable limits for annual audit.*
- C. *Untimely Dispensing Intervals – CPS agrees that dispensing intervals vary and they should given the variety of types of facilities. Dispensing intervals at acute hospitals where patients only stay a few days and new patients are admitted and discharged everyday, short dispensing intervals are appropriate. At long-term facilities where patients stay for years and medications are changed only infrequently, longer dispensing periods are appropriate. All CPS facility units except two dispense at least once a week. Fulton State Hospital has a transition to community unit where patients are particularly stable that dispenses every 14 days. Cottonwood Residential Treatment Center dispenses monthly, this is the usual practice for residential treatment centers.*

D. Conclusions

Psychiatric Services disagrees with the conclusion that it has not provided consistent and effective control over medications and that its pharmacies and wards are overstocked.

E. Recommendations

- 2.1 CPS has not purchased advance stock during the current fiscal year but reserves the right to do so in future fiscal years if in its judgment this would result in savings to the State of Missouri.*
- 2.2 CPS agrees that perpetual inventories are not helpful for non-controlled medications and will discontinue them. CPS will maintain perpetual inventories for controlled substances. CPS will require physical inventories annually.*
- 2.3 CPS has reviewed its facilities' dispensing intervals and finds them appropriate. CPS will refer the auditor's comments on dispensing periods to the facility pharmacy and therapeutics committees and safety committees for consideration.*

State Auditor Comments

Psychiatric Services states that its year-end drug purchases do not represent overstocking. Our concern is borne out by Psychiatric Services' comments to the report where they acknowledge, "It is not possible to predict precisely which medication will increase in price and at exactly what time." Without this knowledge, Psychiatric Services' cannot justify the year-end purchases.

3. Better Management of Drug Formularies Is Needed

Drug formularies were not being used effectively to control drug expenditures while ensuring the best drug therapy to Department of Mental Health clients. While seven Psychiatric Services' facilities had developed a drug formulary, three facilities had not. For those facilities that had developed a drug formulary, there were deficiencies in the drug formulary development and control as follows:

- ✓ The drug formularies were often broad and contained some drugs that were seldom or never used.
- ✓ Written justification and approval for the non-formulary prescriptions was not required by many of the facilities.
- ✓ Many of the facilities did not formally monitor the amount of non-formulary drug usage.

Psychiatric Services' staff has not established consistent policies and procedures regarding formulary management at the facilities. As a result, there is less assurance Psychiatric Services is realizing the intended benefits of a properly managed drug formulary – to improve the quality and control the cost of drug therapy.

Background

A Pharmacy and Therapeutics (P&T) Committee and drug formulary are two important components of drug management in a health-care organization. The health-care organization's P&T committee, which is composed of physicians, pharmacists, nurses, administrators, and other health professionals, is responsible for evaluating the clinical use of drugs, developing policies for managing drug use and drug administration, and developing and managing the drug formulary. A drug formulary is a continually updated list of medications approved by the P&T committee for use by the patients of the health-care organization. Drug products included on the formulary are routinely available for use in the organization. The drug formulary promotes optimal patient care because it restricts the drug treatments to only those drugs judged to be in the best interest of the patient's health needs in terms of efficacy and cost.

Drugs on formularies represent a decision by trained professionals regarding the quality of the drug, frequency of use of the drug for patients, and cost of the drug. Provisions are always made for prescribing drugs not on formulary for those instances where the formulary drugs are not suited for a particular patient's needs. These provisions generally require approval from the Chief of Staff or P&T committee before prescribing. Approvals are necessary because they require a justification as to why a drug on the formulary is not appropriate and can give cause for the approval authorities to consider adding the new drug to the formulary if there is a projected recurring need for it.

Some facilities have not developed drug formularies specific to the facilities' needs

Psychiatric Services' staff has not required the facilities to establish and maintain drug formularies. Seven facilities have independently developed their own drug formularies, but the Mid Missouri Mental Health Center, Cottonwood Residential Treatment Center, and Southwest Missouri Psychiatric Rehabilitation Center have not developed drug formularies specific to the needs of these facilities. Consequently, these facilities have less assurance that their patients have received the most efficacious and cost effective drug therapy.

Drug
formularies
are needed at
all facilities

The Cottonwood Residential Treatment Center has not developed a drug formulary. The physician at this facility may prescribe drugs without regard to the restrictions of a drug formulary.

The Southwest Missouri Psychiatric Rehabilitation Center and the Mid Missouri Mental Health Center have not developed drug formularies specific to the needs of these facilities. The Southwest Missouri Residential Treatment Center's formulary consists of a 253 page drug catalog that lists nearly 1,000 drugs. The Mid Missouri Mental Health Center physicians prescribe drugs from the formulary of the University of Missouri Hospital and Clinics' pharmacy from which it obtains its drugs. Although the Mid Missouri Mental Health Center may recommend changes to the formulary of the hospital, it has no members on the P&T committee of the hospital, and consequently is not directly involved in the development and approval of the hospital's formulary.

Drug formularies were too broad

The drug formularies developed by the facilities could have more drugs than needed to provide adequate care to their patients. For example, the drug formularies of the facilities contained at least 14 drugs to treat depression and 12 to treat psychosis. Some of these drugs were seldom or never used indicating that they might not be needed. Whether they are needed would have to be determined through a review by the P&T committee.

Some
formulary
drugs are
never used

Each facility had one or more drugs in these two drug classes (depression and psychosis) that had fewer than 100 units dispensed during the year ending June 30, 2000. The Hawthorn Children's Psychiatric Hospital and St. Louis Psychiatric Rehabilitation Center had seven and five formulary drugs, respectively, in these two drug classes that were not dispensed. The medical director of the St. Louis Psychiatric Rehabilitation Center indicated that these unused drugs are usually not needed and should be removed from the formulary. Most facilities did not routinely review the formularies to consider seldom or never used drugs for removal from the formulary.

Psychiatric Services' staff did not compare facility formularies to possibly identify drugs that are not efficacious or cost effective. The facilities indicated a large number of formulary drugs were necessary because some of the drugs produce different results in certain patients. However, by reducing the size of the formularies and removing seldom used drugs from

Psychiatric
Services has
not compared
formularies

the formularies where possible, better control over the drugs prescribed could be achieved, as the use of marginally effective drugs would be discouraged. Also, because the pharmacies generally maintain some stock of all formulary drugs, eliminating seldom and never used drugs from the formularies would reduce the risk of loss from expiration and reduce the overall costs of inventories.

Non-formulary drug usage was not adequately controlled

Psychiatric Services has not established procedures for facilities to control non-formulary drug usage. Each facility has developed its own procedures for allowing physicians to prescribe non-formulary drugs. The procedures at most facilities for justifying, approving, and monitoring non-formulary drug usage provided insufficient control. At most facilities, the physicians were permitted to prescribe non-formulary drugs without providing a written justification or obtaining written approval from another member of the medical staff. Psychiatric Services' staff indicated that verbal approval is obtained at some facilities and that this is sometimes noted in P & T Committee meeting minutes. Most facilities required the pharmacist to suggest formulary alternatives upon receiving non-formulary prescription orders, however, the pharmacist generally filled the prescription if the physician believed the drug was needed. Additionally, most facilities do not formally track the amount of non-formulary drug usage.

Better controls
are needed for
non-formulary
drug use

To ensure the drug formularies are not being circumvented, guidelines are needed for non-formulary drug usage. The guidelines should require written justification and approval. That could include the following criteria:

- Patient experiences an adverse reaction to a formulary alternative.
- Formulary alternatives have been tried and were therapeutic failures.
- Formulary alternative do not exist.
- Patient has previously responded to a non-formulary drug and risk is associated with a change to a formulary alternative.
- Other circumstances exist with compelling evidence-based clinical reasons.

Non-formulary approvals should be subsequently re-evaluated based upon the clinical response of the patient. The guidelines should also require periodic monitoring of the amount of non-formulary drugs dispensed.

Conclusions

Psychiatric Services' oversight and management of drug formularies of facilities has not been sufficient to ensure the best drug therapy is provided to its patients at the least cost. Three facilities have not developed drug formularies. The formularies that have been developed are broad and contain drugs that are seldom or never prescribed. Non-formulary drug usage is

not properly controlled and tracked. Consequently, the benefits of properly developed and managed drug formularies have not been fully realized.

Recommendations

We recommend the Director, Division of Comprehensive Psychiatric Services:

- 3.1 Require all facilities to develop drug formularies.
- 3.2 Review facility formularies for drugs that are seldom or never used and determine whether these drugs should be removed. In addition, Psychiatric Services should periodically compare facility formularies to determine whether more efficacious and cost effective drugs should be added.
- 3.3 Develop procedures for facilities to better manage and control non-formulary drug usage.

Department of Mental Health Responses:

Better Management of Drug Formulary

- A. *“Some facilities have not developed drug formularies” – CPS agrees that the Cottonwood Residential Treatment Center has not developed a drug formulary. Cottonwood Residential Treatment Center is intended to function as a residential treatment center and not as a hospital facility. Residential treatment centers are not required by standard or license to develop and maintain drug formularies. Residential Treatment facilities do not, as a general practice, develop or maintain drug formularies. There is only 1 physician practicing at Cottonwood Residential Treatment Center for a few hours a week. Use of a formulary would make no more sense than with an individual practitioner operating in solo practice in the community or at a nursing home. Regarding Mid Mo Mental Health Center, they utilize the formulary of University Hospital. The Pharmacy and Therapeutics Committee of Mid Mo Mental Health Center has evaluated and accepted the University Hospital formulary as being appropriate to the needs of Mid Mo Mental Health Center. We disagree that any changes are necessary for Mid Mo Mental Health Center.*
- B. *“Drug formularies are too broad”- We disagree that the drug formularies at CPS facilities are too broad. As noted above, development of a formulary is the purview of the licensed professional pharmacist and physicians of the medical staff. It is appropriate for CPS facilities to have formularies that contain all available medications for treatment of mental illness since we are tertiary referral specialty facilities for the treatment of mental illness. The acute care facilities need to maintain broad formularies in non-psychiatric areas due to their patients only staying a few days and the non-psychiatric medication being prescribed by outside physicians. It would be poor patient care to change a persons asthma medicine during their 3 to 5 day stay at a CPS acute facility only to have it changed back again once in the community. This would expose the patient to additional risk of developing new drug interactions and is also potentially confusing to*

patients and a likely source of additional errors in continuity between facility and community.

C. *“Conclusion” – Psychiatric Services disagrees that it has not ensured the best drug therapy. We do not believe that therapy is improved by taking a restrictive approach to formularies and believe that these decisions are best made by pharmacist and physicians. The minutes of the CPS facilities’ Pharmacy and Therapeutics Committees document adequate formulary management.*

D. *Recommendations:*

3.1 *CPS will continue to require facilities that are designed and function as hospitals to develop and maintain formularies. We do not believe it is useful or appropriate to require residential treatment facilities to develop drug formularies.*

3.2 *The Medical Director of CPS with the support of DMH and new appropriations provided by Missouri legislature has worked to assure that all the newer, more effective psychiatric medications are available at CPS in-patient facilities. Facilities have been provided with practice guidelines for most effective usage of some medications. We will refer the auditor’s findings and recommendations to the individual facilities pharmacy and therapeutics committee for their consideration regarding formulary development and maintenance.*

3.3 *We will refer the auditor’s findings and recommendations to the individual facility’s pharmacy and therapeutics committee where authority rests regarding approval and monitoring of non-formulary usage.*

State Auditor Comments

Psychiatric Services states that a drug formulary is not useful or appropriate for patients in a residential treatment facility setting. However, drug formularies restrict drug treatments to drugs judged to be in the best interest of the patients’ health needs in terms of efficacy and cost.

We did not advocate that persons with short-term stays for psychiatric care should have their non-formulary drugs changed upon admission. Rather, this condition would be a viable reason for justifying continuance of the drug even though it is not on the facility’s formulary.

4. Pharmacy Arrangements Need Reconsideration

Psychiatric Services could save money by ensuring facilities participate in the state's prime vendor drug contract. In addition, a reevaluation of the current pharmacy operations may reveal that cost savings, increased efficiency, and improved controls could be achieved through consolidation of some or all of the pharmacies. The facilities have developed different methods of obtaining drugs and pharmacy services as follows:

- ✓ Four facilities have contracted with a pharmacist to provide pharmacy services and manage the drug inventories at these facilities.
- ✓ Three facilities have contracted with a pharmacist to provide drugs and pharmacy services. Two of these pharmacists did not acquire their drugs from the prime vendor and charged the facilities a drug unit price that was often significantly higher than the unit price of the prime vendor.
- ✓ Three facilities have managed their own drug inventories and received pharmacy services from employees of the facility.

Some facilities have independently evaluated the economy of their method and a statewide analysis of a centralized pharmacy was considered. But these analyses were conducted years ago and documentation could not be located by Psychiatric Services' facilities for most of these analyses. Psychiatric Services has not required the facilities to (i) re-evaluate the merits of their current arrangements and (ii) study the feasibility of consolidating some or all pharmacy operations. Consequently, the value of the current pharmacy arrangements has not been supported with documented analyses and there is no assurance that pharmacy operations are economical.

Background

In 1997, the state of Missouri joined a multi-state drug purchasing alliance. Currently, 36 states participate in the alliance. The member states obtain their drugs using contracts with drug manufacturers established by the alliance. The alliance uses its large buying power to negotiate favorable contract prices with the drug manufacturers. The alliance also contracts with drug wholesalers, one of which each member state chooses as its prime vendor for obtaining drugs. Member states are expected to buy their drugs from the contracts of the alliance.

The pharmacy arrangements of each facility are summarized as follows:

- The St. Louis Psychiatric Rehabilitation Center, Metropolitan St. Louis Psychiatric Center, and Hawthorn Children's Psychiatric Hospital, have jointly contracted with a healthcare company to provide pharmacy services and manage their drug inventories. The Fulton State Hospital also separately contracts with this company. Each facility maintains a distinct pharmacy with drug inventories and acquires its drugs from the prime vendor.
- The Southwest Missouri Psychiatric Rehabilitation Center, Mid Missouri Mental Health Center, and Cottonwood Residential Treatment Center each have separately contracted

with external pharmacies to provide drugs and pharmacy services. Because the facilities acquire their drugs from an external pharmacy, they do not use the services of the prime vendor. The Mid Missouri Mental Health Center and Cottonwood Residential Treatment Center are charged the average wholesale price for the drugs they receive from their pharmacies. The Southwest Missouri Psychiatric Rehabilitation Center is charged drug prices equivalent to those of the prime vendor, although its current contracted pharmacy does not acquire its drugs from the prime vendor.

- The Southeast Missouri Mental Health Center, Western Missouri Mental Health Center, and Northwest Missouri Psychiatric Rehabilitation Center have managed their own drug inventories and received pharmacy services from employees of the facility. Each of these facilities acquires its drugs from the prime vendor.

Cost savings could be achieved by using the state's prime vendor

The Mid Missouri Mental Health Center and Cottonwood Residential Treatment Center have paid higher unit costs for their drugs than the unit costs charged by the prime vendor. The drug prices charged by the prime vendor were often significantly lower than the average wholesale price charged these facilities by their contracted pharmacies. For example, the average unit drug costs paid by the Mid Missouri Mental Health Center for its most costly drugs for the fiscal year ending June 30, 2000, exceeded the average unit costs of those drugs charged by the prime vendor for that period. If the Mid Missouri Mental Health Center had acquired these drugs at the prices charged by the prime vendor, it would have reduced its total expenditures for these drugs by approximately \$60,000 for fiscal year 2000.

One facility
could have
saved \$60,000

Additionally, the Mid Missouri Mental Health Center has not solicited bids for its contracted pharmacy. It negotiated a contract for the purchase of drugs, pharmacy services, and other services from the University of Missouri Hospital and Clinics' pharmacy. Psychiatric Services' staff indicated that the potential savings noted above may be offset by increased pharmacy fees if a separate drug inventory needed to be maintained.

Psychiatric Services should ensure its facilities are taking appropriate measures to receive the best prices for their drugs. Measures such as soliciting bids and purchasing drugs from the prime vendor are available to help reduce costs. Because these activities have not always been conducted, some facilities have incurred increased drug costs.

The economy of current pharmacy operations has not been evaluated

Psychiatric Services has not recently evaluated the merits of the different pharmacy arrangements of the facilities and considered other alternatives. In addition, adequate consideration has not been given to determining what methods may be best for Psychiatric Services and all facilities collectively:

- The Fulton State Hospital, Metropolitan St. Louis Psychiatric Center, and Southeast Missouri Mental Health Center have independently compared expected costs for a contracted pharmacy and a state-operated pharmacy (the Metropolitan St. Louis Psychiatric Center analysis covered all three St. Louis facilities). The most recent of

these analyses was conducted approximately 3 years ago. Each facility concluded the cost of a contracted pharmacy exceeded the cost of a state-operated pharmacy. The Southeast Missouri Mental Health Center used the analysis as a basis for continuing with its state-operated pharmacy. The Fulton State Hospital and Metropolitan St. Louis Psychiatric Center continued to contract for the pharmacy services because they concluded that other benefits from contracting - like service quality, computerization, and recruitment and retention of pharmacists - outweighed the additional operating costs.

- The St. Louis Psychiatric Rehabilitation Center indicated it had concluded about 8 years ago that it was best to maintain separate pharmacy and drug inventories for the three St. Louis facilities because of transportation issues.
- The other facilities maintain they acquire their drugs and pharmacy services in the best and most practical method, although most of these facilities had no recent documented study of the issue.

More than 10 years ago, Psychiatric Services concluded that consolidation of its pharmacies was not feasible due to logistics and the loss of some of the clinical consultative function of the on-site pharmacists; but Psychiatric Services has no documentation of this study and has not considered the issue in recent years. Some significant changes since then such as the availability of a drug prime vendor, the ability of the prime vendor to make timely deliveries, and advances in electronic communications may now make some consolidation of the pharmacies feasible. Consolidation of some or all of the pharmacies would eliminate the need for drug inventories at many facilities, which could provide benefits such as:

Economy of
pharmacy
operations
needs study

- Reducing costs for space and staff time in maintaining the inventories,
- Reducing the total statewide investment in inventories by maintaining a smaller total stock of inventories in a centralized location, and
- Increasing efficiency by eliminating the need for separate drug inventory records and controls at each facility.

Additionally, because several facilities have concluded that state-run pharmacies offer potential cost savings over contracted pharmacies, a consolidated state-operated pharmacy may offer significant savings over the current methods. The drawbacks to operating solitary state-run facility pharmacies noted by some facilities may be overcome when considered on a consolidated basis.

Conclusions

Psychiatric Services should reconsider alternatives and analyze the entire pharmacy operation service. The prime vendor concept is widely used in the federal sector and private sector and has proven to create cost savings. Some Psychiatric Services' facilities are benefiting from the prime vendor concept. More widespread use of the prime vendor to acquire drugs would result in reduced drug costs. A study of the feasibility of operating a consolidated state-run pharmacy, if

state-run pharmacies pass the scrutiny of the entire pharmacy operation analysis, may reveal improvements in operating efficiencies.

Recommendations

We recommend the Director, Division of Comprehensive Psychiatric Services:

- 4.1 Require facilities to obtain drugs under the state's prime vendor contract and solicit bids for contracted pharmacy services when contracts are warranted.
- 4.2 Reevaluate its current pharmacy arrangements including the feasibility of a consolidated state-operated pharmacy.

Department of Mental Health Responses:

Pharmacy Arrangements Need Reconsideration.

CPS agrees that it arranges for pharmacies in different manners at different sites.

- A. *"Cost savings could be achieved by using the State's prime vendor." Regarding Cottonwood Residential Treatment Center the majority of its residents are Medicaid eligible and their pharmacy benefit is provided by Medicaid. Only a few residents receive medications directly purchased by DMH. The volume is so small it would not be feasible to run a separate prime vendor location. Regarding Mid Mo Mental Health Center they reviewed their arrangement for pharmacy services subsequent to the auditor's visit and have found that their savings on pharmacy personnel costs out weigh their increased ingredient costs. Their current contract is the most advantageous currently available.*

Recommendation 4.1: CPS disagrees that it should require all facilities to obtain drugs under State's prime vendor. CPS has re-evaluated Mid Mo Mental Health Centers current arrangement. CPS has determined that it is not feasible to use prime vendor with Cottonwood due to the extremely low volume.

Recommendation 4.2: We will consider evaluating the feasibility of a consolidated state operated pharmacy. A major reason for CPS contracting for pharmacy services has been its inability to recruit and retain pharmacists. Currently the state salary for pharmacist is approximately \$15,000 less than the community rates offered for new hires. Staffing a consolidated state-operated pharmacy may not be possible until the state employed pharmacist's salaries would allow us to recruit and retain sufficient pharmacists to staff such an operation.

State Auditor Comments

Psychiatric Services stated that the current contract for pharmacy services at the Mid Missouri Mental Health Center is the most advantageous currently available. It is difficult for Psychiatric Services to support this statement given that the pharmacy arrangement has not been competitively bid.

OBJECTIVE, SCOPE AND METHODOLOGY**Objective**

The objective of this audit was to evaluate the management of drugs at Psychiatric Services' facilities. Specifically, our objectives included determining whether (1) controls to account for drug inventories and the disposition of drugs dispensed to the wards and clients were in place and operating effectively; (2) drug formularies were properly developed and managed; and (3) drug stocks in the pharmacies and wards were efficiently managed.

Scope and Methodology

The audit included interviews of Psychiatric Services' staff at the central office in Jefferson City and on-site reviews at each of the 10 state-operated mental health facilities. The audit focused on current procedures, and procedures and records for fiscal year 2000. At Psychiatric Services' facilities, we:

- Interviewed pharmacy, administrative, and medical personnel about procedures for dispensing, administering, and controlling drugs.
- Tested the disposition of drugs from the pharmacy records of dispensed drugs to the patient medical records and other records of the disposition of the drugs as necessary. The records we reviewed included pharmacy billings and pick lists, doctors orders, medical administration records, and when necessary and available, controlled substance inventory and administration records, drug wastage records, and return-to-pharmacy records. For testing, we selected one or more drugs dispensed for a patient for one dispensing period. The dispensing periods of the facilities varied from one day to one month. The items tested for all facilities totaled 560.
- Scanned, in addition to the tests noted above, additional controlled substance inventory and administration records at some facilities.
- Reviewed policy manuals, drug formularies, detailed drug usage reports, physical inventory counts, pharmacy contracts, and other records.
- Reviewed applicable federal and state laws related to controlled substances.

BACKGROUND

The Department of Mental Health - Division of Comprehensive Psychiatric Services (Psychiatric Services) is responsible for providing comprehensive psychiatric services. Comprehensive psychiatric services are services to persons affected by mental disorders other than mental retardation or developmental disabilities and include inpatient, outpatient, day program or other partial hospitalization, emergency, diagnostic, treatment, liaison, follow-up, consultation, education, rehabilitation, prevention, screening, transitional living, medical prevention and treatment for alcohol and drug abuse.

Psychiatric Services directly supervises the following 10 state-operated facilities:

<i>Name</i>	<i>Location</i>	<i>Capacity (beds)</i>
Cottonwood Residential Treatment Center (CRTC)	Cape Girardeau	32
Hawthorn Children's Psychiatric Hospital (HCPH)	St. Louis	60
Fulton State Hospital (FSH)	Fulton	508
Metropolitan St. Louis Psychiatric Center (MPC)	St. Louis	125
Mid Missouri Mental Health Center (MMMHC)	Columbia	69
Northwest Missouri Psychiatric Rehabilitation Center (NMPRC)	St. Joseph	120
Southeast Missouri Mental Health Center (SMMHC)	Farmington	206
Southwest Missouri Psychiatric Rehabilitation Center (SWMPRC)	El Dorado Springs	30
St. Louis Psychiatric Rehabilitation Center (SLPRC)	St. Louis	212
Western Missouri Mental Health Center (WMMHC)	Kansas City	110

During the fiscal year 2000, Psychiatric Services provided inpatient services to 7,762 individuals.

CONTROLLED SUBSTANCES

A controlled substance is a drug or drug product that comes under the jurisdiction of the federal Controlled Substances Act of 1970. The narcotic, depressant, stimulant, hallucinogenic and anabolic steroid drugs that are covered by the Controlled Substances Act are listed in one of five schedules. Schedule I substances have no accepted medical use in the U.S. and have high abuse potential. Schedule II drugs have high abuse potential with severe psychic or physical dependence liability, and in general are substances that have therapeutic utility. Schedules III-V include drugs with decreasing levels of abuse potential.

The Comprehensive Drug Control Act of 1989, administered by the Bureau of Narcotics and Dangerous Drugs in the Missouri Department of Health, closely parallels the federal law. In some instances, however, Missouri's law is more stringent and takes precedence over federal law.

The federal and state laws related to controlled substances include the following:

- Records of controlled substances must be maintained for at least 2 years.
- Inventories and records of all controlled substances listed in Schedules I and II are to be maintained separately from all other records, and inventories and records of controlled substances listed in Schedules III, IV, and V are to be maintained either separately from all other records of the pharmacy or in such form that the information required is readily retrievable from ordinary business records.
- An inventory must be conducted that contains a complete and accurate record of all controlled substances on hand on the date the inventory is taken. Federal law requires inventories be taken at least biennially. State law requires inventories be taken at least annually.
- For contaminated controlled substances, when disposal of controlled substances is in patient care areas, the controlled substances are to be destroyed by a physician, nurse, or pharmacist in the presence of another hospital employee. The destruction must be recorded and signed by both the physician, nurse, or pharmacist and the witnessing employee.



**REVIEW OF ARTICLE X
SECTIONS 16 THROUGH 24
CONSTITUTION OF MISSOURI
YEAR ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-54
July 10, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

July 2001

The following is a review conducted by our office of Article X, Sections 16 through 24, Constitution of Missouri.

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5, which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

The State Auditor's Office performs a review of the state's compliance with the provisions of the Hancock Amendment to verify the accuracy of the revenue limit computation performed by the Office of Administration, Division of Budget and Planning (OA-BP). The auditor's review agreed with the OA-BP that no refund is due to taxpayers for the year ended June 30, 2000.

In regard to past notable court actions, on January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of total state revenue unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation.

On June 29, 1999, the Missouri Supreme Court entered a final decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999). This decision determined that Article IV, Section 43 (b) prohibits the disbursement of monies specified in that section for the purpose of making the refund required by Article X, Section 18, and that revenue derived from the one-eighth of one percent sales tax imposed by Article IV, Section 43(a) is not includable in total state revenue.

In December 1999, two lawsuits were filed in the Cole County Circuit Court. The first case, Flotron v. Carnahan, et. al., 99CV323351, claims that the Supreme Court held in Conservation Federation v. Hanson, 994 S.W. 2d 27 (Mo. Banc. 1999) that all revenue from the conservation sales tax must be removed not only from yearly total state revenues, but also from the baseline calculation for 1981. The second case, Missouri Merchants and Manufacturers Association, et. al. v. State of Missouri, et. al., 99CV323530 claims that the state has not included tax credits in the calculation of the revenue limit and TSR. These two lawsuits were consolidated, and on March 8, 2001, the Missouri Supreme Court handed down its decision in Missouri Merchants and Manufacturers Assoc. v. State of Missouri, 2001 WL 224725 (Mo.). The court held that the auditor and the OA-BP correctly decided to keep conservation sales tax revenues in the baseline calculation while excluding them from yearly total state revenues. The court further found that tax credits which exceed a taxpayer's liability, resulting in a refund to the individual taxpayer, should be included in the calculation of total state revenue.

YELLOW SHEET

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Michael Hartmann, Commissioner
Office of Administration
Jefferson City, MO 65102

We have conducted a review of revenues of the state of Missouri for the year ended June 30, 2000, and the application to those revenues of Article X, Sections 16 through 24, of the Constitution of Missouri, more commonly referred to as the Hancock Amendment (included as Appendix). We had previously reported on revenues of the state for the years ended June 30, 1982 through 1999. The amendment, which was adopted by the voters of Missouri on November 4, 1980, limits the growth of state revenues collected in any fiscal year. The objectives of this review were to:

1. Evaluate the formula to calculate the state's revenue limit.
2. Determine the specific items included in total state revenues.
3. Verify the accuracy of the revenue limit computation and comparing that limit to total state revenues.
4. Review the state's overall compliance with the provisions of the amendment.

Our review included only the application of the revenue limit to state revenues and, accordingly, did not include a review of the effects of the amendment on any local governmental unit.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we held discussions with personnel of the Office of Administration, Division of Budget and Planning, inspected relevant records and reports compiled by that office, and reviewed reports from the statewide accounting system. We reviewed this information to the extent necessary to satisfy ourselves that the following Exhibits are fairly stated in all material respects.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional

procedures, other information might have come to our attention that would have been included in this report.

The following Executive Summary and the Background, Methodology, and Conclusions present our comments, findings, and conclusions concerning the state's overall compliance with the provisions of Article X, Sections 16 through 24, Constitution of Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 16, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Randy Doerhoff, CPA
Audit Staff:	Frank Verslues

EXECUTIVE SUMMARY

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
EXECUTIVE SUMMARY

On November 4, 1980, the voters of Missouri passed Constitutional Amendment No. 5 which added Article X, Sections 16 through 24 to the Constitution of Missouri. The amendment, commonly referred to as the Hancock Amendment, requires that no greater portion of Missourians' personal income (MPI) be used in any future year to fund state government than was the case in fiscal year 1981, except as authorized by a vote of the people.

Exhibit A presents a summary of the calculations of limited total state revenue (TSR) for the years ended June 30, 2000, 1999, 1998, 1997, and 1996. The calculations for years prior to 1998 have been changed to comply with a Supreme Court decision as further explained below.

On January 27, 1998, the Missouri Supreme Court entered a final decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998). This decision determined that taxes and other funds collected by the state may not be considered revenue in the context of TSR unless they meet a two-part test derived from an earlier judicial definition of revenue: (1) the funds must be received into the state treasury; and (2) the funds must be subject to appropriation. Thus, the Hancock Amendment presents unique financial related legal requirements that must be taken into consideration. The items that the Supreme Court specifically ruled on are as follows:

1. The Federal Reimbursement Allowance and the Nursing Facility Reimbursement Allowance tax imposed by the state to pay the state's share of the costs of the Medicaid program is collected by an offset against Medicaid claims and is not directly deposited in the state treasury. As a result, this revenue is not included in TSR.
2. The local use tax imposed by the state under Section 144.748, RSMo, until repealed on May 21, 1996, and distributed to local government is not deposited in the state treasury and is not appropriated. As a result, this revenue is not included in TSR.
3. Revenue from one dollar of a state imposed two dollar admission fee to gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
4. Ten percent of the revenue for an adjusted gross receipts tax imposed by the state on gaming riverboats is remitted to the "home dock city or county" and is not deposited in the state treasury. As a result, this revenue is not included in TSR.
5. An adjustment to the revenue limit related to the state assuming certain judicial clerk salaries is appropriate.

On November 24, 1998, the Missouri Court of Appeals, Western District entered a final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar of the state imposed two dollar admission fee to gaming riverboats is not included in TSR while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats is included in TSR.

The State Auditor's Office (SAO) and the Office of Administration, Division of Budget and Planning (OA-BP) did not present an issue to the Supreme Court concerning the proper accounting for the effect of tax refunds. However, because the Supreme Court decision indicated that the Hancock provisions in the constitution require the actual receipt of revenue, the amendment presents a cash basis system of accounting. Based on the Court's decision, the SAO has changed the calculation of refunds from an appropriations basis to a cash basis.

On June 29, 1999, the Missouri Supreme Court entered a final decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999). This decision determined that Article IV, Section 43(b) prohibits the disbursement of monies specified in that section for the purpose of making the refund required by Article X, Section 18, and that revenue derived from the one-eighth of one percent sales tax imposed by Article IV, Section 43(a) is not includable in TSR.

This decision related to the use of Conservation Fund monies for making refunds under the Hancock Amendment. The General Assembly appropriated a total of approximately \$6 million from the Conservation Fund to be used to pay for refunds due to taxpayers under the Hancock Amendment for fiscal years 1995 and 1996. The Conservation Federation filed suit declaring that moneys in the Conservation Fund may not be used to make these refunds and that the sales tax proceeds are not includable in TSR. The Supreme Court ruled that Article IV, Section 43(b) requires that conservation funds be expended for conservation purposes as specified in that section and using these funds to pay for Hancock refunds is, therefore, unconstitutional.

This decision also related to whether the conservation sales tax should be included in TSR. The Supreme Court noted that the conservation sales tax imposed by Section 42(a) was enacted by a vote of the people in 1976, which was four years before the Hancock Amendment was approved. However, Section 43(b) was adopted contemporaneously with the Hancock Amendment and, therefore, went into effect after the Hancock Amendment's baseline period for TSR, which was fiscal year 1981. Thus, this case presents the unique situation that a tax was approved by the voters prior to the Hancock Amendment, but the voter-approved (indeed voter mandated) spending of that revenue was approved after the Hancock Amendment's initial tax and spending ceiling was calculated.

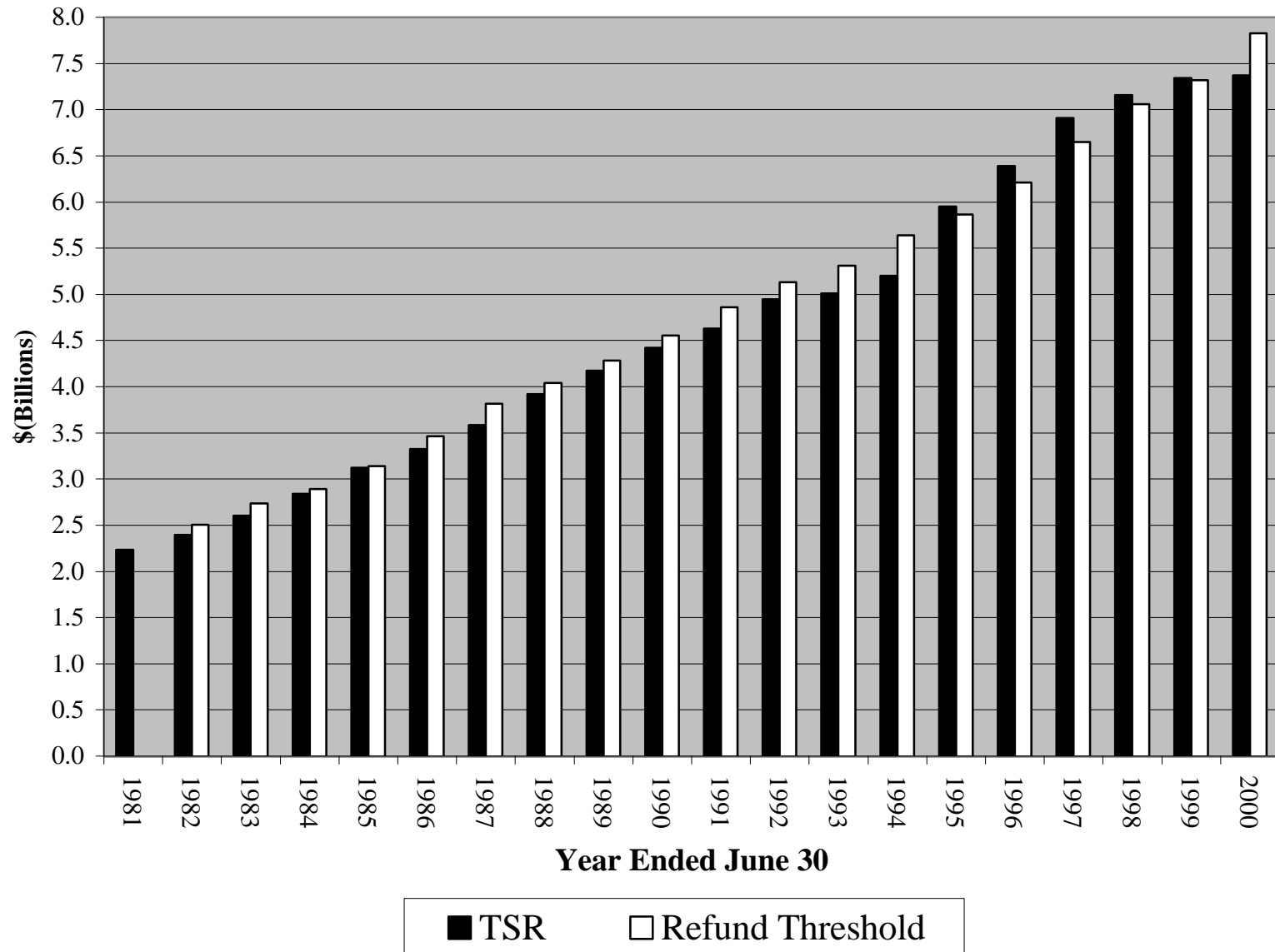
Since the state had already paid refunds to taxpayers for fiscal years 1995, 1996, and 1997, the state has decided not to recalculate TSR for those years. However, for fiscal year 1998, the state has excluded the conservation sales tax (and related interest earnings) from TSR in accordance with the Supreme Court decision. In addition, the state will not pay any refunds (for prior years or future years) from the Conservation Fund.

Although we agree with OA-BP's calculation of TSR for 2000, 1999, and 1998, we consider a few items open to interpretation, which deal with whether to include or exclude from TSR the monies received by the state for cost reimbursements and recovery costs. These issues are discussed in more depth later in this report.

In December 1999, two lawsuits were filed in the Cole County Circuit Court. The first case, Flotron v. Carnahan, et. al., 99CV323351, claims that the Supreme Court held in Conservation Federation v. Hanson, 994 S.W. 2d 27 (Mo. Banc. 1999) that all revenue from the conservation sales tax must be removed not only from yearly total state revenues, but also from the baseline calculation for 1981. The second case, Missouri Merchants and Manufacturers Association, et. al. v. State of Missouri et. al., 99CV323530 claims that the state has not included tax credits in the calculation of the revenue

limit and TSR. These two lawsuits were consolidated, and on March 8, 2001, the Missouri Supreme Court handed down its decision in Missouri Merchants and Manufacturers Assoc. v. State of Missouri, 2001 WL 224725 (Mo.). The court held that the auditor and the OA-BP correctly decided to keep conservation sales tax revenues in the baseline calculation, while excluding them from yearly total state revenues. The court further found that tax credits which exceed a taxpayer's liability, resulting in a refund to the individual taxpayer, should be included in the calculation of total state revenue. The case has been remanded to determine what impact, if any, this latter holding would have on Hancock refunds for the years in question.

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24
CONSTITUTION OF MISSOURI
CHART OF TOTAL STATE REVENUES VERSUS REFUND THRESHOLD



EXHIBITS

Exhibit A

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24, CONSTITUTION OF MISSOURI
SUMMARY OF TOTAL STATE REVENUE AND REFUND CALCULATIONS
FIVE YEARS ENDED JUNE 30, 2000
(IN MILLIONS)

		Year Ended June 30,				
		1996	1997	1998	1999	2000
TOTAL STATE REVENUE (TSR)						
Total state receipts	\$	12,308.50	13,225.70	14,162.44	15,076.69	15,871.29
Less excluded revenue		(5,391.98)	(5,765.43)	(6,360.21)	(6,846.96)	(7,442.20)
Less expenditure refunds		(529.59)	(551.53)	(647.09)	(886.05)	(1,057.35)
TSR	\$	6,386.93	6,908.74	7,155.14	7,343.68	7,371.74

REVENUE LIMIT AND REFUND THRESHOLD

MPI	\$	108,519.00	116,154.00	123,280.00	127,795.00	136,754.00
Base year ratio	x	0.056395	0.056395	0.056395	0.056395	0.056395
Base limit		6,119.93	6,550.50	6,952.38	7,207.00	7,712.24
Judicial article amendment		31.74	33.98	36.02	37.82	39.70
Revenue limit		6,151.67	6,584.48	6,988.40	7,244.82	7,751.94
1 percent adjustment		61.52	65.84	69.88	72.45	77.52
Refund threshold	\$	6,213.19	6,650.32	7,058.28	7,317.27	7,829.46

REFUND CALCULATION

TSR	\$	6,386.93	6,908.74	7,155.14	7,343.68	7,371.74
Less refund threshold		6,213.19	6,650.32	7,058.28	7,317.27	7,829.46
Over (Under) Threshold		173.74	258.42	96.86	26.41	(457.72)
1 percent adjustment		61.52	65.84	69.88	72.45	0.00
Refund	\$	235.26	324.26	166.74	98.86	0.00

See the accompanying Notes to the Exhibits.

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30,				
		1996	1997	1998	1999	2000
101	General Revenue	\$ 5,203,140,977	5,608,125,529	5,876,559,243	6,001,497,597	6,029,729,370
104	Vocational Rehabilitation - Federal	511,415	1,370	11,508	7,262	7,585
105	Elementary and Secondary Education - Federal and Other	72,241	192,813	177,318	108,542	29,754
106	Cash Operating Reserve - General Revenue	12,166,856	12,716,720	13,953,430	15,066,578	15,732,796
107	Budget Stabilization	1,467,772	5,022,803	6,823,161	7,354,863	7,648,358
108	Uncompensated Care	0	0	0	0	0
109	Mental Health Interagency Payments	0	0	0	245	583,224
111	Division of Youth Services - Federal and Other	2,519	3,351	2,335	1,605	10,334
112	Office of the State Public Defender - Federal and Other	0	0	7,244	0	0
113	Health Interagency Payments	0	0	0	0	0
115	State Auditor - Federal	0	0	0	0	0
116	Department of Higher Education - Federal	9,505	0	0	0	27,218
117	Department of Labor and Industrial Relations - Commission on Human Rights - Federal	0	0	0	0	0
118	Department of Economic Development - Community Development Block Grant (Pass-through)	0	0	0	0	0
119	Department of Economic Development - Women's Council - Federal	79,272	20,089	400	0	0
121	Department of Public Safety - JAIBG	0	0	0	45,964	268,805
123	Department of Economic Development - Community Development Block Grant (Administration)	0	0	(1,000)	0	(1,200)
124	Facilities Maintenance Reserve	0	0	95,631	240,483	819,689
125	Food Stamp EBT Settlement	0	0	0	0	0
126	Multimodal Operations - Federal	669,562	1,154,513	12,852	4,204	110,793
129	Department of Economic Development - Federal and Other	16,711	0	0	0	0
130	Department of Corrections - Federal	0	0	20,045	0	0
132	Department of Revenue - Federal	0	0	0	2,095	501
133	Department of Agriculture - Federal and Other	0	0	(8,512)	0	10,966
134	Utilicare Utilization	0	0	0	975,731	15,189
135	Office of Administration - Federal and Other	0	0	0	0	0
136	Attorney General - Federal and Other	(138,041)	(25,702)	(14,811)	(33)	0
137	Supreme Court - Federal and Other	9,912	(2,773)	0	0	0
138	Department of Economic Development - Missouri Council on the Arts - Federal and Other	0	0	0	0	0
140	Department of Natural Resources - Federal and Other	77,355	35,037	14,673	(65)	15,641
141	DED - Federal and Other	1,152,541	0	0	0	0
142	Federal Reimbursement Allowance	11,017,229	16,646,623	18,898,674	15,343,821	14,460,242
143	Department of Health - Federal	609,738	(834,612)	219,742	191,277	275,527
145	State Emergency Management - Federal and Other	0	0	0	0	237,667
148	Department of Mental Health - Federal	8,302	10,219	32,323	(1,670)	254,006
149	Department of Public Safety - Highway Safety	0	0	101	(147,738)	78
152	Department of Public Safety - Federal	9,549	81,466	38,898	184,687	532
153	Division of Aging - Federal and Other	25	0	3	0	0
155	Job Development and Training	(6,155)	24	0	0	39,056
156	Department of Social Services - Federal and Other	10,579	54,638	2,520	0	0
161	Title XIX - Patient Placement - General Revenue	0	0	0	0	0
162	ADC - Federal	3,734	0	0	0	0
163	Title XIX - Federal	0	0	71	0	0
167	Division of Family Services Donations	12,193	111,811	189,051	83,699	10,243
168	Division of Aging Donations	0	0	0	0	0
169	Child Support Enforcement Collections	(98,339)	(112,745)	(145,227)	(458,743)	(533,497)
176	General Revenue Reimbursements	0	(5,399)	(313)	0	0
177	Missouri Humanities Council Trust	0	6,687	10,445	18,909	48,541
184	Missouri Veterans Commission - Federal	0	0	0	0	0
185	MCSAP/Division of Transportation - Federal	4,456	0	94	140	161
186	Division of Labor Standards - Federal	0	0	0	0	0
187	Division of Workers' Compensation - Federal	0	0	0	0	0
188	Governor's Committee on Employment of the Handicapped - Federal	29,693	29,180	3,395	0	411,576
189	Federal and Other	(2,312)	(13,915)	52,452	(66,128)	(4,776)

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30,				
		1996	1997	1998	1999	2000
190	Adjutant General - Federal	(22,444)	(129,430)	(174,584)	(142,549)	(122,777)
191	Department of Labor and Industrial Relations - Crime Victims - Federal	0	0	0	0	0
192	Federal - MDI	170,532	0	0	0	0
194	Federal Drug Seizure	29,080	32,051	50,807	108,330	815,995
195	Secretary of State - Federal	103	727	0	0	40
196	Nursing Facility Federal Reimbursement Allowance	3,479,394	5,332,352	6,419,455	6,330,886	7,042,785
197	Community Service Commission - Federal and Other	0	0	0	0	100
198	Post Closure Fund	0	0	45,676	14,645	13,428
199	Temporary Assistance for Needy Families - Federal	0	0	0	0	0
	Water Pollution Control Bond and Interest:					
220	Pre Tax Act 1986	484,563	395,046	125,400	32,919	0
221	Series B 1987	0	0	0	0	0
222	Series A 1989	54,675	62,204	59,432	67,820	0
224	Series A 1991	54,011	61,186	58,239	67,225	78,943
225	Series B 1992	147,110	247,412	270,073	311,916	254,619
226	Series A 1992	129,903	148,120	141,688	161,752	133,828
227	Series B&C 1991	234,974	232,510	238,548	242,318	240,621
228	Series A 1993	105,473	120,046	114,512	130,881	107,893
229	Series B 1993	307,088	352,439	420,455	528,382	474,013
	Third State Building Bond Interest and Sinking:					
230	Pre Tax Act 1986	1,033,963	646,518	8,298	0	0
231	Post Tax Act 1986	0	0	0	0	0
232	Series A&B 1991	489,089	483,718	674,779	515,075	503,752
233	Series A 1992	762,647	1,254,351	1,456,912	1,738,811	1,420,187
234	Series A 1993	432,507	496,347	756,003	1,026,325	838,082
	Water Pollution Control Bond and Interest -					
235	Series A 1995	111,403	128,950	124,739	143,090	118,476
236	Series A 1996	0	104,408	147,391	169,010	138,598
237	Series A 1998	0	0	6	111,817	131,440
238	Series A 1999	0	0	0	0	41,998
	Fourth State Building Bond and Interest -					
240	Series A 1995	273,396	322,451	311,714	357,709	296,110
241	Series A 1996	0	372,751	526,591	603,466	495,633
242	Series A 1998	0	0	9	159,738	187,651
	Soil and Water Conservation Bond and Interest-					
243	Series A 1999	0	0	0	0	41,998
246	Motorcycle Safety Trust	2,385	3,972	4,001	2,592	1,068
247	Hearing Instrument Specialist	22,590	70,665	71,590	67,750	64,325
249	Compulsive Gamblers	300,000	0	165,000	50,000	0
253	Missouri Crime Prevention Information and Programming	0	0	0	0	0
254	Missouri Housing Trust	3,595,779	3,717,438	4,218,072	5,101,111	4,359,831
255	Treasurer's Information	14,608	(12,604)	0	0	0
256	State Committee of Interpreters	0	0	0	0	28,340
257	Elevator Safety	0	0	0	0	580
261	Residential Mortgage Licensing	0	229,718	206,779	253,577	249,076
262	Missouri Arts Council Trust	40,758	360,162	646,287	868,759	680,943
263	Board of Geologist Registration	129,540	97,035	98,735	97,360	94,840
264	Missouri Commission for the Deaf Board of Certification of Interpreters	19	23,741	57,452	55,180	53,765
265	Gaming Commission Bingo	126,089	127,261	102,865	93,223	79,256
266	Secretary of State's Technology Trust Fund Account	2,216,093	2,284,533	2,300,375	2,237,163	2,332,062
267	Missouri Air Emission Reduction	0	0	0	0	375,581
269	Missouri National Guard Training Site	172,645	200,022	209,420	251,972	296,720
270	Statewide Court Automation	4,134,134	4,184,606	4,389,356	4,650,327	4,605,592
271	Nursing Facility Quality of Care	761,874	1,083,679	998,513	1,035,715	1,287,745
272	Missouri Student Grant Program Gift	0	0	0	0	36,845
274	Division of Tourism Supplemental Revenue	0	0	0	0	4,754
275	Health Initiatives	32,275,006	32,223,483	32,706,731	32,481,966	32,951,015
276	Health Access Incentive	850,000	0	0	(27)	64,259

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30,				
		1996	1997	1998	1999	2000
277	Mental Health Housing Trust	0	4,019	176	195	237
278	Family Support Loan Program	9,647	16,884	20,627	20,782	23,467
279	School Building Revolving	0	0	0	170,232	943,878
280	Business Extension Service Team	0	0	0	0	0
281	Peace Officers Standards and Training Commission	301,104	418,625	983,415	1,330,822	1,418,251
284	Independent Living Center	138,900	170,204	215,370	229,851	226,596
285	Gaming Proceeds for Education	0	0	0	0	0
286	Gaming Commission	10,073,218	10,894,185	11,598,983	12,932,432	9,464,456
287	Outstanding Schools Trust	10,068,818	14,204,380	18,753,652	19,830,070	15,741,639
288	Mental Health Earnings	2,515,064	1,646,729	1,518,350	1,667,082	1,734,127
289	Bingo Proceeds for Education	0	0	0	0	0
290	Highway Department - Grade Crossing Safety Account	1,241,628	1,046,319	1,087,828	1,092,874	758,150
291	Lottery Proceeds	289	1,436	327	0	46
292	Animal Health Laboratory Fee	232,636	262,064	298,099	323,488	363,691
293	Mammography	63,984	86,684	91,434	91,550	99,417
295	Animal Care Reserve	243,647	253,783	266,084	269,657	273,482
296	Division of Aging - Elderly Home Delivered Meals Trust	182	211	19,892	140	36,184
297	Highway Patrol Inspection	877,026	1,076,350	1,088,625	1,081,460	1,189,300
298	Missouri Public Health Services	758,657	639,393	1,688,006	1,440,800	1,425,700
299	Livestock Brands	18,375	16,920	30,120	31,025	21,780
304	Veteran's Homes Capital Improvement Trust	68,831	275,570	1,391,613	3,233,103	4,395,379
320	State Road	20,927,760	11,228,850	18,296,844	21,192,666	138,674,676
325	Veterans Homes Capital Improvement	136,091	47,801	0	0	0
348	Water Pollution Control - Series A 1993 - 37C	162,446	34,581	0	0	0
349	Water Pollution Control - Series A 1993 - 37E	15,445	0	0	0	0
351	Water Pollution Control - Series A 1995 - 37C	242,872	112,250	0	0	0
352	Water Pollution Control - Series A 1995 - 37E	1,004,170	313,244	0	0	0
353	Water Pollution Control - Series A 1996 - 37C	0	502,120	484,911	385,676	123,710
354	Water Pollution Control - Series A 1996 - 37E	0	844,553	880,504	476,218	27,050
355	Water Pollution Control - Series A 1998 - 37C	0	0	36	331,841	393,042
356	Water Pollution Control - Series A 1998 - 37E	0	0	131	1,220,732	1,324,085
357	Water Pollution Control - Series A 1999 - 37E	0	0	0	0	272,747
360	Third State Building - Pre Tax Act 1986	301,821	199,935	120,177	70,179	50,402
371	Third State Building Trust - Pre Tax Act 1986	1,925	1,669	0	1,658	0
380	Fourth State Building - Series A 1995	3,211,948	1,391,385	0	0	0
381	Fourth State Building - Series A 1996	0	4,803,635	4,050,880	809,357	0
382	Fourth State Building - Series A 1998	0	0	236	2,026,496	1,087,575
383	Stormwater - Series A 1999 - 37H	0	0	0	0	546,082
384	Water Pollution Control - Series A 1999 - 37G	0	0	0	0	273,336
403	Mental Health Central Supply	0	0	0	0	0
406	Commodity Council Merchandising	8,929,820	10,748,958	9,727,565	336,529	74,661
407	Federal Surplus Property	1,616,386	1,403,661	1,813,341	1,949,854	2,005,165
408	Single-purpose Animal Facilities Loan Program	54,146	235,061	154,112	118,793	135,873
410	State Fair Fees	2,516,152	2,393,159	2,719,103	3,124,498	3,016,380
412	Agricultural Product Utilization Business Development Loan Program	0	0	0	14,591	512
413	Agricultural Product Utilization Grant	0	0	0	9,079	24,189
415	State Parks Earnings	5,755,621	5,526,811	7,168,783	5,910,361	6,648,259
420	State Parks Revolving	145,172	389,949	447,305	505,293	25,851
425	Natural Resources Revolving Services	254,343	281,535	414,256	433,814	520,287
430	Historic Preservation Revolving	89,034	17,227	16,739	35,129	31,358
460	Missouri Veterans' Homes	9,181,603	9,200,352	9,121,616	10,172,503	10,388,396
465	Missouri State Chest Hospital	3,377,440	197,193	0	0	0
500	Department of Natural Resources Cost Allocation	(1,005)	62	0	207	1,191
501	State Facility Maintenance and Operation	0	198,889	199,295	201,053	164,801
505	Office of Administration Revolving Administrative Trust	12,930,918	12,775,659	9,828,139	11,329,043	11,253,624
510	Working Capital Revolving	1,866,955	1,840,155	1,907,847	2,270,013	12,328,580
511	Microfilming Service Revolving Trust	561	12	3,391	12	0
515	Central Check Mailing Service Revolving	0	0	0	0	0
520	House of Representatives Revolving	31,170	24,001	21,305	19,345	1,597

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30,				
		1996	1997	1998	1999	2000
525	Supreme Court Publications Revolving	112,359	124,282	53,679	162,043	0
530	Adjutant General Revolving	59,093	49,134	50,447	63,179	37,348
535	Senate Revolving	10,880	42,610	9,336	11,427	9,205
540	Inmate Revolving	3,085,362	3,260,298	3,431,892	3,459,684	3,453,885
545	Department of Social Services Administrative Trust	183,463	445,050	170,745	44,827	203,355
546	Statutory Revision	225,824	162,149	170,458	178,802	137,619
547	Department of Economic Development Administrative	1,839,580	38,984	23,941	7,976	12,939
548	Division of Credit Unions	735,264	794,654	832,926	871,050	1,091,219
549	Division of Savings and Loan Supervision	42,865	38,751	38,635	37,550	26,843
550	Division of Finance	6,763,194	7,199,578	7,331,979	7,023,357	6,645,648
551	Industrial/Commercial Energy Conservation Loan	173,974	136,144	0	0	0
552	Insurance Examiners	6,353,390	7,032,816	6,620,279	7,161,085	2,114
554	Firing Range Fee	470	0	0	0	0
555	Natural Resources Protection	354,204	260,030	30,168	554,307	55,855
556	Youth Service and Conservation Corps	0	0	0	0	0
559	Deaf Relay Service	4,503,021	4,754,625	5,045,207	5,218,209	5,853,084
560	Mortgage Broker Administration	1,100	0	0	0	0
561	Real Estate Appraisers	314,764	297,049	277,744	306,221	428,153
562	Endowed Care Cemetery Audit	203,290	153,771	141,131	133,368	136,928
563	Missouri Community College Job Training Program	6,393,596	6,924,397	7,791,944	9,355,975	11,600,919
565	Professional and Practical Nursing Student Loan and Nurse Loan Repayment	370,452	699,999	76,423	704,444	215,732
566	Department of Insurance Dedicated	6,880,730	6,707,213	7,643,287	7,848,903	8,180,779
567	International Trade Show Revolving	37,390	85,077	44,390	22,906	42,906
568	Natural Resources Protection - Water Pollution Permit Fee Subaccount	2,850,079	4,685,674	4,580,914	5,331,953	4,615,920
569	Solid Waste Management - Scrap Tire Subaccount	1,651,838	1,728,208	1,767,698	1,925,453	1,952,081
570	Solid Waste Management	7,075,466	7,357,325	8,066,622	9,194,937	9,520,612
573	Aquaculture Marketing Development	18,053	19,020	10,837	10,597	10,880
574	Clinical Social Workers	234,869	286,463	282,363	289,935	268,204
575	Metallic Minerals Waste Management	92,429	93,142	94,108	104,153	94,345
576	Landscape Architectural Council	19,360	21,180	22,445	22,210	25,840
577	Local Records Preservation	1,190,145	1,250,992	1,372,966	1,730,569	1,459,516
579	Veterans Trust	16,509	19,305	21,243	24,294	24,921
580	State Committee of Psychologists	366,572	350,699	354,581	371,552	374,341
581	Livestock Sales and Markets Fees	14,990	13,875	13,725	13,505	12,075
582	Manufactured Housing	500,876	552,592	534,724	502,155	288,993
583	Missouri Health Care Providers	114,664	75,815	13,270	(70)	0
584	Natural Resources Protection - Air Pollution Asbestos Fee Subaccount	519,895	450,613	327,665	250,230	319,086
585	Underground Storage Tank Insurance	4,363,430	16,685,770	18,001,607	18,031,848	18,180,128
586	Underground Storage Tank Regulation Program	86,483	94,443	687,277	385,798	257,068
587	Chemical Emergency Preparedness	734,915	723,515	687,261	741,172	727,820
588	Motor Vehicle Commission	999,572	1,023,983	909,808	938,732	964,083
589	Health Spa Regulatory	5,800	5,700	5,400	4,050	6,500
591	State Forensic Laboratory	250,000	250,000	250,000	250,000	250,000
592	Services to Victims	925,240	1,706,463	2,567,069	3,004,163	3,109,202
594	Natural Resources Protection Air Pollution Permit Fee Subaccount	5,995,951	7,051,966	6,968,599	6,310,586	6,741,436
598	Medical School Loan and Loan Repayment Program	0	0	0	(379)	27,787
599	Video Instructional Development and Educational Opportunity	0	0	0	0	0
600	Missouri Job Development	388	0	0	0	0
601	Children's Services Commission	747	858	861	899	
602	Water and Wastewater Loan Revolving	4,137,706	6,162,800	7,245,092	9,078,862	8,347,198
603	Attorney General's Court Costs	19,612	5,858	9,525	19,310	14,664
605	Missouri Breeders	3,619	3,732	3,976	4,119	4,175
607	Public Service Commission	11,873,034	11,576,967	12,200,053	14,282,975	15,997,062
608	Grade Crossing and Safety Account	0	0	0	0	0
609	Conservation Commission	104,348,924	110,506,508	28,454,208	34,207,585	38,665,218

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30,				
		1996	1997	1998	1999	2000
610	Division of Family Services - Administrative	(257,217)	(581,740)	(1,065,749)	(2,915,384)	(2,390,205)
613	Parks Sales Tax	62,295	27,193	(8,290)	20,566	14,989
614	Soil and Water Sales Tax	1,555	3,570	0	0	0
615	Apple Merchandising	4,715	5,064	5,184	838	10,029
616	State School Money	59,253,661	58,712,784	57,747,838	57,596,218	56,545,803
618	Handicapped Children's Trust Fund	0	0	0	0	21,690
619	Department of Revenue Information	3,844,376	3,903,445	3,129,572	2,699,485	2,142,108
620	Department of Social Services Educational Improvement	0	0	(2)	0	0
621	Blind Pension	14,625,859	15,570,167	16,786,123	17,417,008	18,430,376
622	Tort Victims Compensation	9,565	16,689	4,816,845	2,555,773	35,458
623	State Seminary Money	224,084	236,788	211,031	232,976	211,256
624	Livestock Dealer Law Enforcement and Administration	3,709	4,946	6,293	1,438	3,219
626	State Guaranty Student Loan	4,316,116	4,380,199	0	0	0
627	Board of Accountancy	589,961	635,199	623,635	540,727	526,375
628	Board of Barber Examiners	174,133	170,760	175,563	171,263	167,504
629	Board of Podiatry	44,927	53,408	51,686	53,051	90,562
630	Board of Chiropractic Examiners	277,104	257,485	271,048	283,110	324,397
631	Merchandising Practices Revolving	1,129,952	862,469	835,698	772,612	1,130,398
632	Board of Cosmetology	1,896,202	376,286	2,103,511	210,279	2,023,878
633	Board of Embalmers and Funeral Directors	437,156	455,466	467,823	483,901	784,292
634	Board of Registration for Healing Arts	3,168,610	3,243,660	3,515,430	3,530,403	3,276,623
635	Board of Nursing	1,737,466	3,097,964	1,041,452	2,686,608	1,024,826
636	Board of Optometry	88,084	125,612	124,604	128,351	130,532
637	Board of Pharmacy	1,058,506	1,120,302	1,118,388	1,177,263	1,589,695
638	Missouri Real Estate Commission	1,496,353	1,964,355	1,534,040	2,059,250	1,551,888
639	Veterinary Medical Board	341,293	340,726	344,216	341,247	352,801
644	Highway Department	138,282,043	138,954,472	136,850,756	147,650,514	570,743,710
645	Milk Inspection Fees	1,483,842	1,461,870	1,390,580	1,427,041	1,530,405
646	Department of Health Document Services	132,284	221,169	197,143	141,887	113,094
647	Grain Inspection Fees	1,374,474	1,755,887	1,505,428	1,458,494	1,480,079
648	Petition Audit Revolving Trust	102,392	111,143	168,398	103,612	208,295
649	Water and Waste Water Loan	46,293	62,319	56,047	82,562	95,520
650	Tourism Marketing	395	0	1,000	1,000	1,000
651	Excellence in Education	1,969,563	2,108,992	1,851,521	86,305	153,073
652	Workers' Compensation	1,192,237	13,588,696	13,597,121	25,275,726	19,925,087
653	Workers' Compensation - Second Injury	2,780,461	3,928,274	19,036,957	33,556,340	36,331,039
654	State Environmental Improvement Authority	0	0	1,631	0	0
655	Missouri Prospective Teachers Loan	1,030	360	240	90	0
657	Lottery Enterprise	0	0	0	0	0
658	Department of Health - Donated	181,473	909,455	487,508	997,118	1,225,937
659	Railroad Expense	502,560	507,778	765,196	701,545	709,503
660	Water Well Drillers	481,901	491,579	494,758	495,165	577,842
662	Petroleum Inspection	1,886,807	1,700,177	1,796,504	1,792,948	2,564,550
663	Missouri Disaster	0	0	0	0	0
666	Attorney General's Anti-trust	104,976	454,528	332,771	0	536,842
667	Energy Set-Aside Program	556,801	695,146	1,088,875	1,163,367	979,589
668	State Land Survey Program	1,183,239	1,253,040	1,372,894	1,730,569	1,459,862
669	Petroleum Violation Escrow	1,163,320	1,232,242	1,256,533	1,199,858	1,157,839
670	Legal Defense and Defender	654,082	438,558	653,048	999,043	928,806
671	Criminal Record System	1,210,678	1,603,159	2,164,400	2,478,711	3,215,502
672	Committee on Professional Counselors	266,289	299,190	317,889	337,047	358,182
673	Motor Fuel Tax	499,231,650	562,182,075	596,880,734	599,443,779	51,052,429
674	Highway Patrol Academy	167,808	259,883	337,139	390,149	417,174
675	State Transportation	0	0	0	0	906,304
676	Hazardous Waste	1,174,939	1,121,670	980,823	1,188,104	915,106
677	Dental Board	512,403	678,038	656,139	649,006	656,263
678	State Board of Architects, Engineers and Land Surveyors	550,425	1,019,932	531,831	1,093,343	760,234
679	Safe Drinking Water	2,885,439	2,911,110	2,852,193	2,871,008	3,030,127
680	Missouri Office of Prosecution Services	164,906	159,777	191,131	207,709	202,074
681	Crime Victims' Compensation	4,336,598	3,825,731	4,490,679	4,988,090	5,344,792

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30,				
		1996	1997	1998	1999	2000
683	Marketing Development	432,942	433,748	450,575	471,587	487,893
684	Coal Mine Land Reclamation	375,778	221,410	132,818	181,852	98,601
685	Missouri Horse Racing Commission	88	0	0	0	9
686	State Elections Subsidy	0	0	0	0	0
687	Fair Share	25,632,040	25,078,896	24,959,778	24,684,130	24,304,409
688	School District Trust	100	0	0	0	0
689	Professional Registration Fees	(28,543)	(30,474)	(33,258)	(32,180)	(29,830)
690	Hazardous Waste Remedial	2,391,093	3,104,501	2,066,329	3,274,060	2,215,837
691	Missouri Air Pollution Control	888,741	921,777	948,257	949,193	420,717
692	State Legal Expense	0	0	1,500	0	238
693	Athletic	88,705	210,211	356,416	426,397	320,637
694	Children's Trust	1,529,200	1,651,531	1,612,737	1,719,145	1,903,193
695	Highway Patrol Motor Vehicle Revolving	4,318,508	4,429,562	5,103,182	5,137,004	6,666,603
696	Local Government Energy Conservation Loan	214,050	143,099	0	0	0
697	Abandoned Mine Reclamation	20,585	24,729	27,586	32,134	37,033
698	Meramac-Onondaga State Parks	45,997	46,948	50,259	52,744	53,940
699	Oil and Gas Remedial	38,199	0	0	0	0
706	Missouri State Employees' Deferred Compensation Incentive Plan Administration	39,775	51,250	0	0	0
710	Proceeds of Surplus Property Sales	929,115	1,016,777	393,129	337,213	645,584
715	ADA Compliance	0	0	(30)	0	0
753	Debt Offset Escrow	(6,195,085)	(4,821,258)	(5,568,241)	(3,213,563)	(3,900,657)
756	Agriculture Bond Trustee	0	0	0	0	0
760	Proprietary School Bond	0	0	9,393	(9,393)	0
812	Confederate Memorial Park	5,237	5,456	5,940	6,347	6,609
817	State Public School	85,105	121,065	95,009	146,340	276,988
820	Marital and Family Therapists'	0	0	0	47,985	29,749
822	Library Networking	0	0	0	0	26,789
824	Organ Donor Program	124,099	353,369	367,465	373,458	276,873
826	Child Labor Enforcement	400	5,850	45,915	69,025	82,865
828	Inmate Incarceration Reimbursement Act Revolving	17,200	57,245	55,129	35,737	46,584
829	Secretary of State's Investor Education	15,100	124,608	22,980	104,392	40,840
830	Property Reuse	0	107,322	181,324	188,312	184,427
831	State Court Administration Revolving	0	0	0	(117)	11,805
833	Respiratory Care Practitioners	0	0	245	168,060	234,628
834	Concentrated Animal Feeding Operation Indemnity	0	0	25,086	33,583	44,328
836	State Document Preservation	0	20,053	9,289	12,409	2,418
838	Light Rail Safety	0	0	3,000	0	3,000
839	Student Grant	0	0	0	0	0
840	Academic Scholarship	0	0	0	0	0
841	State Transportation Assistance Revolving	0	0	52,718	53,685	102,079
842	Criminal Justice Network and Technology Revolving	0	0	0	0	0
844	Missouri Office of Prosecuting Services Revolving	0	0	1,710	60,035	66,940
845	Missouri Board of Occupational Therapy	0	0	1,037	315,717	77,625
846	Licensed Purfusionists	0	0	0	13,606	0
849	Bridge Scholarship	0	0	0	0	0
851	U.S. Department of Education/Coordinating Board for Higher Education P.L. 105-33 Interest Account	0	0	0	0	0
852	Domestic Relations Resolution	0	0	0	177,217	234,340
853	Correctional substance Abuse Earnings	0	0	0	16,171	70,552
855	Missouri Wine Marketing and Research Development	0	0	0	7,308	8,698
856	Advantage Missouri Trust	0	0	0	0	4
858	Missouri College Guarantee	0	0	0	8,033	272,549
859	Early Childhood Development, Education and Care	0	0	0	62,048	1,393,287
862	Escheats	455,928	330,704	620,640	849,278	656,006
863	Abandoned Fund Account	16,537,096	21,184,632	11,757,373	13,462,992	14,313,247
872	State Seminary	0	0	0	0	0
873	Champ W. Smith & Mary C. Smith Memorial Endowment Trust	20,537	20,330	21,062	21,268	21,750
878	Kids' Chance Scholarship	0	0	0	0	1,192

Exhibit B

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
 CONSTITUTION OF MISSOURI
 SCHEDULE OF TOTAL STATE REVENUES, BY FUND

Fund Number	Fund Name	Year Ended June 30,				
		1996	1997	1998	1999	2000
880	Guaranty Agency Operating	0	0	0	0	0
881	Federal Student Loan Reserve	0	0	0	0	0
885	Premium	0	0	0	0	0
900	Missouri National Guard Trust	0	0	0	11,183	155,843
904	Agriculture Development	180,467	161,484	76,686	(60,578)	4,446
905	Alternative Care Trust	0	0	0	0	0
906	Mined Land Reclamation	321,068	304,803	402,954	499,294	507,484
911	Babler State Park	284,337	281,006	335,810	292,429	322,829
920	School for Blind Trust	399,400	745,171	1,311,301	1,671,881	0
922	School for Deaf Trust	15,000	0	8,038	0	5,825
925	Institution Gift Trust	0	5,500	697	10,106	214,350
926	Mental Health Institution Gift Trust	6,937,519	6,023,564	5,234,238	7,276,348	6,210,745
927	Department of Health Institution Gift Trust	20,876	123	0	0	0
928	Secretary of State Wolfner Library	3,811	8,059	29,649	45,718	47,677
929	Secretary of State Institution Gift Trust	58,510	55,081	53,653	46,963	37,452
948	Unemployment Compensation Administration	79	(3,871)	(25)	(21,611)	0
949	Special Employment Security	981,705	811,942	715,630	847,281	2,405,602
950	Crippled Children	5,867	28,950	3,420	3,790	2,666
951	State Fair Trust	4,904	4,007	3,890	3,339	3,943
952	Aviation Trust	418,275	428,161	467,588	2,985,393	5,603,122
963	Pansey Johnson-Travis Memorial State Gardens Trust	36,395	37,868	0	0	0
	Total All Funds	\$ 6,386,936,483	6,908,736,259	7,155,138,374	7,343,678,391	7,371,743,299

See the accompanying Notes to the Exhibits.

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Revenue Source Code	Type of Revenue	Year Ended June 30, 2000
1001	Sales and use tax	\$ 1,711,735,812
1003 (i)	Parks sales and use tax	34,747,135
1005 (h)	Soil and water sales and use tax	34,746,972
1007	General revenue reimbursements - local sales and use tax	2,579,696
1009	Motor vehicle sales tax	212,131,664
1011 (u)	Conservation sales and use tax	86,885,502
1013 (b)	Proposition C sales and use tax	682,981,580
1015	Sales and use taxes paid under protest	1,650,756
1022	Individual income tax	4,276,499,738
1024	Individual income taxes paid under protest	1,315
1026	Corporate income tax	443,212,366
1028	Corporate income taxes paid under protest	(284,067)
1033	County foreign insurance tax	146,759,514
1035	County stock insurance tax	0
1037	Worker's compensation insurance tax	19,082,046
1039	Worker's compensation insurance tax - second injury	36,035,166
1041	Excess lines of insurance tax	7,871,619
1049	Heavy beer tax	8,045,753
1051	Light beer tax	106,295
1053	Liquor tax	14,256,263
1055	Wine tax	2,930,608
1057	Cigarette tax	103,356,006
1059	Tobacco product tax	8,649,933
1060	Motor vehicle fuel tax	386,297,792
1060 (c)	Motor vehicle fuel tax	169,035,971
1060 (n)	Motor vehicle fuel tax	150,023,029
1062	Special fuel non-gas tax	2,617,137
1064	Aviation fuel tax	599,279
1070	Corporation franchise tax	78,165,764
1073	Estate tax	132,700,434
1074 (o)	Bingo tax	3,849,044
1076 (p)	Gaming commission gross receipts tax	178,423,987
1080	Real and personal property tax	16,062,211
1082	Delinquent real and personal property tax	2,368,166
1084	Hazardous waste tax	2,191,446
1088	Nursing facility reimbursement allowance	6,643,749
1090	Federal reimbursement allowance	11,914,000
1092	Payments in lieu of taxes	300,000
1093	Athletic events tax	280,226
1097	Agency collected sales taxes	106,626

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Revenue Source Code	Type of Revenue	Year Ended June 30, 2000
1099	Other taxes	174,489
1100	Professional licenses or permits	14,899,229
1102	Recreational licenses or permits	3,982,073
1104	All-terrain vehicle licenses or permits	124
1106	Motor vehicle licenses or permits	161,503,917
1108	Interstate transportation licenses or permits	60,695,858
1108 (c)	Interstate transportation licenses or permits	4,947,537
1110	Driver's licenses or permits	17,693,434
1112	Land reclamation commission permits	431,593
1114	Salesman licenses or permits	3,402,585
1116	Vehicle and boat manufacturer and dealer licenses	905,896
1118	Liquor licenses or permits	3,666,225
1120	Gaming commission licenses	2,195,634
1122	Beer licenses or permits	12,997
1124	Motor carrier licenses	2,836,180
1126	Hunting and fishing licenses and commission permits	27,337,935
1127	Hunting and fishing special tags	1,315,350
1128	Hazardous waste transporter licenses	402,725
1130	Water pollution control permits	2,136,218
1132	Overdimension/overweight permits	4,828,860
1134	Merchant licenses	811,482
1136	Tobacco licenses	22,700
1138	Temporary licenses	1,175
1140	Duplicate plates	1,477
1149	Other licenses and permits	2,359,154
1150	Lobbyist registration fees	1,760
1152	Motorboat fees	5,550,804
1154	Narcotics and dangerous drugs fees	678,240
1156	Occupational boards exam fees - individual exam fees	131,032
1160	Non-motor fuel decal fees	520,725
1162	Filing fees	14,471,503
1164	Transfer fees	30,272
1169	Other registration fees	11,219,536
1174	Asbestos fees	259,101
1178	Milk control fees	55,451
1180	Home health care license fees	132,600
1182	Nursing home license fees	147,267
1184	Title V emissions fees	4,522,691
1185	Emission fees/non Title V facilities	1,116,242
1186	Boarding home license fees	743,567

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Revenue Source Code	Type of Revenue	Year Ended June 30, 2000
1188	Public utilities fees	21,432,233
1190	Hospital license fees	90,528
1192	Grain warehouse license fees	36,295
1194	Missouri primacy fees	2,496,191
1196	Underground storage tank annual participation fees	1,233,560
1198	Transport load fees	14,352,974
1200	Storage tank registration fees	260,059
1202	Tourist cabin permit fees	142,685
1206	Solid waste disposal fees	9,490,126
1208	New tire fees	1,968,304
1210	Ground water protection fees	524,281
1212	Water and sewage fees	0
1214	Insurance regulatory fees, renewals and purchasing groups	1,907,337
1216	Air conservation commission permit fees	313,418
1218	Bingo license fees	71,890
1220	Lab fees	1,514,785
1222	Program administration fees	813,724
1223	Confined animal feed operation indemnity fees	40,321
1224	Railroad assessments	705,384
1227	Enhanced vehicle emission inspection fees	375,241
1229	Beverage inspection fees	430,452
1233	Grain warehouse inspection fees	1,456,065
1235	Milk inspection fees	1,530,402
1237	Ice cream products inspection fees	32,845
1239	Mine inspection fees	91,251
1241	Mobile home and recreational vehicle inspection fees	288,790
1243	Oil inspection fees	2,422,783
1249	Other inspection fees	918,601
1250	Collection fees	24,176,296
1252	Admission fees	982,328
1252 (p)	Admission fees - Riverboat gambling	49,206,860
1254	State auditor fees	743,699
1260	Grade crossing safety fees	757,852
1262	Loan administration fees	1,963,020
1262 (y)	Loan administration fees - Student loan funds	197,293
1264	Court fees	18,863,188
1266	Financial institutions examination fees	6,764,447
1268	Consumer finance license fees	677,700
1270	Transcript fees	141,467
1274	Marketing development fees	196,742

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Revenue Source Code	Type of Revenue	Year Ended June 30, 2000
1276	Miscellaneous insurance fees	594,567
1278	Gaming commission administrative income	2,174
1279 (e)	Lottery commission fees	195,279
1280	Motor vehicle inspection sticker fees	4,013,513
1282	Logo sign advertising fees	3,241,796
1284	Public defender fees	918,393
1286	Witness fees	3,915
1288	County recorders fees	8,011,015
1290	Training or conference fees	25,003
1294	Electronic monitoring fee	801,843
1298	Substance abuse offender program fees	1,756,647
1302	Criminal records check fees	3,317,577
1303	Other fees	3,311,554
1303 (y)	Other fees - Student loan funds	3,660
1305 (d)	Bond sales proceeds	40,024,065
1310	Land sales	1,330,053
1312	Sales of natural resources products	3,040,229
1314	Sales of agriculture products	1,793,736
1316	Manufactured product sales	12,203,435
1318	Information sales	3,672,650
1320	Souvenir sales	620,200
1322	Surplus property sales - State	3,924,703
1322 (e)	Surplus property sales - State - Lottery Fund 657	137,302
1322	Surplus property sales - State	573,282
1324	Surplus property sales - Federal	1,953,910
1328	Sales of fixed assets - control (used by the system only)	6,703,573
1330	Vital records sales	1,281,566
1332 (e)	Lottery ticket sales	278,290,515
1334	Cafeteria sales	685,678
1338	Other sales	215,465
1401	Land rentals/leases	5,226
1403	State facilities rentals/leases	679,339
1404	Parking rentals/leases	123,796
1405	Concessions and recreational rentals/leases	2,497,975
1407	Housing/building rentals/leases	377,587
1409	Other leases and rentals	1,516,822
1414 (a)	Medicare	8,692,048
1416 (a)	Medicare - community based	406,508
1418 (a)	Medicaid	62,838,731
1419 (a)	Medicaid - case managers	0

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Revenue Source Code	Type of Revenue	Year Ended June 30, 2000
1420 (a)	Medicaid - community based	62,380,747
1422	Private Payments	6,919,977
1424	Insurance payments	1,759,775
1426	Other payments	900,723
1434	Institutional support fees	55,980
1436	Room and care	13,155,285
1501	Private donations	3,950,259
1502	Other governmental entity donations	24,852
1507 (a)	Nasao (airport inspections)	22,102
1510 (a)	US Department of Agriculture	560,196,906
1512 (a)	US Department of Defense	2,106,505
1514 (a)	US Department of Housing and Urban Development	50,354,645
1516 (a)	US Department of Interior	17,245,212
1518 (a)	US Department of Justice	10,751,283
1520 (a)	US Department of Labor	25,814,992
1522 (a)	US Department of Education	365,963,223
1522 (y)	US Department of Education	17,638,453
1524 (a)	US Department of Transportation	652,918,051
1526 (a)	National Foundation for the Arts and Humanities	3,686,964
1528 (a)	US Veterans Administration	32,052,514
1530 (a)	US Environmental Protection Agency	50,826,223
1532 (a)	US Department Of Energy	5,917,842
1534 (a)	Federal Emergency Management Agency	11,331,901
1536 (a)	US Department of Health and Human Services	3,064,483,249
1538 (a)	National and Community Services	76,600
1540 (a)	US Social Security Administration	31,178,359
1549 (a)	Miscellaneous federal revenues	21,281,830
1551	County mental health programs	5,527,382
1560 (a)	Federal pass-through grants	37,845,336
1601	Time deposits interest	16,251,174
1601 (b)	Time deposits interest - Fund 688	297,972
1601 (e)	Time deposits interest - Fund 657	151,656
1601 (h)	Time deposits interest - Fund 614	93,797
1601 (i)	Time deposits interest - Fund 613	109,228
1601 (l)	Time deposits interest - Fund 905	11,087
1601 (o)	Time deposits interest - Fund 289	51,108
1601 (p)	Time deposits interest - Fund 285	51,477
1601 (q)	Time deposits interest - Fund 963	3,274
1601 (u)	Time deposits interest - Fund 609	130,222
1601 (y)	Time deposits interest - Fund 851	98,161

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Revenue Source Code	Type of Revenue	Year Ended June 30, 2000
1601 (y)	Time deposits interest - Fund 626	113,341
1601 (y)	Time deposits interest - Fund 880	42,929
1601 (y)	Time deposits interest - Fund 881	125,307
1603	U.S./agency securities interest	147,044,390
1603 (b)	U.S./agency securities interest - Fund 688	2,493,607
1603 (e)	U.S./agency securities interest - Fund 657	1,192,799
1603 (h)	U.S./agency securities interest - Fund 614	752,798
1603 (i)	U.S./agency securities interest - Fund 613	868,255
1603 (l)	U.S./agency securities interest - Fund 905	87,364
1603 (o)	U.S./agency securities interest - Fund 289	404,104
1603 (p)	U.S./agency securities interest - Fund 285	408,618
1603 (q)	U.S./agency securities interest - Fund 963	28,571
1603 (u)	U.S./agency securities interest - Fund 609	1,053,614
1603 (y)	U.S./agency securities interest - Fund 851	758,800
1603 (y)	U.S./agency securities interest - Fund 626	752,182
1603 (y)	U.S./agency securities interest - Fund 880	367,772
1603 (y)	U.S./agency securities interest - Fund 881	1,131,246
1610	Interest on loans	729,476
1614	Interest on receivables	44,466
1616	Interest on settlements	40,772
1618	Other interest	462,973
1618 (y)	Other interest - Fund 880	118,318
1621	Penalties	12,967,821
1624	Settlements	571,324
1626	Court awards	1,726,800
1626 (e)	Court awards - Lottery Fund 657	60
1628	Insufficient funds charges	4,313
1634	Estates	611,436
1636	Unclaimed properties	22,358,117
1700 (f)	Salary refunds - federal	557,642
1701 (f)	Salary refunds - state	26,484
1702 (f)	Salary refunds - local/other	19,307
1703 (f)	General relief pension refunds	3,249,761
1704 (f)	Blind pension refunds	16,373
1706 (f)	Dependent children pension refunds	561,846
1715 (f)	Day care refunds	106,914
1717 (f)	Medicare - Medicaid refunds	136,935,781
1719 (f)	Cost in criminal cases refunds	234,418
1721 (f)	Vendor refunds - federal	699,732
1722 (f)	Vendor refunds - state	558,052

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Revenue Source Code	Type of Revenue	Year Ended June 30, 2000
1723 (f)	Vendor refunds - local/other	72,613
1724 (f)	Political subdivision refunds	143,011
1725 (f)	Excess court payment refunds	852,927
1727 (f)	School refunds	11,844,955
1729 (f)	Audit findings - federal	7,698
1730 (f)	Audit findings - state	15,421
1731 (f)	Audit findings - local/other	729,638
1732 (f)	Utility refunds	18,184
1733 (f)	Fuel tax refunds	170,120
1737 (f)	Other refunds	4,561,764
1737 (y)	Other refunds	23,345,997
1806 (w)	Recovery costs	15,033,232
1806 (e)	Recovery costs - Lottery Fund 657	1,514
1808	Deposit of surplus property funds	609,879
1811 (z)	Local match	925,017
1812 (x)	Cost reimbursements - federal	2,015,773
1813 (x)	Cost reimbursements - state	16,532,344
1813	Cost reimbursements - state (included)	7,087,444
1814 (x)	Cost reimbursements - local/other	130,645,961
1814 (e)	Cost reimbursements - local/other - Lottery Fund 657	885
1814 (l)	Cost reimbursements - local/other - Alternative Care Trust Fund 905	3,351
1816	Bond account	2,557,222
1818 (v)	Employee expense reimbursement - federal	4,281
1819 (v)	Employee expense reimbursement - state	5
1820 (v)	Employee expense reimbursement - local/other	25
1821 (v)	Employee personal expense reimbursement	24,372
1821 (p)	Employee personal expense reimbursement - Riverboat gambling	3,186
1822 (k)	Outlawed checks	8,592,553
1822 (e)	Outlawed checks - Lottery Fund 657	3,142
1822 (l)	Outlawed checks - Alternative Care Trust Fund 905	4,256
1824 (r)	Canceled checks	1,263,769
1824 (e)	Canceled checks - Lottery Fund 657	387
1824 (l)	Canceled checks - Alternative Care Trust Fund 905	553
1824 (p)	Canceled checks - Riverboat gambling	556
1826 (j)	Redeposit of investments principal	12,145,706
1828 (m)	Redeposit of loan principal	13,287,525
1830	Telephone commissions	11,469,797
1832	Commission on sales	51,954
1834	Rebates	5,448
1836	Housing and maintenance receipts	3,479

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Revenue Source Code	Type of Revenue	Year Ended June 30, 2000
1838	Loan defaults	513,145
1840 (t)	Loan proceeds	13,249,721
1842 (m)	Loan repayment	6,166,999
1843 (m)	Loans receivable contra account	129,835
1844	Insurance proceeds	2,617
1846	Capital credits/dividends	29,944
1848	Recycling receipts	27,945
1850	Forfeitures	1,512,074
1852	Overpayments	1,539,353
1852 (y)	Overpayments - Fund 880	827
1856 (a)	Other miscellaneous receipts - federal	61,106,244
1856 (y)	Other miscellaneous receipts - federal	1,737,862
1858	Other miscellaneous receipts - state	1,617,468
1858 (e)	Other miscellaneous receipts - state - Lottery Fund 657	44,229
1858 (l)	Other miscellaneous receipts - state - Alternative Care Trust Fund 905	8,199,272
1860	Other miscellaneous receipts - local/other	1,627,330
1860 (y)	Other miscellaneous receipts - local/other - Guaranty Student Loan Funds	128,014
1862	Fees for copying public records	152,086
1862 (e)	Fees for copying public records - Lottery Fund 657	313
1866	Federal share of grantee sales	110,794
1870	Receivable overpayment - state	220,516
6001 (g)	Supply sales	67,530
6003 (g)	Fleet services operations/maintenance	721,178
6005 (g)	Fleet services replacement	1,636,100
6007 (g)	Mail/freight services	621,835
6009 (g)	Telephone billing	39,848,893
6011 (g)	Printing service	7,393,887
6013 (g)	Reimbursement/recovery cost	8,974,728
6013 (e)	Reimbursement/recovery cost - Lottery Fund 657	434
6015 (g)	Leased facility	8,879,871
6017 (g)	Sale of material, supplies, and services	925,324
6019 (g)	Training	904,425
6021 (g)	Computer services	28,938,164
6023 (g)	Administration services	275,080
6025 (g)	Flight operations services	475,376
6027 (g)	Sale of manufactured products	15,998,275
6029 (g)	Interagency receipts	11,491,580
6029 (y)	Interagency receipts - Guaranty Student Loan Funds	473,094
6031 (s)	Redeposit of state funds	6,562,452
6032 (g)	Deposit of unclaimed property	467

Exhibit C

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF TOTAL STATE REVENUES, BY TYPE

Revenue Source Code	Type of Revenue	Year Ended June 30, 2000
	Total revenues	15,871,288,352
	Exclusions:	
(a)	Federal funds	5,139,478,016
(b)	Proposition C sales and use tax/interest	685,773,159
(c)	Proposition A gas tax and license fee increases	173,983,508
(d)	Bond sales	40,024,065
(e)	Lottery	280,018,514
(f)	Refunds	161,382,638
(g)	Interagency sales and receipts	127,152,714
(h)	Soil and water sales and use tax/interest	35,593,567
(i)	Parks sales and use tax/interest	35,724,618
(j)	Redeposit of investment principal	12,145,706
(k)	Outlawed checks	8,592,553
(l)	Alternative Care Trust Fund	8,305,883
(m)	Redeposit of loan principal	19,584,358
(n)	Amendment 8 motor fuel tax to local governments	150,023,029
(o)	Bingo	4,304,256
(p)	Riverboat gambling	228,094,683
(q)	Pansey-Johnson-Travis Memorial State Gardens Trust	31,845
(r)	Cancelled checks	1,263,769
(s)	Redeposit of state funds	6,562,452
(t)	Loan proceeds	13,249,721
(u)	Conservation sales and use tax/interest	88,069,338
(v)	State employee expense account reimbursement	28,683
(w)	Recovery costs	15,033,232
(x)	Cost reimbursements	149,194,077
(y)	State Guaranty Student Loan Funds	47,033,257
(z)	Local match	925,017
	CMIA Interest payment to the federal government	1,857,633
	Abandoned funds claim payments	8,058,274
	Proceeds of surplus property sales (Fund 710)	573,282
	Agency remitted sales tax	134,708
	Total exclusions	7,442,196,555
	Total revenues after exclusions	8,429,091,797
	Less: expenditure refunds (Exhibit D)	1,057,348,498
	Total State Revenue (TSR)	\$ 7,371,743,299

See the accompanying Notes to the Exhibits.

Exhibit D

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF EXPENDITURE REFUNDS, BY TYPE

Object Code	Description	Year Ended June 30, 2000
	SAM II Expenditure Refunds:	
3200	Bond refunds	\$ 2,290,015
3206	Deposit and escrow refunds	35,014
3215	Debt offset refunds	4,783,451
3218	Motor vehicle license fee refunds	824,338
3221	Driver's license fee refunds	131,228
3227	License and permit fee refunds	37,502
3230	Registration fee refunds	35,869
3233	Regulatory fee refunds	27,097
3236	Inspection fee refunds	82,817
3239	Miscellaneous fee refunds	529,580
3242	Sales refunds	10,333
3248	Medical services refunds	110,460
3254	Federal refunds	551,070
3257	Penalty and court award refunds	163,510
3260	Interagency billing refunds	7
3261	Receivable overpayment refunds	20,470
3266	Missouri consolidated check off refunds	114,102
3267	Deferred revenue refunds	923,124
3269	Other refunds	2,935,374
3272	Sales and use tax protested refunds	310,862
3281	County foreign insurance tax refunds	11,815,313
3287	Worker's compensation insurance tax refunds	1,171,372
3290	Worker's compensation second injury insurance tax refunds	498,879
3293	Cigarette tax refunds	62,268
3296	Tobacco products tax refunds	3,346
3299	Aviation fuel tax refunds	11,780
3302	Local use tax refunds	802,972
3305	Special fuel (non-gas) tax refunds	27,578,946
3308	Fuel tax refunds	14,487,597
3317	General sales and use tax refunds	58,164,070
3326	Motor vehicle sales tax refunds	4,313,818
3329	Motor vehicle use tax refunds	1,055,465
3335	Boat tax refunds	8,913
3338	Individual tax refunds	605,213,858
3341	Senior citizens tax refunds	56,623,024
3342	Pharmaceutical tax refunds	64,769,058
3344	Corporation tax refunds	189,693,766
3347	Franchise tax refunds	1,773,529
3350	Inheritance tax refunds	2,904,538

Exhibit D

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
SCHEDULE OF EXPENDITURE REFUNDS, BY TYPE

Object Code	Description	Year Ended June 30, 2000
3356	Other tax refunds	8,550
	Total SAM II Expenditure Refunds	<u>1,054,877,285</u>
	SAM Expenditure Refunds (Lapse Period)	
2530	Expense and equipment miscellaneous refund	378,671
2905	Sales tax refund	612,264
2906	Local use tax refunds	(16,772)
2910	Motor vehicle sales tax refunds	(2)
2930	Individual tax refunds	(43,872)
2935	Senior citizens tax refunds	0
2940	Corporation tax refunds	(228,990)
2945	Franchise tax refunds	98,506
2950	Regular fuel tax refunds	16,075
2970	Drivers license fee refunds	2,273
2975	Other tax refunds	1,497,136
2980	Miscellaneous refunds	155,924
	Total SAM Expenditure Refunds	<u>2,471,213</u>
	Total Expenditure Refunds	<u>\$ 1,057,348,498</u>

See the accompanying Notes to the Exhibits.

NOTES TO THE EXHIBITS

REVIEW OF ARTICLE X, SECTION 16 THROUGH 24
CONSTITUTION OF MISSOURI
NOTES TO THE EXHIBITS

1. Refunds paid for the year ended June 30, 1998, totaled \$178,843,080 which included \$166,740,970 for 1998 plus \$12,102,110 due from the prior years of 1995, 1996, and 1997. Of the amount due from prior years \$12,071,930 related to the court decision that payments to the state to recoup public safety and regulatory enforcement costs for gaming riverboats should be included in total state revenue. The remaining \$30,180 related to various minor adjustments for 1995, 1996, and 1997.
2. The state implemented a new accounting system (SAM II) beginning with fiscal year 2000. The coding structure (chart of accounts) was significantly changed under SAM II. As a result, revenue and expenditure refunds by type for fiscal years prior to SAM II are not comparable with fiscal year 2000. As a result, revenues by type are not presented on Exhibit C and expenditure refunds by type are not presented on Exhibit D for prior years.
3. Expenditure refunds are excluded from total state revenue on the cash basis of accounting, which means all refunds paid from July 1, 1999 through June 30, 2000. Expenditure refunds on Exhibit D include those paid from the state's new accounting system (SAM II) starting on July 1, 1999 and ending June 30, 2000, and refunds paid from the old accounting system (SAM) during the lapse period of fiscal year 1999 (July 1, 1999 through August 31, 1999).

BACKGROUND, METHODOLOGY, AND CONCLUSIONS

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
BACKGROUND, METHODOLOGY, AND CONCLUSIONS

The following identifies the various components of the amendment and the application of the amendment to state revenues.

Formula

Article X, Section 18(a) of the Constitution of Missouri establishes the revenue limit formula as follows:

Revenue limit for FY 19XX	= $\frac{\text{TSR in FY 1981}}{\text{CY 1979 Missouri personalincome (MPI)}}$ x	The greater of Missouri Personal Income (MPI) in the calendar year (CY) prior to the CY in which appropriations are made for FY 19XX or Average MPI for three CYs preceding FY 19XX.
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The formula is composed of two principal parts. The first part of the formula, the base year ratio (BYR), is as follows:

$$\frac{\text{TSR in FY 1981}}{\text{CY 1979 MPI}}$$

The application of this ratio to the second part of the formula (future years' MPI) ensures that no greater portion of a future year's personal income will be used to fund state government than was the case at the time of passage of the amendment. The MPI amounts used in the formula for the base year and subsequent years are reported by the U.S. Department of Commerce (DOC).

The OA-BP does not adjust the BYR for changes already made or for future changes or adjustments to this amount by DOC. Article X, Section 17(2) refers to ". . . total income . . . as defined and officially reported by" DOC. Even though the amendment does not specifically refer to such adjustments, this wording suggests that the BYR should be adjusted whenever CY 1979 MPI is adjusted by DOC. The use of the initial reporting of MPI does provide an unchanging BYR for future years, which provides at least two benefits. First, the state can more easily plan and make appropriate adjustments to stay under the revenue limit. Second, if the initial MPI is subsequently adjusted, retroactive refunds are a possibility. That is, an adjustment to MPI for any prior year (including the base year) could reduce the revenue limit for a prior year below that year's TSR, providing a refund where one previously was not due. Therefore, we find this approach reasonable so long as it is followed consistently.

As with the BYR, the OA-BP uses the MPI first officially published by DOC after the close of the CY to calculate the revenue limit for the applicable fiscal year. For the reasons expressed in the preceding paragraph, we find this approach reasonable so long as it also is followed consistently.

The BYR was calculated by the OA-BP as follows:

$$\frac{2,232.204096}{39,581.0} = .05639584891$$

In its calculations of the revenue limit the OA-BP rounded the BYR to .056395.

Article X, Section 18(b) allows the state to exceed the revenue limit by 1 percent before a refund is due. Therefore, to determine the point at which the refund provision takes effect (the refund threshold) the revenue limit is adjusted upward by 1 percent. However, should TSR exceed the refund threshold, all revenues in excess of the revenue limit are subject to refund.

Adjustments

Article X, Section 18(d) provides that the revenue limit may be adjusted, ". . . if responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment . . . provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such a change."

The OA-BP has adjusted the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll under Section 483.245, RSMo 2000, which was effective on July 1, 1981. In past years the SAO disagreed with this adjustment because state funding of these salaries was required by statute instead of by consequence of constitutional amendment. In addition, the Judicial Article Amendment was effective on August 3, 1976, which was prior to the time the Hancock Amendment was adopted by the voters on November 4, 1980. The Supreme Court ruled in its decision on January 27, 1998, that an adjustment to the revenue limit for the transfer of deputy circuit clerks from the county payroll to the state payroll is appropriate.

Composition of Total State Revenues

An integral part in applying the provisions of the amendment to state revenues is to determine what constitutes TSR. The amendment does not specify the methodology to be used to determine TSR. Consequently, procedures to calculate TSR have been established and certain decisions as to items that would be either included or excluded have been made, except for items ruled on by the Attorney General or the Missouri courts.

TSR includes all revenues recorded in the Statewide Accounting System for Missouri (SAM II) and receipted by the state treasurer, which may only be withdrawn pursuant to an appropriation or which stand appropriated by the Constitution of Missouri. Various funds not in the state treasury are not included in TSR. These funds include university local funds, local sales tax fund collections made by the Department of Revenue, various funds held in trust for inmates, patients, etc., and various quasi-governmental agencies such as the Board of Public Buildings, the Housing Development Commission, the Higher Education Loan Authority, the Health and Educational Facilities Authority, and the state's retirement systems. The Hancock Amendment states the composition of TSR is, "defined in the budget message of the governor for fiscal year 1980-81." The funds described above were not addressed in the governor's budget message for that year since the funds were not in the state treasury and were not appropriated. Thus, it seems reasonable to conclude that these funds should not be included in TSR.

From the revenue amounts obtained from SAM II, certain types of revenues are excluded to arrive at TSR, as defined in Article X, Section 17(1) of the constitution, as follows:

A. Federal Funds

Article X, Section 17 specifically excludes federal funds.

B. Proposition C Sales and Use Tax\Interest

In November 1982, the voters approved Proposition C, which increased the state sales and use tax by 1 percent. Since Proposition C received direct voter approval as provided in Article X, Section 16, the proceeds from the additional 1 percent sales and use tax, including any interest earned on the investment of such taxes, are excluded.

C. Proposition A Gas Tax and License Fee Increases

In April 1987, the voters approved Proposition A, which increased the motor fuel tax by four cents per gallon and increased the annual registration fee for certain motor vehicles, effective July 1, 1987. Since the increase in tax and fees received direct voter approval, these revenues are excluded.

D. Bond Sales

An attorney general opinion concluded that proceeds of the state's general obligation bonds were not to be included in TSR.

E. Lottery

In November 1984, the voters approved Article III, Section 39(b) of the constitution, which authorized the creation of the Missouri State Lottery. This provision states that revenues produced from the conduct of a state lottery shall not be a part of TSR. Since the voters approved the state lottery, all revenue and expenditure refunds related to the state lottery are excluded.

F. Refunds

Refunds received due to the overpayment of obligations by the state, as identified by certain revenue source codes, are excluded.

G. Interagency Sales and Receipts

Since interagency transactions do not generate additional revenue for the state as a whole, interagency sales and receipts, as identified by certain revenue source codes, are excluded.

- H. Soil and Water Sales and Use Tax\Interest and**
- I. Parks Sales and Use Tax\Interest**

In August 1984, the voters approved a one-tenth of 1 percent sales tax for soil and water conservation and state parks. Article IV, Section 47(c) states that the additional revenue provided by the tax shall not be part of TSR. Since the voters approved the sales tax, the sales tax and any interest earned on the investment of the balance in these funds are excluded.

- J. Redeposit of Investment Principal**

The redeposit of investment principal is excluded.

- K. Outlawed Checks**

Outlawed checks, which are state checks that were not cashed by the payee within the time allowed, are redeposited in the state treasury and are excluded.

- L. Alternative Care Trust Fund**

The Alternative Care Trust Fund was established in 1989 under Section 210.560, RSMo 2000. The Division of Family Services uses this fund to account for funds held in trust for the benefit of children who have been placed in the legal custody of the state. The Department of Corrections, Department of Mental Health, and the Division of Veteran's Affairs hold funds in trust for inmates and patients; however, these funds are not in the state treasury and are not included in TSR. Funds held in trust are not state funds since the funds remain the property of the individual. Since the Alternative Care Trust Fund does not account for state funds, it is excluded.

- M. Redeposit of Loan Principal**

Redeposits of loan principal are excluded.

- N. Amendment 8 Motor Fuel Tax to Local Governments**

In August 1992, the voters approved an amendment to Article IV, Section 30(a) which revised the apportionment of the motor fuel tax. In addition, the amendment provided that beginning July 1, 1993, the net proceeds of fuel taxes allocated to local governments is excluded from TSR. Since the voters approved this revised allocation of the fuel tax, the fuel tax allocated to local governments is excluded.

- O. Bingo**

The August 1992 amendment to Article III, Section 39(d) related to gaming activities also applies to bingo games, in that all state revenues derived from the conduct of gaming activities shall be appropriated beginning July 1, 1993, solely for public education and shall not be included in TSR. Section 313.007, RSMo 2000 requires the bingo tax to be deposited in the Bingo Proceeds for Education Fund. The bingo tax, certain fees, and the interest earned on the investment of the fund are excluded from TSR.

P. Riverboat Gambling

In August 1992, the voters approved an amendment to Article III, Section 39(d) of the Missouri Constitution. This constitutional amendment requires that all state gaming revenues must be appropriated for public education and excludes these revenues from TSR.

In 1993, the Missouri General Assembly enacted Senate Bills 10 and 11. This comprehensive gaming legislation established riverboat gaming in the state. This law repealed House Bill 149 related to riverboat gaming which had been enacted by voters as Proposition A in November 1992.

Under Senate Bills 10 and 11, the legislature imposed a 20 percent tax on adjusted gross receipts from gambling games. The state treats 90 percent of this revenue as state gaming revenues under Article III, Section 39(d) and earmarks the revenues to the Gaming Proceeds for Education Fund. The remaining 10 percent of this revenue is allocated to the home dock city or county. Under Article III, Section 39(d) of the Missouri Constitution, the 90 percent portion of the adjusted gross receipts tax is exempted from TSR. The remaining 10 percent portion of the adjusted gross receipts tax is also excluded from TSR because these funds are distributed by the Department of Revenue without deposit in the state treasury and without appropriation.

Under Senate Bills 10 and 11, the legislature also established a Gaming Commission Fund in the state treasury and authorized gaming commission license fees, penalties, administrative fees, reimbursements, and admission fees to be deposited in this fund and expended pursuant to state appropriation for various purposes.

On November 24, 1998, the Missouri Court of Appeals, Western District entered its final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998). The Missouri Court of Appeals, Western District ruled that revenue from the one dollar portion of the state imposed two dollar admission fee that is remitted to the "home dock city or county" is not included in TSR, while the revenue from the payments to the state to recoup public safety and regulatory enforcement costs is included in TSR.

Q. Pansey Johnson-Travis Memorial State Gardens Trust Fund

The state received an endowment in 1987 for the purpose of establishing a memorial state garden. The state is to invest the endowment for 100 years before using the funds to establish the memorial garden. Since the funds cannot be appropriated until 2087, the revenue is excluded from TSR.

R. Canceled Checks

Receipts derived from the redeposit of state checks that have been canceled are excluded.

S. Redeposit of State Funds

The redeposit of state funds for which a state expenditure was originally incurred, such as from closing a petty cash fund and returning the funds to the state treasury, is excluded.

T. Loan Proceeds

The state receives loans or advancements from the federal government, local governments, or private sources, to finance the acceleration of state projects. Since the loans must be repaid in the future, they are excluded.

U. Conservation Sales and Use Tax/Interest

Pursuant to the Supreme Court decision in Conservation Federation of Missouri, et. al., v. Richard Hanson, et. al., 994 S.W. 2d 27 (Mo. Banc. 1999), the revenue derived from the one-eighth of one percent conservation sales tax, and any interest earned on the investment of these funds, are excluded.

V. State Employee Expense Reimbursement

The state receives reimbursement from private individuals, firms, partnerships, corporations, etc. for state employee expenses incurred in providing testimony in a court of law, for which the employee has already been reimbursed by a state expense account. These reimbursements are excluded.

W. Recovery Costs (See Items Open to Interpretation)

Monies received from others for costs incurred by the state or to be incurred by the state are excluded.

X. Cost Reimbursements (See Items Open to Interpretation)

Monies received from other governments for reimbursements of costs incurred by the state are excluded.

Y. State Guaranty Student Loan Fund

Federal legislation in August 1997 made changes in the accounting required for federal education loans. Starting in state fiscal year 1998, the federal government considers all monies in these funds as property of the federal government. As a result, the state excludes these funds held in trust for the federal government.

Z. Local Match

Local governments provided funds to the state to use as a local match to qualify for federal or state funding. Since these local match funds are not state funds, they are excluded.

Cash Management Improvement Act

The state has to enter into an agreement with the federal government which governs the timing of when the state can obtain federal grant monies. If the state holds federal funds longer than needed, the state has to reimburse the federal government for interest earnings. Since the interest was earned on federal funds and has to be returned to the federal government, it is excluded from TSR.

Abandoned Funds Claim Payments

Under Section 447.543, RSMo 2000, the state receives abandoned funds from various sources (banks, businesses, insurance companies, etc.). These funds are placed in the state Abandoned Fund Account. The rightful owner may receive these funds if properly claimed. The state includes the receipts in TSR. Starting in fiscal year 1998, the state excludes from TSR amounts paid to the rightful owner.

Proceeds of Surplus Property Sales

The proceeds from some sales of surplus property are initially deposited into the Proceeds of Surplus Property Sales Fund then they are disbursed from this fund to the state fund that owned the property. To avoid counting the same receipts in TSR twice, the state excludes amounts disbursed from the Proceeds of Surplus Property Sales Fund to other state funds.

Agency Remitted Sales Tax

Some state agencies sell goods or services to the public and collect sales tax. To avoid counting the same receipts in TSR twice, the sales tax remitted by state agencies to the Department of Revenue is excluded from TSR.

Expenditure Refunds

According to Article X, Section 17(1), total state revenue shall exclude the amount of any credits based on actual tax liabilities. Refunds disbursed due to the excess collection by the state of liabilities owed the state, largely tax refunds, as identified by certain expenditure object codes are excluded. The method used to determine expenditure refunds is not specified in the amendment. Although the OA-BP initially used the appropriation basis to determine expenditures refunds, during fiscal year 1984, the OA-BP changed to the cash basis. The SAO had consistently used the appropriation basis to measure refunds. As a result, a difference existed. However, in its decision of January 27, 1998, the Supreme Court indicated that a cash basis of accounting should be used to determine compliance with the Hancock Amendment. As a result, the SAO changed its calculation of expenditure refunds to the cash basis.

Items Open to Interpretation

The state has excluded from TSR receipts for cost reimbursements since fiscal year 1982 and receipts for recovery costs since fiscal year 1988. The constitution does not specifically mention cost reimbursements and recovery costs. We agreed with such exclusions in prior years because from an accounting standpoint, they may not be considered revenue. However, recent court decisions during 1998 have brought up issues that make it uncertain as to whether these receipts should be excluded. The Supreme Court decision in Kelly v. Hanson, et. al., 959 S.W. 2d 107 (Mo. 1998) on January 27, 1998, indicated the calculation of TSR presents unique financial related legal requirements (as opposed to treatment from an accounting standpoint), when the court determined that funds collected by the state may not be considered revenue in the context of TSR unless the funds are received into the state treasury and the funds are subject to appropriation. Receipts from cost reimbursements and recovery costs meet the Supreme Court's two-part test noted above. In addition, on November 24, 1998, the Missouri Court of Appeals, Western District entered a final decision in Kelly v. Hanson, et. al., 984 S.W. 2d 540 (Mo. 1998) which ruled that revenue from the payments to the state to recoup

public safety and regulatory enforcement costs for gaming riverboats is included in TSR. These recoupments from the gaming riverboats are coded as recovery costs by the state and have been properly included in TSR by the state. However, it is uncertain whether all other revenue from recovery costs and cost reimbursements should be included based on the courts' decisions. Although we have also excluded these receipts in our calculations of TSR, we consider these items open to interpretation and we will continue to review these issues. It should be noted that had both cost reimbursements and recovery costs been included in TSR for fiscal year 2000, no refund would have been due to the taxpayers.

This report is intended for the information of the office's management and other applicable state government officials. However, this report is a matter of public record and its distribution is not limited.

APPENDIX

REVIEW OF ARTICLE X, SECTIONS 16 THROUGH 24,
CONSTITUTION OF MISSOURI
(ADOPTED NOVEMBER 4, 1980, AMENDED APRIL 2, 1996*)

TAXATION

Section 16. Taxes and state spending to be limited--state to support certain local activities--emergency spending and bond payments to be authorized. Property taxes and other local taxes and state taxation and spending may not be increased above the limitations specified herein without direct voter approval as provided by this constitution. The state is prohibited from requiring any new or expanded activities by counties and other political subdivisions without full state financing, or from shifting the tax burden to counties and other political subdivisions. A provision for emergency conditions is established and the repayment of voter approved bonded indebtedness is guaranteed. Implementation of this section is specified in sections 17 through 24, inclusive of this article.

Section 17. Definitions. As used in sections 16 through 24 of Article X:

- (1) **"Total state revenues"** includes all general and special revenues, license and fees, excluding federal funds, as defined in the budget message of the governor for fiscal year 1980-1981. Total state revenues shall exclude the amount of any credits based on actual tax liabilities or the imputed tax components of rental payments, but shall include the amount of any credits not related to actual tax liabilities.
- (2) **"Personal income of Missouri"** is the total income received by persons in Missouri from all sources, as defined and officially reported by the United States Department of Commerce or its successor agency.
- (3) **"General price level"** means the Consumer Price Index for All Urban Consumers for the United States, or its successor publications, as defined and officially reported by the United States Department of Labor, or its successor agency.

Section 18. Limitation on taxes which may be imposed by general assembly--exclusions--refund of excess revenue--adjustments authorized.

(a). There is hereby established a limit on the total amount of taxes which may be imposed by the general assembly in any fiscal year on the taxpayers of this state. Effective with fiscal year 1981-1982, and for each fiscal year thereafter, the general assembly shall not impose taxes of any kind which, together with all other revenues of the state, federal funds excluded, exceed the revenue limit established in this section. The revenue limit shall be calculated for each fiscal year and shall be equal to the product of the ratio of total state revenues in fiscal year 1980-1981 divided by the personal income of Missouri in calendar year 1979 multiplied by the personal income of Missouri in either the calendar year prior to the calendar year in which appropriations for the fiscal year for which the calculation is being made, or the average of personal income of Missouri in the previous three calendar years, whichever is greater.

(b). For any fiscal year in the event that total state revenues exceed the revenue limit established in this section by one percent or more, the excess revenues shall be refunded pro rata based on the liability reported on the Missouri state income tax (or its successor tax or taxes) annual returns filed

following the close of such fiscal year. If the excess is less than one percent, this excess shall be transferred to the general revenue fund.

(c). The revenue limitation established in this section shall not apply to taxes imposed for the payment of principal and interest on bonds, approved by the voters and authorized under the provisions of this constitution.

(d). If responsibility for funding a program or programs is transferred from one level of government to another, as a consequence of constitutional amendment, the state revenue and spending limits may be adjusted to accommodate such change, provided that the total revenue authorized for collection by both state and local governments does not exceed that amount which would have been authorized without such change.

(e).1. In addition to the revenue limit imposed by section 18 of this article, the general assembly in any fiscal year shall not increase taxes or fees without voter approval that in total produce new annual revenues greater than either fifty million dollars adjusted annually by the percentage change in the personal income of Missouri for the second previous fiscal year, or one percent of total state revenues for the second fiscal year prior to the general assembly's action, whichever is less. In the event that an individual or series of tax or fee increases exceed the ceiling established in this subsection, the taxes or fees shall be submitted by the general assembly to a public vote starting with the largest increase in the given year, and including all increases in descending order, until the aggregate of the remaining increases and decreases is less than the ceiling provided in this subsection.

2. The term "new annual revenues" means the net increase in annual revenues produced by the total of all tax or fee increases enacted by the general assembly in a fiscal year, less applicable refunds and less all contemporaneously occurring tax or fee reductions in that same fiscal year, and shall not include interest earnings on the proceeds of the tax or fee increase. For purposes of this calculation, "enacted by the general assembly" shall include any and all bills that are truly agreed to and finally passed within that fiscal year, except bills vetoed by the governor and not overridden by the general assembly. Each individual tax or fee increase shall be measured by the estimated new annual revenues collected during the first fiscal year that it is fully effective. The term "increase taxes or fees" means any law or laws passed by the general assembly after the effective date of this section that increase the rate of any existing tax or fee, impose a new tax or fee, or broaden the scope of a tax or fee to include additional class of property, activity, or income, but shall not include the extension of an existing tax or fee which was set to expire.

3. In the event of an emergency, the general assembly may increase taxes, licenses or fees for one year beyond the limit in this subsection under the same procedure specified in section 19 of this article.

4. Compliance with the limit in this section shall be measured by calculating the aggregate actual new annual revenues produced in the first fiscal year that each individual tax or fee change is fully effective.

5. Any taxpayer or statewide elected official may bring an action under the provisions of section 23 of this article to enforce compliance with the provisions of this section. The Missouri supreme court shall have original jurisdiction to hear any challenge brought by any statewide elected official to enforce this section. In such enforcement actions, the court shall invalidate the taxes and fees which should have received a public vote as defined in subsection 1 of this section. The court shall

order remedies of the amount of revenue collected in excess of the limit in this subsection as the court finds appropriate in order to allow such excess amounts to be refunded or to reduce taxes and/or fees in the future to offset the excess monies collected.

Section 19. Limits may be exceeded, when, how. The revenue limit of section 18 of this article may be exceeded only if all of the following conditions are met: (1) The governor requests the general assembly to declare an emergency; (2) the request is specific as to the nature of the emergency, the dollar amount of the emergency, and the method by which the emergency will be funded; and (3) the general assembly thereafter declares an emergency in accordance with the specifics of the governor's request by a majority vote for fiscal year 1981-1982, thereafter a two-thirds vote of the members elected to and serving in each house. The emergency must be declared in accordance with this section prior to incurring any of the expenses which constitute the emergency request. The revenue limit may be exceeded only during the fiscal year for which the emergency is declared. In no event shall any part of the amount representing a refund under section 18 of this article be the subject of an emergency request.

Section 20. Limitation on state expenses. No expenses of state government shall be incurred in any fiscal year which exceed the sum of the revenue limit established in sections 18 and 19 of this article plus federal funds and any surplus from a previous fiscal year.

Section 21. State support to local governments not to be reduced, additional activities and services not to be imposed without full state funding. The state is hereby prohibited from reducing the state financed proportion of the costs of any existing activity or service required of counties and other political subdivisions. A new activity or service or an increase in the level of any activity or service beyond that required by existing law shall not be required by the general assembly or any state agency of counties or other political subdivision, unless a state appropriation is made and disbursed to pay the county or other political subdivision for any increased costs.

Section 22. Political subdivisions to receive voter approval for increases in taxes and fees--rollbacks may be required--limitation not applicable to taxes for bonds.

(a). Counties and other political subdivisions are hereby prohibited from levying any tax, license or fees, not authorized by law, charter or self-enforcing provisions of the constitution when this section is adopted or from increasing the current levy of an existing tax, license or fees, above that current levy authorized by law or charter when this section is adopted without the approval of the required majority of the qualified voters of that county or other political subdivision voting thereon. If the definition of the base of an existing tax, license or fees, is broadened, the maximum authorized current levy of taxation on the new base in each county or other political subdivision shall be reduced to yield the same estimated gross revenue as on the prior base. If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value.

(b). The limitations of this section shall not apply to taxes imposed for the payment of principal and interest on bonds or other evidence of indebtedness or for the payment of assessments on contract obligations in anticipation of which bonds are issued which were authorized prior to the effective date of this section.

Section 23. Taxpayers may bring actions for interpretations of limitations. Notwithstanding other provisions of this constitution or other law, any taxpayer of the state, county or other political subdivisions shall have standing to bring suit in a circuit court of proper venue and additionally, when the state is involved, in the Missouri supreme court, to enforce the provisions of sections 16 through 22, inclusive, of this article and, if the suit is sustained, shall receive from the applicable unit of government his costs, including reasonable attorneys' fees incurred in maintaining such suit.

Section 24. Voter approval requirements not exclusive--self-enforceability.

(a). The provisions for voter approval contained in sections 16 through 23, inclusive, of this article do not abrogate and are in addition to other provisions of the constitution requiring voter approval to incur bonded indebtedness and to authorize certain taxes.

(b). The provisions contained in sections 16 through 23, inclusive, of this article are self-enforcing; provided, however, that the general assembly may enact laws implementing such provisions which are not inconsistent with the purposes of said sections.

* The 1996 amendment added Section 18(e).

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**PHELPS COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-53
July 6, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

July 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Phelps, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Phelps County was a financial and compliance audit of various county operating funds.

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Phelps County's Associate County Commissioners salaries were each increased approximately \$6,000 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$12,000 for the two years ended December 31, 2000, should be repaid.

The audit also includes matters related to financing the new jail and the Sheriff's procedures for controlling seized property which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

YELLOW SHEET

PHELPS COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Phelps County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Phelps County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Phelps County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Phelps County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Phelps County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which

is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 17, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 17, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	John Luetkemeyer, CPA
In-Charge Auditor:	Robert L. McArthur II
Audit Staff:	Terese Summers, CPA
	Liang Xu



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Phelps County, Missouri

We have audited the special-purpose financial statements of various funds of Phelps County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 17, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Phelps County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Phelps County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal

control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Phelps County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 17, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

PHELPS COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 328,152	3,775,599	3,701,197	402,554
Special Road and Bridge	4,718	2,074,329	2,078,301	746
Assessment	146,443	311,550	309,785	148,208
Law Enforcement Training	6,474	9,214	15,033	655
Prosecuting Attorney Training	64	2,278	2,130	212
Senior Companions	2,640	324,652	324,213	3,079
Law Enforcement Sales Tax	39,233	2,032,114	362,245	1,709,102
Shelter	2,027	4,413	3,833	2,607
Developmentally Disabled	94,465	252,138	250,692	95,911
Unemployment Tax	5,686	23,082	26,094	2,674
Road and Bridge Debt Service	96,086	128,745	56,000	168,831
Prosecuting Attorney Bad Check	72	33,155	30,655	2,572
Prosecuting Attorney Delinquent Tax	753	1,139	1,301	591
Recorder's User Fees	13,444	18,529	15,444	16,529
Sheriff Drug Enforcement	881	121,973	114,861	7,993
25th Juvenile FPS	984	648	1,301	331
Public Facilities Authority	1,060,017	64,051	78,879	1,045,189
County Use Tax	298,595	194,674	176,176	317,093
E911	369,246	414,466	258,803	524,909
Jay White Estate	381,831	25,671	13,115	394,387
Health Department	523	1,016,119	993,271	23,371
Crisis Intervention	800	10,929	10,534	1,195
Sheriff Civil Fees	9	41,058	40,815	252
Community Care Clinic	12,924	215,583	204,831	23,676
Family Access	50	0	50	0
Prosecuting Attorney Drug Enforcement	2,863	187	0	3,050
Election Services	522	10,562	6,831	4,253
Family Court	4,402	995	2,085	3,312
Circuit Division Interest	12,724	5,359	6,121	11,962
Law Library	26,503	10,345	6,139	30,709
Job Access Grant	0	18,263	18,263	0
Total	\$ 2,913,131	11,141,820	9,108,998	4,945,953

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

PHELPS COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 263,484	3,696,142	3,631,474	328,152
Special Road and Bridge	96,374	2,321,506	2,413,162	4,718
Assessment	158,486	355,286	367,329	146,443
Law Enforcement Training	10,651	14,400	18,577	6,474
Prosecuting Attorney Training	299	2,475	2,710	64
Senior Companions	2,534	317,874	317,768	2,640
Meramec Home Health	162,550	324,455	487,005	0
Law Enforcement Sales Tax	0	163,769	124,536	39,233
Shelter	2,000	5,858	5,831	2,027
Developmentally Disabled	78,805	248,496	232,836	94,465
Unemployment Tax	18,148	30,874	43,336	5,686
Road and Bridge Debt Service	213,032	158,286	275,232	96,086
Prosecuting Attorney Bad Check	1,181	34,753	35,862	72
Prosecuting Attorney Delinquent Tax	1,037	1,997	2,281	753
Recorder's User Fees	17,041	16,579	20,176	13,444
Sheriff Drug Enforcement	103	41,296	40,518	881
25th Juvenile FPS	888	996	900	984
Public Facilities Authority	1,118,283	66,916	125,182	1,060,017
County Use Tax	63,623	705,357	470,385	298,595
Public Facilities Use Tax	243,082	0	243,082	0
E911	286,459	353,856	271,069	369,246
Jay White Estate	371,148	39,260	28,577	381,831
Health Department	5,399	951,219	956,095	523
Crisis Intervention	1,171	15,557	15,928	800
Sheriff Civil Fee	297	57,522	57,810	9
Community Care Clinic	383	104,242	91,701	12,924
Family Access	0	50	0	50
Prosecuting Attorney Drug Enforcement	0	5,043	2,180	2,863
Election Services	0	522	0	522
March Mediation	8,017	291,176	299,193	0
Family Court	7,969	195	3,762	4,402
Circuit Division Interest	9,814	5,814	2,904	12,724
Law Library	20,448	10,489	4,434	26,503
Total	\$ 3,162,706	10,342,260	10,591,835	2,913,131

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 17,360,314	11,141,820	(6,218,494)	10,953,961	10,325,762	(628,199)
DISBURSEMENTS	13,093,133	9,108,998	3,984,135	11,434,762	10,580,735	854,027
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,267,181	2,032,822	(2,234,359)	(480,801)	(254,973)	225,828
CASH, JANUARY 1	2,912,782	2,913,131	349	3,124,476	3,124,475	(1)
CASH, DECEMBER 31	7,179,963	4,945,953	(2,234,010)	2,643,675	2,869,502	225,827
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	766,454	457,750	(308,704)	381,883	408,064	26,181
Sales taxes	1,327,934	1,308,225	(19,709)	1,289,082	1,270,750	(18,332)
Intergovernmental	945,577	897,616	(47,961)	1,263,013	1,021,538	(241,475)
Charges for services	462,637	451,457	(11,180)	451,333	441,644	(9,689)
Interest	135,226	139,459	4,233	153,208	162,735	9,527
Other	504,152	481,040	(23,112)	413,219	370,411	(42,808)
Transfers in	107,350	40,052	(67,298)	90,000	21,000	(69,000)
Total Receipts	4,249,330	3,775,599	(473,731)	4,041,738	3,696,142	(345,596)
DISBURSEMENTS						
County Commission	135,400	130,077	5,323	130,480	124,463	6,017
County Clerk	176,740	148,677	28,063	176,227	132,937	43,290
Elections	152,800	134,693	18,107	72,550	53,497	19,053
Buildings and grounds	298,950	272,759	26,191	263,615	252,352	11,263
Employee fringe benefits	331,900	298,441	33,459	486,430	340,357	146,073
County Treasurer	41,283	40,926	357	42,567	39,660	2,907
County Collector	120,172	111,084	9,088	119,844	118,352	1,492
Associate and Probate Judges	23,770	20,231	3,539	8,944	8,312	632
Circuit Clerk and Ex Officio Recorder of Deeds	141,837	130,609	11,228	140,775	137,061	3,714
Associate Circuit Court	95,098	72,868	22,230	84,062	75,246	8,816
Court Reporter	6,800	3,462	3,338	6,090	4,054	2,036
Court administration	11,500	10,835	665	11,200	7,631	3,569
Public Administrator	57,679	56,341	1,338	48,670	47,542	1,128
Sheriff	571,761	625,038	(53,277)	540,771	526,945	13,826
Jail	574,270	551,722	22,548	417,331	414,642	2,689
Prosecuting Attorney	362,562	310,872	51,690	285,010	280,755	4,255
Juvenile Officer	489,783	411,498	78,285	547,497	408,930	138,567
County Coroner	20,483	18,818	1,665	18,770	17,626	1,144
County Surveyor	5,240	5,240	0	5,690	5,240	450
Public Defender	5,587	5,016	571	4,725	4,725	0
Civil Defense	2,264	2,120	144	1,669	1,550	119
Miscellaneous	131,507	110,837	20,670	276,854	248,703	28,151
Senior Companions	67,400	67,328	72	63,000	62,320	680
Transfers out	164,205	161,705	2,500	321,074	318,574	2,500
Emergency Fund	118,194	0	118,194	76,711	0	76,711
Total Disbursements	4,107,185	3,701,197	405,988	4,150,556	3,631,474	519,082
RECEIPTS OVER (UNDER) DISBURSEMENTS	142,145	74,402	(67,743)	(108,818)	64,668	173,486
CASH, JANUARY 1	328,152	328,152	0	263,484	263,484	0
CASH, DECEMBER 31	470,297	402,554	(67,743)	154,666	328,152	173,486

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	400,617	205,070	(195,547)	190,615	244,393	53,778
Sales taxes	702,546	692,119	(10,427)	681,392	672,293	(9,099)
Intergovernmental	864,867	760,619	(104,248)	867,760	774,513	(93,247)
Charges for services	102,600	77,612	(24,988)	102,800	97,035	(5,765)
Interest	10,000	7,240	(2,760)	6,000	8,606	2,606
Other	164,780	141,646	(23,134)	126,080	38,056	(88,024)
Transfers in	190,100	190,023	(77)	488,000	486,610	(1,390)
Total Receipts	2,435,510	2,074,329	(361,181)	2,462,647	2,321,506	(141,141)
DISBURSEMENTS						
Salaries	474,981	455,413	19,568	546,653	501,042	45,611
Employee fringe benefits	132,438	135,116	(2,678)	182,700	177,257	5,443
Supplies	25,300	24,489	811	27,300	23,785	3,515
Insurance	35,100	33,161	1,939	32,000	27,983	4,017
Road and bridge materials	762,250	642,501	119,749	739,000	747,796	(8,796)
Equipment repairs	54,000	81,596	(27,596)	60,000	56,163	3,837
Equipment purchases	205,000	211,720	(6,720)	15,000	1,005	13,995
Road and bridge construction	254,850	38,462	216,388	435,645	398,840	36,805
Debt service	223,355	178,428	44,927	123,355	123,355	0
Other	102,000	114,530	(12,530)	101,000	99,504	1,496
Transfers out	154,100	162,885	(8,785)	256,000	256,432	(432)
Total Disbursements	2,423,374	2,078,301	345,073	2,518,653	2,413,162	105,491
RECEIPTS OVER (UNDER) DISBURSEMENTS	12,136	(3,972)	(16,108)	(56,006)	(91,656)	(35,650)
CASH, JANUARY 1	4,718	4,718	0	96,374	96,374	0
CASH, DECEMBER 31	16,854	746	(16,108)	40,368	4,718	(35,650)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	281,370	245,928	(35,442)	271,370	251,874	(19,496)
Interest	13,000	12,033	(967)	11,962	13,131	1,169
Other	2,000	2,839	839	14,500	14,531	31
Transfers in	50,750	50,750	0	75,750	75,750	0
Total Receipts	347,120	311,550	(35,570)	373,582	355,286	(18,296)
DISBURSEMENTS						
Assessor	361,223	309,785	51,438	410,311	367,329	42,982
Total Disbursements	361,223	309,785	51,438	410,311	367,329	42,982
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,103)	1,765	15,868	(36,729)	(12,043)	24,686
CASH, JANUARY 1	146,443	146,443	0	158,486	158,486	0
CASH, DECEMBER 31	132,340	148,208	15,868	121,757	146,443	24,686

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	5,500	4,246	(1,254)	5,100	5,067	(33)
Charges for services	9,500	4,968	(4,532)	9,500	9,323	(177)
Other	0	0	0	3,000	10	(2,990)
Total Receipts	15,000	9,214	(5,786)	17,600	14,400	(3,200)
DISBURSEMENTS						
Sheriff	21,300	15,033	6,267	18,925	18,577	348
Total Disbursements	21,300	15,033	6,267	18,925	18,577	348
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,300)	(5,819)	481	(1,325)	(4,177)	(2,852)
CASH, JANUARY 1	6,474	6,474	0	10,651	10,651	0
CASH, DECEMBER 31	174	655	481	9,326	6,474	(2,852)
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	2,500	2,278	(222)	2,600	2,475	(125)
Total Receipts	2,500	2,278	(222)	2,600	2,475	(125)
DISBURSEMENTS						
Prosecuting Attorney	2,250	2,130	120	2,800	2,710	90
Total Disbursements	2,250	2,130	120	2,800	2,710	90
RECEIPTS OVER (UNDER) DISBURSEMENTS	250	148	(102)	(200)	(235)	(35)
CASH, JANUARY 1	64	64	0	299	299	0
CASH, DECEMBER 31	314	212	(102)	99	64	(35)
<u>SENIOR COMPANIONS FUND</u>						
RECEIPTS						
Intergovernmental	321,574	321,573	(1)	315,234	315,234	0
Interest	3,080	3,079	(1)	2,534	2,640	106
Total Receipts	324,654	324,652	(2)	317,768	317,874	106
DISBURSEMENTS						
Senior companion expenses and stipends	239,700	239,678	22	240,494	239,615	879
Staff salaries	67,400	67,328	72	63,000	62,303	697
Fringe benefits	6,018	5,961	57	5,847	5,665	182
Interest	2,640	2,640	0	2,535	2,534	1
Other	8,800	8,606	194	5,893	7,651	(1,758)
Total Disbursements	324,558	324,213	345	317,769	317,768	1
RECEIPTS OVER (UNDER) DISBURSEMENTS	96	439	343	(1)	106	107
CASH, JANUARY 1	2,640	2,640	0	2,534	2,534	0
CASH, DECEMBER 31	2,736	3,079	343	2,533	2,640	107

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>MERAMEC HOME HEALTH FUND</u>						
RECEIPTS						
Charges for services	0	0	0	399,491	324,455	(75,036)
Total Receipts	0	0	0	399,491	324,455	(75,036)
DISBURSEMENTS						
Home health expenses to close fund				562,041	487,005	75,036
Total Disbursements	0	0	0	562,041	487,005	75,036
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(162,550)	(162,550)	0
CASH, JANUARY 1	0	0	0	162,550	162,550	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales tax	2,030,480	1,992,048	(38,432)	150,000	136,717	(13,283)
Interest	75,000	40,066	(34,934)	100	52	(48)
Transfers in	0	0	0	27,000	27,000	0
Jail financing	5,000,000	0	(5,000,000)	0	0	0
Total Receipts	7,105,480	2,032,114	(5,073,366)	177,100	163,769	(13,331)
DISBURSEMENTS						
Operating expenses	205,350	112,828	92,522	136,900	97,272	39,628
Capital improvement	3,000,000	249,417	2,750,583	0	0	0
Transfers out	0	0	0	28,000	27,264	736
Total Disbursements	3,205,350	362,245	2,843,105	164,900	124,536	40,364
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,900,130	1,669,869	(2,230,261)	12,200	39,233	27,033
CASH, JANUARY 1	39,233	39,233	0	0	0	0
CASH, DECEMBER 31	3,939,363	1,709,102	(2,230,261)	12,200	39,233	27,033
<u>SHELTER FUND</u>						
RECEIPTS						
Charges for services	5,700	4,222	(1,478)	7,000	5,666	(1,334)
Interest	190	191	1	800	192	(608)
Total Receipts	5,890	4,413	(1,477)	7,800	5,858	(1,942)
DISBURSEMENTS						
Shelter services	5,890	3,833	2,057	5,900	5,831	69
Total Disbursements	5,890	3,833	2,057	5,900	5,831	69
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	580	580	1,900	27	(1,873)
CASH, JANUARY 1	2,027	2,027	0	2,000	2,000	0
CASH, DECEMBER 31	2,027	2,607	580	3,900	2,027	(1,873)

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DEVELOPMENTALLY DISABLED FUND</u>						
RECEIPTS						
Property taxes	249,008	242,299	(6,709)	220,930	239,333	18,403
Intergovernmental	3,367	2,632	(735)	3,260	1,966	(1,294)
Interest	7,200	7,207	7	5,600	7,197	1,597
Total Receipts	259,575	252,138	(7,437)	229,790	248,496	18,706
DISBURSEMENTS						
Choices for People	55,564	55,564	0	59,403	59,402	1
Sheltered Workshop	60,000	60,000	0	60,000	60,000	0
Recreation for Handicapped	59,100	59,100	0	60,900	60,900	0
Special Olympics	21,026	21,026	0	14,668	14,668	0
Kyle Center	8,300	8,296	4	6,845	6,845	0
Gingerbread House	44,603	44,603	0	30,966	30,966	0
Other	2,162	2,103	59	150	55	95
Total Disbursements	250,755	250,692	63	232,932	232,836	96
RECEIPTS OVER (UNDER) DISBURSEMENTS	8,820	1,446	(7,374)	(3,142)	15,660	18,802
CASH, JANUARY 1	94,465	94,465	0	78,805	78,805	0
CASH, DECEMBER 31	103,285	95,911	(7,374)	75,663	94,465	18,802
<u>UNEMPLOYMENT TAX FUND</u>						
RECEIPTS						
Other	25,000	23,082	(1,918)	30,000	30,874	874
Total Receipts	25,000	23,082	(1,918)	30,000	30,874	874
DISBURSEMENTS						
State unemployment	18,800	16,094	2,706	8,000	22,336	(14,336)
Transfers out	10,000	10,000	0	35,000	21,000	14,000
Total Disbursements	28,800	26,094	2,706	43,000	43,336	(336)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,800)	(3,012)	788	(13,000)	(12,462)	538
CASH, JANUARY 1	5,686	5,686	0	18,148	18,148	0
CASH, DECEMBER 31	1,886	2,674	788	5,148	5,686	538
<u>ROAD AND BRIDGE DEBT SERVICE FUND</u>						
RECEIPTS						
Interest	14,000	8,745	(5,255)	8,500	14,432	5,932
Transfers in	120,000	120,000	0	144,000	143,854	(146)
Total Receipts	134,000	128,745	(5,255)	152,500	158,286	5,786
DISBURSEMENTS						
Transfers out	56,000	56,000	0	276,000	275,232	768
Total Disbursements	56,000	56,000	0	276,000	275,232	768
RECEIPTS OVER (UNDER) DISBURSEMENTS	78,000	72,745	(5,255)	(123,500)	(116,946)	6,554
CASH, JANUARY 1	96,086	96,086	0	213,032	213,032	0
CASH, DECEMBER 31	174,086	168,831	(5,255)	89,532	96,086	6,554

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	34,700	32,303	(2,397)	42,000	34,610	(7,390)
Interest	140	260	120	400	143	(257)
Other	0	592	592	400	0	(400)
Total Receipts	34,840	33,155	(1,685)	42,800	34,753	(8,047)
DISBURSEMENTS						
Trail expenses	0	0	0	5,900	0	5,900
Equipment	3,000	1,334	1,666	3,600	3,576	24
Bad check program	1,530	1,310	220	1,530	1,000	530
Other	9,000	8,051	949	5,340	5,256	84
Transfers out	19,960	19,960		26,030	26,030	
Total Disbursements	33,490	30,655	2,835	42,400	35,862	6,538
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,350	2,500	1,150	400	(1,109)	(1,509)
CASH, JANUARY 1	72	72	0	1,181	1,181	0
CASH, DECEMBER 31	1,422	2,572	1,150	1,581	72	(1,509)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	1,900	1,139	(761)	2,000	1,979	(21)
Interest	20	0	(20)	50	18	(32)
Total Receipts	1,920	1,139	(781)	2,050	1,997	(53)
DISBURSEMENTS						
Contract labor	1,000	609	391	2,000	1,987	13
Office expense	500	692	(192)	295	294	1
Total Disbursements	1,500	1,301	199	2,295	2,281	14
RECEIPTS OVER (UNDER) DISBURSEMENTS	420	(162)	(582)	(245)	(284)	(39)
CASH, JANUARY 1	753	753	0	1,037	1,037	0
CASH, DECEMBER 31	1,173	591	(582)	792	753	(39)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Intergovernmental	3,800	3,329	(471)	0	0	0
Charges for services	16,000	14,532	(1,468)	16,100	15,750	(350)
Interest	850	668	(182)	2,034	829	(1,205)
Total Receipts	20,650	18,529	(2,121)	18,134	16,579	(1,555)
DISBURSEMENTS						
Equipment and supplies	10,700	2,308	8,392	4,900	4,825	75
Microfilming	2,900	2,846	54	0	0	0
Other	12,100	10,290	1,810	15,376	15,351	25
Total Disbursements	25,700	15,444	10,256	20,276	20,176	100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,050)	3,085	8,135	(2,142)	(3,597)	(1,455)
CASH, JANUARY 1	13,444	13,444	0	17,041	17,041	0
CASH, DECEMBER 31	8,394	16,529	8,135	14,899	13,444	(1,455)

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF DRUG ENFORCEMENT FUND</u>						
RECEIPTS						
Intergovernmental	70,000	108,236	38,236	40,000	38,067	(1,933)
Interest	1,200	1,157	(43)	350	369	19
Other	100,000	0	(100,000)	0	0	0
Transfers in	15,500	12,580	(2,920)	15,500	2,860	(12,640)
Total Receipts	186,700	121,973	(64,727)	55,850	41,296	(14,554)
DISBURSEMENTS						
Equipment	70,000	55,630	14,370	24,000	23,982	18
Other	58,000	57,424	576	1,100	1,096	4
Transfers out	0	1,807	(1,807)	15,500	15,440	60
Total Disbursements	128,000	114,861	13,139	40,600	40,518	82
RECEIPTS OVER (UNDER) DISBURSEMENTS	58,700	7,112	(51,588)	15,250	778	(14,472)
CASH, JANUARY 1	881	881	0	103	103	0
CASH, DECEMBER 31	59,581	7,993	(51,588)	15,353	881	(14,472)
<u>25TH JUVENILE FPS FUND</u>						
RECEIPTS						
Intergovernmental	3,000	648	(2,352)	4,500	996	(3,504)
Total Receipts	3,000	648	(2,352)	4,500	996	(3,504)
DISBURSEMENTS						
Alternative care expenses	3,000	1,301	1,699	4,500	900	3,600
Total Disbursements	3,000	1,301	1,699	4,500	900	3,600
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(653)	(653)	0	96	96
CASH, JANUARY 1	984	984	0	889	888	(1)
CASH, DECEMBER 31	984	331	(653)	889	984	95
<u>PUBLIC FACILITIES AUTHORITY FUND</u>						
RECEIPTS						
Interest	119,000	64,051	(54,949)	40,000	66,313	26,313
Reimbursement	0	0	0	45,000	0	(45,000)
Other	0	0	0	0	603	603
Total Receipts	119,000	64,051	(54,949)	85,000	66,916	(18,084)
DISBURSEMENTS						
Equipment	0	0	0	25,000	24,388	612
Building repair and maintenance	6,000	5,892	108	25,000	22,672	2,328
Miscellaneous	8,515	6,661	1,854	0	0	0
Transfers out	66,313	66,326	(13)	78,122	78,122	0
Total Disbursements	80,828	78,879	1,949	128,122	125,182	2,940
RECEIPTS OVER (UNDER) DISBURSEMENTS	38,172	(14,828)	(53,000)	(43,122)	(58,266)	(15,144)
CASH, JANUARY 1	1,060,017	1,060,017	0	1,118,283	1,118,283	0
CASH, DECEMBER 31	1,098,189	1,045,189	(53,000)	1,075,161	1,060,017	(15,144)

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>COUNTY USE TAX FUND</u>						
RECEIPTS						
Interest	20,000	15,661	(4,339)	20,000	16,899	(3,101)
Transfers in	180,000	179,013	(987)	694,982	688,458	(6,524)
Total Receipts	200,000	194,674	(5,326)	714,982	705,357	(9,625)
DISBURSEMENTS						
Transfers out	180,500	176,176	4,324	506,547	470,385	36,162
Total Disbursements	180,500	176,176	4,324	506,547	470,385	36,162
RECEIPTS OVER (UNDER) DISBURSEMENTS	19,500	18,498	(1,002)	208,435	234,972	26,537
CASH, JANUARY 1	298,595	298,595	0	63,623	63,623	0
CASH, DECEMBER 31	318,095	317,093	(1,002)	272,058	298,595	26,537
<u>PUBLIC FACILITIES USE TAX FUND</u>						
RECEIPTS						
Total Receipts	0	0	0	0	0	0
DISBURSEMENTS						
Transfers out				243,082	243,082	0
Total Disbursements	0	0	0	243,082	243,082	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(243,082)	(243,082)	0
CASH, JANUARY 1			0	243,082	243,082	0
CASH, DECEMBER 31	0	0	0	0	0	0
<u>E911 FUND</u>						
RECEIPTS						
Charges for services	390,000	389,346	(654)	315,000	334,408	19,408
Interest	15,000	25,120	10,120	15,000	19,439	4,439
Other	0	0	0	0	9	9
Total Receipts	405,000	414,466	9,466	330,000	353,856	23,856
DISBURSEMENTS						
Dispatch contract	107,301	107,301	0	59,900	91,787	(31,887)
City of Rolla E911 contract	129,737	129,736	1	162,900	141,078	21,822
Equipment	150,000	0	150,000	0	0	0
Salaries and benefits	13,539	13,641	(102)	23,450	12,520	10,930
Other	16,200	8,125	8,075	28,075	25,684	2,391
Total Disbursements	416,777	258,803	157,974	274,325	271,069	3,256
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,777)	155,663	167,440	55,675	82,787	27,112
CASH, JANUARY 1	369,246	369,246	0	286,459	286,459	0
CASH, DECEMBER 31	357,469	524,909	167,440	342,134	369,246	27,112

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>JAY WHITE ESTATE FUND</u>						
RECEIPTS						
Estate receipts	4,300	4,229	(71)	4,300	4,270	(30)
Interest	35,000	21,442	(13,558)	21,875	34,990	13,115
Total Receipts	39,300	25,671	(13,629)	26,175	39,260	13,085
DISBURSEMENTS						
Transfers out	13,115	13,115	0	28,577	28,577	0
Total Disbursements	13,115	13,115	0	28,577	28,577	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	26,185	12,556	(13,629)	(2,402)	10,683	13,085
CASH, JANUARY 1	381,831	381,831	0	371,148	371,148	0
CASH, DECEMBER 31	408,016	394,387	(13,629)	368,746	381,831	13,085
<u>HEALTH DEPARTMENT FUND</u>						
RECEIPTS						
Intergovernmental	497,847	485,154	(12,693)	545,998	506,936	(39,062)
Charges for services	141,575	125,550	(16,025)	135,275	131,108	(4,167)
Interest	700	1,293	593	950	719	(231)
Other	133,500	115,597	(17,903)	182,900	42,630	(140,270)
Transfers in	294,110	288,525	(5,585)	99,251	269,826	170,575
Total Receipts	1,067,732	1,016,119	(51,613)	964,374	951,219	(13,155)
DISBURSEMENTS						
Salaries	742,973	681,868	61,105	645,876	648,337	(2,461)
Employee fringe benefits	136,259	131,766	4,493	140,058	141,664	(1,606)
Office expenditures	49,050	52,173	(3,123)	43,950	52,579	(8,629)
Operating expenses	48,187	45,740	2,447	49,800	46,399	3,401
Program expenses	37,350	29,291	8,059	36,830	33,987	2,843
Equipment	7,750	6,622	1,128	1,000	2,666	(1,666)
Transfers out	45,900	45,811	89	51,000	30,463	20,537
Total Disbursements	1,067,469	993,271	74,198	968,514	956,095	12,419
RECEIPTS OVER (UNDER) DISBURSEMENTS	263	22,848	22,585	(4,140)	(4,876)	(736)
CASH, JANUARY 1	523	523	0	5,399	5,399	0
CASH, DECEMBER 31	786	23,371	22,585	1,259	523	(736)
<u>CRISIS INTERVENTION FUND</u>						
RECEIPTS						
Intergovernmental	18,000	10,929	(7,071)	15,000	15,557	557
Total Receipts	18,000	10,929	(7,071)	15,000	15,557	557
DISBURSEMENTS						
Crisis Intervention	18,000	10,534	7,466	16,170	15,928	242
Total Disbursements	18,000	10,534	7,466	16,170	15,928	242
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	395	395	(1,170)	(371)	799
CASH, JANUARY 1	800	800	0	1,171	1,171	0
CASH, DECEMBER 31	800	1,195	395	1	800	799

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	45,000	38,631	(6,369)	45,000	41,945	(3,055)
Interest	150	620	470	1,000	137	(863)
Transfers in	1,850	1,807	(43)	15,500	15,440	(60)
Total Receipts	47,000	41,058	(5,942)	61,500	57,522	(3,978)
DISBURSEMENTS						
Equipment	5,800	4,735	1,065	28,900	31,620	(2,720)
Debt service	23,500	23,500	0	26,200	23,330	2,870
Transfers out	15,500	12,580	2,920	3,000	2,860	140
Total Disbursements	44,800	40,815	3,985	58,100	57,810	290
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,200	243	(1,957)	3,400	(288)	(3,688)
CASH, JANUARY 1	9	9	0	297	297	0
CASH, DECEMBER 31	2,209	252	(1,957)	3,697	9	(3,688)
<u>COMMUNITY CARE CLINIC FUND</u>						
RECEIPTS						
Intergovernmental	255,300	197,149	(58,151)	119,560	99,712	(19,848)
Interest	750	990	240	720	533	(187)
Other	12,500	17,444	4,944	2,000	3,997	1,997
Total Receipts	268,550	215,583	(52,967)	122,280	104,242	(18,038)
DISBURSEMENTS						
Salaries and benefits	157,556	152,736	4,820	80,000	78,637	1,363
Other	94,100	52,095	42,005	14,250	13,064	1,186
Total Disbursements	251,656	204,831	46,825	94,250	91,701	2,549
RECEIPTS OVER (UNDER) DISBURSEMENTS	16,894	10,752	(6,142)	28,030	12,541	(15,489)
CASH, JANUARY 1	12,924	12,924	0	383	383	0
CASH, DECEMBER 31	29,818	23,676	(6,142)	28,413	12,924	(15,489)
<u>FAMILY ACCESS FUND</u>						
RECEIPTS						
Fees	0	0	0	100	50	(50)
Total Receipts	0	0	0	100	50	(50)
DISBURSEMENTS						
Refund	50	50	0	0	0	0
Total Disbursements	50	50	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(50)	(50)	0	100	50	(50)
CASH, JANUARY 1	50	50	0	0	0	0
CASH, DECEMBER 31	0	0	0	100	50	(50)

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DRUG</u>						
<u>ENFORCEMENT FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	6,000	5,000	(1,000)
Interest	200	187	(13)	100	43	(57)
Total Receipts	200	187	(13)	6,100	5,043	(1,057)
DISBURSEMENTS						
Contract labor	1,000	0	1,000	3,000	2,180	820
Drug enforcement training	1,000	0	1,000	0	0	0
Total Disbursements	2,000	0	2,000	3,000	2,180	820
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,800)	187	1,987	3,100	2,863	(237)
CASH, JANUARY 1	2,863	2,863	0	0	0	0
CASH, DECEMBER 31	1,063	3,050	1,987	3,100	2,863	(237)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	8,800	8,714	(86)	1,000	522	(478)
Sale of used equipment	1,700	1,642	(58)	0	0	0
Interest	250	206	(44)	0	0	0
Total Receipts	10,750	10,562	(188)	1,000	522	(478)
DISBURSEMENTS						
Equipment	6,550	6,259	291	500	0	500
Voter registration expense	2,500	572	1,928	200	0	200
Total Disbursements	9,050	6,831	2,219	700	0	700
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,700	3,731	2,031	300	522	222
CASH, JANUARY 1	522	522	0	0	0	0
CASH, DECEMBER 31	2,222	4,253	2,031	300	522	222
<u>MARCH MEDIATION FUND</u>						
RECEIPTS						
Intergovernmental				291,500	291,176	(324)
Total Receipts	0	0	0	291,500	291,176	(324)
DISBURSEMENTS						
March Mediation expenses to close fund				299,517	299,193	324
Total Disbursements	0	0	0	299,517	299,193	324
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(8,017)	(8,017)	0
CASH, JANUARY 1			0	8,017	8,017	0
CASH, DECEMBER 31	0	0	0	0	0	0

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>FAMILY COURT FUND</u>						
RECEIPTS						
Fees	0	995	995			
Total Receipts	0	995	995	0	0	0
DISBURSEMENTS						
Office expenditures	2,000	2,085	(85)			
Total Disbursements	2,000	2,085	(85)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	(1,090)	910	0	0	0
CASH, JANUARY 1	4,402	4,402	0			
CASH, DECEMBER 31	2,402	3,312	910	0	0	0
<u>CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	5,500	5,359	(141)			
Total Receipts	5,500	5,359	(141)	0	0	0
DISBURSEMENTS						
Office expenses	4,000	6,121	(2,121)			
Total Disbursements	4,000	6,121	(2,121)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500	(762)	(2,262)	0	0	0
CASH, JANUARY 1	12,375	12,724	349			
CASH, DECEMBER 31	13,875	11,962	(1,913)	0	0	0
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Court fees	9,500	9,845	345			
Interest	350	500	150			
Total Receipts	9,850	10,345	495	0	0	0
DISBURSEMENTS						
Law library expenses	6,250	6,139	111			
Total Disbursements	6,250	6,139	111	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,600	4,206	606	0	0	0
CASH, JANUARY 1	26,503	26,503	0			
CASH, DECEMBER 31	30,103	30,709	606	0	0	0

Exhibit B

PHELPS COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
JOB ACCESS GRANT FUND						
RECEIPTS						
Intergovernmental	18,263	18,263	0			
Total Receipts	18,263	18,263	0	0	0	0
DISBURSEMENTS						
Job Access expenditures	18,263	18,263	0			
Total Disbursements	18,263	18,263	0	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	\$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

PHELPS COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Phelps County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Law Library Custodian, or the Board for the Developmentally Disabled. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the Family Court, Circuit Division Interest, and Law Library Funds for the year ended December 31, 1999.

Warrants issued were in excess of budgeted amounts for the Family Court and Circuit Division Interest Funds in 2000 and the Unemployment Tax Fund in 1999. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Family Court Fund	2000 and 1999
Circuit Division Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999
Job Access Grant Fund	2000

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

At December 31, 2000, the reported amount of the county's deposits was \$4,870,953 and the bank balance was \$5,374,615. Of the bank balance at December 31, 2000, \$4,674,615 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and \$700,000 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depositary bank's customers.

Of the bank balance at December 31, 1999, \$2,369,329 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and \$900,000 was covered by collateral pledged by one bank and held by a correspondent bank in the name of the depositary bank's customers.

Investments

The only investment of the various funds at December 31, 2000, was a U.S. Treasury note with a reported amount of \$75,000 (which approximated fair value).

This investment was held by the county's custodial bank in the county's name.

Supplementary Schedule

Schedule

PHELPS COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
	Direct program -			
10.unknown	Cooperative Law Enforcement and Cannabis Agreement	N/A	\$ 4,205	2,500
	Passed through state:			
	Department of Health -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS0451181W	110,697	130,145
	Office of Administration -			
10.665	Schools and Roads - Grants to States	N/A	92,849	101,211
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state Department of Economic Development:			
14.228	Community Development Block Grants/State's Program	1999PF031	18,263	0
U.S. DEPARTMENT OF JUSTICE				
	Direct programs:			
16.607	Bulletproof Vest Partnership Program	N/A	2,533	0
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	10,139	95,068
	Passed through:			
	State Department of Public Safety -			
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	99-JFJ5-14	26,950	29,118
16.541	Juvenile Justice and Delinquency Prevention - Special Emphasis	00-JJT5-05	21,251	0
	Missouri State Highway Patrol -			
16.554	National Criminal History Improvement Program	95-RURXK011	0	14,439
	State Department of Public Safety -			
16.575	Crime Victim Assistance	97VOCA-0137	0	9,233
		98VOCA-0042	12,740	2,053
		99VOCA-0057	2,274	0
	Program Total		15,014	11,286

Schedule

PHELPS COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2000	1999
	Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	5,158	1,080
	U. S. DEPARTMENT OF TRANSPORTATION			
	Passed through:			
	State Highway and Transportation Commission -			
20.205	Highway Planning and Construction	N/A	1,760	4,932
	State Emergency Management Agency -			
20.703	Interagency Hazardous Material Public Sector Training and Planning Grant	N/A	2,009	3,257
	GENERAL SERVICES ADMINISTRATION			
	Passed through state Office of Administration -			
39.003	Donation of Federal Surplus Personal Property	N/A	26	0
	U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Direct program -			
93.912	Rural Health Outreach and Rural Network Development Program	1DOH4RH00150-01	140,000	40,000
	Passed through state:			
	Department of Social Services -			
94.043	Special Programs for Aging - Title III, Part F-Disease Prevention and Health Promotion Services	N/A	1,332	3,554
	Department of Health -			
93.268	Immunization Grants	PGO064-9181IAP	1,085	5,840
		N/A	44,738	44,659
	Program Total		45,823	50,499
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	35,668	38,512
	Department of Health -			
93.575	Child Care and Development Block Grant	PGA067-1181C	10,831	9,435
	Office of Administration -			
93.590	Community Based Family Resource and Support Grants	D00-015	25,577	22,528

Schedule

PHELPS COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
Department of Social Services -				
93.597	Grants to States for Access and Visitation Programs	AOC9000194	0	130,517
93.667	Social Services Block Grant	AOC5000134	10,401	10,720
		AOC5000132	16,981	16,245
		AOC8000141	17,859	14,038
		ERO172058	39,596	28,615
		ERO172203	1,630	0
Program Total			86,467	69,618
Department of Health -				
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERO161-0	19,050	16,343
93.991	Preventive Health and Health Services Block Grant	N/A	533	620
93.994	Maternal and Child Health Services Block Grant to the States	AOC01380104	27,506	34,685
		ERS146-1181M	37,899	44,664
		ERS175-0181F	3,588	4,279
		N/A	2,663	2,599
Program Total			71,656	86,227
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct program -				
94.016	Senior Companion Program	436/W001/18	321,573	315,234
Total Expenditures of Federal Awards			\$ 1,069,364	1,176,123

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

PHELPS COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Phelps County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Equitable Sharing of Seized and Forfeited Property (CFDA number 16.unknown) represent the original acquisition cost of equipment received as well as cash disbursements.

Amounts for the National Criminal History Improvement Program (CFDA number 16.554) represent the original acquisition cost of equipment received.

Amounts for Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$44,738 and \$44,659 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$533 and \$620 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$2,663 and \$2,599 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2000 and 1999.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Phelps County, Missouri

Compliance

We have audited the compliance of Phelps County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Phelps County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Phelps County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Phelps County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 17, 2001 (fieldwork completion date)

Schedule

PHELPS COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to the financial statements
noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are
not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? _____ yes x no

Identification of major program(s):

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557 Children	Special Supplemental Nutrition Program for Woman, Infants, and
10.665	Schools and Roads – Grants to States
93.994	Maternal and Child Health Services Block Grant to the States
94.016	Senior Companion Program

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

PHELPS COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

PHELPS COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

PHELPS COUNTY, MISSOURI
LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Phelps County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 17, 2001. We also have audited the compliance of Phelps County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 17, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Phelps County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Jail Financing

In 2000, Phelps County contracted with an underwriter to finance the building of a new county jail. The financing arrangement required the underwriter to issue \$5,000,000 in Certificates of Participation (COPs) to finance construction of the jail, and for Phelps County to enter into a ten year lease-purchase agreement for the facility.

The County Commission solicited proposals to underwrite or purchase certificates of participation to finance a new jail. While the underwriter was solicited through a competitive process, the COPs were not sold competitively. The County Commission indicated that after discussing financing methods with bond counsel, they determined the best financing could be achieved by a negotiated sale of the COPs. The County Commission further indicated that a determining factor in making this decision was the need for flexibility in timing the sale of the COPs. Two previous SAO reports found that competitive sales of general obligation bonds usually resulted in lower overall financing costs.

2. Associate Commissioner Salaries

Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Phelps County's Associate County Commissioners salaries were each increased approximately \$6,000 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$12,000 for the two years ended December 31, 2000, should be repaid.

The County Commission indicated that the Salary Commission believed it was following existing state law when setting these salaries, and the County Commission has requested legal counsel to provide a recommended course of action.

3. Seized Property Inventory Procedures

The Phelps County Sheriff's Department participates in several large drug busts and seizures. Our review of their procedures to account for and control seized property items noted several areas of concern as noted below. Given the frequency of the department's participation in seizure activities, we believe the Sheriff should take immediate action to correct these deficiencies.

One detective receives, disposes, and has access to seized property and maintains inventory records. A periodic supervisory review of inventory records is not conducted and documented and some evidence has not been assigned an inventory control number. In addition, the detective indicated that property items had not been disposed of for several years. Evidence awaiting approval for disposal as of April 2001 had been removed from its evidence bag or storage bin. As a result, a reconciliation between the four page listing of items to be disposed and individual items awaiting disposal could not be performed. Finally, the documentation or paper trail for some seizures is not adequate. For example, a large federal drug seizure could not be physically stored in Phelps County, therefore, it was moved to a facility in another county. However, the drugs were held in Phelps County for a few days under twenty-four hour guard of Sheriff's department employees. No documentation was received from the federal agent upon the transfer of the drugs to the other facility for storage.

This Letter on Other Matters is intended for the information of the management of Phelps County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**GRUNDY COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-52
July 5, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

July 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Grundy, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Grundy County was a financial and compliance audit of various county operating funds. The following concerns were noted:

- The county operates an ambulance service for which client billings are prepared and submitted to various health care insurers for collection. Follow-up procedures were not performed on a significant number of accounts that were not collected. The county currently contracts with an outside vendor to provide billing services. The contract does not provide specific details on follow-up billing procedures. In addition, standard procedures are not in place for performing write-offs of uncollectible accounts.
- The Families and Friends of the Developmentally Disabled Board maintained approximately \$20,600 in a money market fund which is not FDIC insured nor protected from market loss. In addition, approximately \$25,000 was maintained in certificates of deposit held at banks in other states which is in violation of state law.
- Some program expenditures were omitted from the Schedule of Expenditures of Federal Awards and expenditures for the BRO program were overstated by approximately \$78,000 during the audit period.

The audit also includes some matters related to budgeting, the health center, and the county's financial condition, upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

YELLOW SHEET

GRUNDY COUNTY, MISSOURI

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GRUNDY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Grundy County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Grundy County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Grundy County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Grundy County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which

is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 15, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.



Claire McCaskill
State Auditor

March 15, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Marty Beck
Audit Staff:	Julie Vollmer
	Shantaye Atkinson



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Grundy County, Missouri

We have audited the special-purpose financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 15, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Grundy County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-2. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Grundy County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over

financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 00-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Grundy County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

March 15, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

GRUNDY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 646,877	860,785	944,066	563,596
Special Road and Bridge	105,370	567,684	456,461	216,593
Assessment	1,034	139,972	139,861	1,145
Law Enforcement Training	5,079	5,749	4,558	6,270
Prosecuting Attorney Training	3,646	948	360	4,234
Ambulance	275,374	657,391	635,545	297,220
Drug Awareness and Resistance Education	1,123	550	499	1,174
Prosecuting Attorney Bad Check	4,464	13,770	11,835	6,399
Recorder's User Fees	15,587	4,832	1,249	19,170
Victims of Domesic Violence	352	403	0	755
Local Emergency Planning Committee	10,470	357	5,957	4,870
9-1-1	73,661	101,141	86,353	88,449
Health Center	244,006	384,626	516,808	111,824
Families and Friends of the Developmentally Disabled	154,284	87,025	100,268	141,041
Circuit Clerk Interest	2,329	304	115	2,518
Associate Division Interest	882	208	626	464
Law Library	13,262	7,126	2,638	17,750
Child Care	9,149	5,576	5,794	8,931
Private Tutoring	1,877	1,329	1,235	1,971
Project Mentoring	0	54,757	54,757	0
Prosecuting Attorney Delinquent Tax	2,542	122	117	2,547
Expendable Trusts	227,063	16,350	9,391	234,022
Election Services	0	916	55	861
Division of Family Services Guardian Ad Litem	0	15,300	13,600	1,700
Total	\$ 1,798,431	2,927,221	2,992,148	1,733,504

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

GRUNDY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 745,617	951,145	1,049,885	646,877
Special Road and Bridge	256,611	792,070	943,311	105,370
Assessment	579	127,451	126,996	1,034
Law Enforcement Training	4,091	5,372	4,384	5,079
Prosecuting Attorney Training	3,296	965	615	3,646
Ambulance	233,011	535,878	493,515	275,374
Drug Awareness and Resistance Education	482	676	35	1,123
Prosecuting Attorney Bad Check	7,562	10,496	13,594	4,464
Recorder's User Fees	15,309	5,070	4,792	15,587
Victims of Domesic Violence	459	495	602	352
Local Emergency Planning Committee	7,738	2,800	68	10,470
9-1-1	56,902	95,300	78,541	73,661
Health Center	277,361	356,832	390,187	244,006
Families and Friends of the Developmentally Disabled	151,781	80,983	78,480	154,284
Circuit Clerk Interest	3,007	1,386	2,064	2,329
Associate Division Interest	526	356	0	882
Law Library	8,124	6,085	947	13,262
Child Care	8,602	6,040	5,493	9,149
Private Tutoring	2,161	908	1,192	1,877
Division of Youth Services Intensive Probation	0	26,036	26,036	0
Project Mentoring	270	45,128	45,398	0
Prosecuting Attorney Delinquent Tax	3,095	220	773	2,542
Expendable Trusts	220,486	22,034	15,457	227,063
Total	\$ 2,007,070	3,073,726	3,282,365	1,798,431

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 3,308,063	2,888,749	(419,314)	2,898,441	3,044,168	145,727
DISBURSEMENTS	3,534,328	2,962,565	571,763	3,504,043	3,259,450	244,593
RECEIPTS OVER (UNDER) DISBURSEMENTS	(226,265)	(73,816)	152,449	(605,602)	(215,282)	390,320
CASH, JANUARY 1	1,558,795	1,558,795	0	1,771,930	1,772,200	270
CASH, DECEMBER 31	1,332,530	1,484,979	152,449	1,166,328	1,556,918	390,590
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	93,000	92,955	(45)	83,000	83,539	539
Sales taxes	400,000	429,422	29,422	365,000	396,619	31,619
Intergovernmental	147,800	119,349	(28,451)	160,480	167,147	6,667
Charges for services	136,500	134,254	(2,246)	139,000	133,119	(5,881)
Interest	32,000	30,599	(1,401)	32,000	31,265	(735)
Other	45,100	38,606	(6,494)	37,300	63,470	26,170
Transfers in	26,490	15,600	(10,890)	30,600	75,986	45,386
Total Receipts	880,890	860,785	(20,105)	847,380	951,145	103,765
DISBURSEMENTS						
County Commission	62,815	63,025	(210)	63,197	62,597	600
County Clerk	79,505	78,876	629	75,520	77,120	(1,600)
Elections	37,480	41,307	(3,827)	21,894	17,985	3,909
Buildings and grounds	50,411	53,797	(3,386)	153,137	152,291	846
Employee fringe benefits	68,020	64,716	3,304	71,390	66,140	5,250
County Treasurer and Ex Officio Collector	49,804	44,729	5,075	45,688	45,117	571
Circuit Clerk	27,207	27,426	(219)	27,109	26,904	205
Associate Circuit Court	9,922	6,849	3,073	6,200	7,958	(1,758)
Court administration	8,865	8,620	245	17,240	14,981	2,259
Public Administrator	18,657	18,467	190	19,775	18,179	1,596
Sheriff	201,251	182,521	18,730	187,604	164,732	22,872
Jail	109,890	121,007	(11,117)	99,056	103,104	(4,048)
Prosecuting Attorney	75,095	72,999	2,096	75,457	71,803	3,654
Juvenile Officer	69,151	55,996	13,155	136,373	86,308	50,065
County Coroner	7,760	6,821	939	7,540	7,387	153
Other	63,712	73,910	(10,198)	62,688	64,279	(1,591)
Transfers out	32,265	23,000	9,265	27,687	63,000	(35,313)
Emergency Fund	26,442	0	26,442	25,422	0	25,422
Total Disbursements	998,252	944,066	54,186	1,122,977	1,049,885	73,092
RECEIPTS OVER (UNDER) DISBURSEMENTS	(117,362)	(83,281)	34,081	(275,597)	(98,740)	176,857
CASH, JANUARY 1	646,877	646,877	0	745,617	745,617	0
CASH, DECEMBER 31	529,515	563,596	34,081	470,020	646,877	176,857

Exhibit B

GRUNDY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	38,500	38,840	340	38,443	38,443	0
Intergovernmental	720,020	513,868	(206,152)	691,620	699,139	7,519
Interest	7,000	8,206	1,206	12,000	9,188	(2,812)
Other	5,000	6,770	1,770	5,000	2,300	(2,700)
Transfers in	0	0	0	0	43,000	43,000
Total Receipts	770,520	567,684	(202,836)	747,063	792,070	45,007
DISBURSEMENTS						
Salaries	101,029	93,924	7,105	105,074	101,845	3,229
Employee fringe benefits	18,550	13,895	4,655	19,940	18,390	1,550
Supplies	19,700	30,661	(10,961)	20,150	19,484	666
Insurance	5,250	5,421	(171)	6,000	5,172	828
Road and bridge materials	103,000	103,765	(765)	120,500	110,300	10,200
Equipment repairs	28,000	11,390	16,610	28,000	27,011	989
Rentals	0	0	0	500	0	500
Equipment purchases	0	119	(119)	21,360	24,080	(2,720)
Construction, repair, and maintenance	534,000	192,397	341,603	561,000	573,545	(12,545)
Other	4,200	4,889	(689)	7,600	4,298	3,302
Transfers out	12,890	0	12,890	57,200	59,186	(1,986)
Total Disbursements	826,619	456,461	370,158	947,324	943,311	4,013
RECEIPTS OVER (UNDER) DISBURSEMENTS	(56,099)	111,223	167,322	(200,261)	(151,241)	49,020
CASH, JANUARY 1	105,370	105,370	0	256,611	256,611	0
CASH, DECEMBER 31	49,271	216,593	167,322	56,350	105,370	49,020
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	104,585	115,527	10,942	103,713	106,099	2,386
Interest	200	756	556	0	411	411
Other	200	689	489	400	941	541
Transfers in	32,265	23,000	(9,265)	27,687	20,000	(7,687)
Total Receipts	137,250	139,972	2,722	131,800	127,451	(4,349)
DISBURSEMENTS						
Assessor	140,000	139,861	139	131,800	126,996	4,804
Total Disbursements	140,000	139,861	139	131,800	126,996	4,804
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,750)	111	2,861	0	455	455
CASH, JANUARY 1	1,034	1,034	0	579	579	0
CASH, DECEMBER 31	(1,716)	1,145	2,861	579	1,034	455

Exhibit B

GRUNDY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	1,500	1,867	367	0	1,685	1,685
Charges for services	4,000	3,241	(759)	4,580	3,473	(1,107)
Interest	200	267	67	170	214	44
Other	200	374	174	0	0	0
Total Receipts	5,900	5,749	(151)	4,750	5,372	622
DISBURSEMENTS						
Sheriff	4,600	4,558	42	5,000	4,384	616
Total Disbursements	4,600	4,558	42	5,000	4,384	616
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,300	1,191	(109)	(250)	988	1,238
CASH, JANUARY 1	5,079	5,079	0	4,091	4,091	0
CASH, DECEMBER 31	6,379	6,270	(109)	3,841	5,079	1,238
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	800	766	(34)	800	814	14
Interest	150	182	32	150	151	1
Total Receipts	950	948	(2)	950	965	15
DISBURSEMENTS						
Prosecuting Attorney	1,400	360	1,040	2,125	615	1,510
Total Disbursements	1,400	360	1,040	2,125	615	1,510
RECEIPTS OVER (UNDER) DISBURSEMENTS	(450)	588	1,038	(1,175)	350	1,525
CASH, JANUARY 1	3,646	3,646	0	3,296	3,296	0
CASH, DECEMBER 31	3,196	4,234	1,038	2,121	3,646	1,525
<u>AMBULANCE FUND</u>						
RECEIPTS						
Sales taxes	400,000	429,968	29,968	375,000	396,695	21,695
Charges for services	140,000	151,658	11,658	130,000	125,111	(4,889)
Interest	8,500	14,950	6,450	8,500	11,434	2,934
Other	57,750	60,815	3,065	1,000	2,638	1,638
Total Receipts	606,250	657,391	51,141	514,500	535,878	21,378
DISBURSEMENTS						
Salaries	335,535	346,115	(10,580)	301,305	297,033	4,272
Office expenses	25,200	27,256	(2,056)	12,800	12,327	473
Equipment	144,815	154,127	(9,312)	99,500	83,218	16,282
Mileage and training	17,000	13,635	3,365	17,000	17,149	(149)
Employee fringe benefits	67,450	59,645	7,805	57,400	56,923	477
Building	20,000	1,037	18,963	76,000	180	75,820
Tax increment financing	10,000	18,130	(8,130)	10,000	9,885	115
Transfers out	15,600	15,600	0	16,800	16,800	0
Total Disbursements	635,600	635,545	55	590,805	493,515	97,290
RECEIPTS OVER (UNDER) DISBURSEMENTS	(29,350)	21,846	51,196	(76,305)	42,363	118,668
CASH, JANUARY 1	275,374	275,374	0	233,011	233,011	0
CASH, DECEMBER 31	246,024	297,220	51,196	156,706	275,374	118,668

Exhibit B

GRUNDY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>DRUG AWARENESS AND RESISTANCE</u>						
<u>EDUCATION FUND</u>						
RECEIPTS						
Interest	50	50	0	30	36	6
Other	640	500	(140)	600	640	40
Total Receipts	690	550	(140)	630	676	46
DISBURSEMENTS						
Sheriff	640	499	141	800	35	765
Total Disbursements	640	499	141	800	35	765
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	51	1	(170)	641	811
CASH, JANUARY 1	1,123	1,123	0	482	482	0
CASH, DECEMBER 31	1,173	1,174	1	312	1,123	811
<u>PROSECUTING ATTORNEY</u>						
<u>BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	13,000	13,545	545	13,000	10,221	(2,779)
Interest	225	225	0	300	275	(25)
Total Receipts	13,225	13,770	545	13,300	10,496	(2,804)
DISBURSEMENTS						
Prosecuting Attorney	13,655	11,835	1,820	14,293	13,594	699
Total Disbursements	13,655	11,835	1,820	14,293	13,594	699
RECEIPTS OVER (UNDER) DISBURSEMENTS	(430)	1,935	2,365	(993)	(3,098)	(2,105)
CASH, JANUARY 1	4,464	4,464	0	7,562	7,562	0
CASH, DECEMBER 31	4,034	6,399	2,365	6,569	4,464	(2,105)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	4,500	4,048	(452)	4,680	4,400	(280)
Interest	670	784	114	500	670	170
Total Receipts	5,170	4,832	(338)	5,180	5,070	(110)
DISBURSEMENTS						
Ex Officio Recorder of Deeds	8,880	1,249	7,631	10,500	4,792	5,708
Total Disbursements	8,880	1,249	7,631	10,500	4,792	5,708
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,710)	3,583	7,293	(5,320)	278	5,598
CASH, JANUARY 1	15,587	15,587	0	15,309	15,309	0
CASH, DECEMBER 31	11,877	19,170	7,293	9,989	15,587	5,598

Exhibit B

GRUNDY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>VICTIMS OF DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	500	380	(120)	500	480	(20)
Interest	15	23	8	20	15	(5)
Total Receipts	515	403	(112)	520	495	(25)
DISBURSEMENTS						
Shelter	600	0	600	900	602	298
Total Disbursements	600	0	600	900	602	298
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85)	403	488	(380)	(107)	273
CASH, JANUARY 1	352	352	0	459	459	0
CASH, DECEMBER 31	267	755	488	79	352	273
<u>LOCAL EMERGENCY PLANNING COMMITTEE FUND</u>						
RECEIPTS						
Intergovernmental	2,500	0	(2,500)	2,500	2,438	(62)
Interest	350	357	7	250	362	112
Total Receipts	2,850	357	(2,493)	2,750	2,800	50
DISBURSEMENTS						
Supplies	60	176	(116)	770	68	702
Equipment	5,140	5,755	(615)	500	0	500
Training	800	26	774	1,000	0	1,000
Total Disbursements	6,000	5,957	43	2,270	68	2,202
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,150)	(5,600)	(2,450)	480	2,732	2,252
CASH, JANUARY 1	10,470	10,470	0	7,738	7,738	0
CASH, DECEMBER 31	7,320	4,870	(2,450)	8,218	10,470	2,252
<u>9-1-1 FUND</u>						
RECEIPTS						
Charges for services	90,000	95,913	5,913	90,000	92,403	2,403
Interest	3,000	3,173	173	2,500	2,897	397
Other	0	2,055	2,055	0	0	0
Total Receipts	93,000	101,141	8,141	92,500	95,300	2,800
DISBURSEMENTS						
Salaries	29,550	30,164	(614)	23,000	22,224	776
Office supplies	1,250	75	1,175	1,000	1,645	(645)
Equipment purchases	18,900	18,942	(42)	22,181	30,208	(8,027)
Equipment repairs and maintenance	13,500	5,672	7,828	10,750	9,721	1,029
Equipment support	17,000	25,570	(8,570)	17,000	7,686	9,314
Other	6,100	5,930	170	10,600	7,057	3,543
Total Disbursements	86,300	86,353	(53)	84,531	78,541	5,990
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,700	14,788	8,088	7,969	16,759	8,790
CASH, JANUARY 1	73,661	73,661	0	56,902	56,902	0
CASH, DECEMBER 31	80,361	88,449	8,088	64,871	73,661	8,790

Exhibit B

GRUNDY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	113,000	129,648	16,648	113,000	113,166	166
Intergovernmental	188,571	198,079	9,508	208,263	190,381	(17,882)
Charges for services	34,568	38,139	3,571	17,900	32,051	14,151
Interest	12,000	7,512	(4,488)	12,000	12,369	369
Other	9,550	11,248	1,698	2,875	8,865	5,990
Transfers In	300,000	0	(300,000)	0	0	0
Total Receipts	657,689	384,626	(273,063)	354,038	356,832	2,794
DISBURSEMENTS						
Salaries	290,200	278,980	11,220	289,888	288,158	1,730
Supplies	22,000	21,649	351	22,238	23,927	(1,689)
Equipment	6,500	8,399	(1,899)	12,600	12,541	59
Mileage and training	13,000	9,960	3,040	13,225	13,126	99
Insurance	1,534	2,209	(675)	1,489	1,214	275
Utilities	8,305	7,518	787	8,255	6,625	1,630
Rent	6,240	6,240	0	6,240	6,240	0
Building/lot	300,000	166,587	133,413	27,524	27,524	0
Other	9,775	15,266	(5,491)	9,678	10,832	(1,154)
Total Disbursements	657,554	516,808	140,746	391,137	390,187	950
RECEIPTS OVER (UNDER) DISBURSEMENTS	135	(132,182)	(132,317)	(37,099)	(33,355)	3,744
CASH, JANUARY 1	244,006	244,006	0	277,361	277,361	0
CASH, DECEMBER 31	244,141	111,824	(132,317)	240,262	244,006	3,744
<u>FAMILIES AND FRIENDS OF THE</u>						
<u>DEVELOPMENTALLY DISABLED FUND</u>						
RECEIPTS						
Property taxes	73,000	78,508	5,508	70,000	73,290	3,290
Intergovernmental	1,820	1,385	(435)	1,280	1,611	331
Interest	5,000	6,773	1,773	5,000	5,651	651
Other	750	359	(391)	500	431	(69)
Total Receipts	80,570	87,025	6,455	76,780	80,983	4,203
DISBURSEMENTS						
Operating expenses	27,134	28,360	(1,226)	25,728	26,403	(675)
Purchase of services	36,852	20,083	16,769	26,335	21,393	4,942
Medicaid match	29,320	29,092	228	29,090	21,284	7,806
Other	11,378	22,733	(11,355)	14,528	9,400	5,128
Total Disbursements	104,684	100,268	4,416	95,681	78,480	17,201
RECEIPTS OVER (UNDER) DISBURSEMENTS	(24,114)	(13,243)	10,871	(18,901)	2,503	21,404
CASH, JANUARY 1	154,284	154,284	0	151,781	151,781	0
CASH, DECEMBER 31	130,170	141,041	10,871	132,880	154,284	21,404

Exhibit B

GRUNDY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	750	304	(446)	800	1,386	586
Total Receipts	750	304	(446)	800	1,386	586
DISBURSEMENTS						
Circuit Clerk	2,200	115	2,085	1,900	2,064	(164)
Total Disbursements	2,200	115	2,085	1,900	2,064	(164)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,450)	189	1,639	(1,100)	(678)	422
CASH, JANUARY 1	2,329	2,329	0	3,007	3,007	0
CASH, DECEMBER 31	879	2,518	1,639	1,907	2,329	422
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	5,200	7,126	1,926	5,500	6,085	585
Total Receipts	5,200	7,126	1,926	5,500	6,085	585
DISBURSEMENTS						
Law library	2,200	2,638	(438)	2,000	947	1,053
Total Disbursements	2,200	2,638	(438)	2,000	947	1,053
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,000	4,488	1,488	3,500	5,138	1,638
CASH, JANUARY 1	13,262	13,262	0	8,124	8,124	0
CASH, DECEMBER 31	16,262	17,750	1,488	11,624	13,262	1,638
<u>PRIVATE TUTORING FUND</u>						
RECEIPTS						
Intergovernmental	1,500	1,329	(171)			
Total Receipts	1,500	1,329	(171)			
DISBURSEMENTS						
Juvenile Officer	0	1,235	(1,235)			
Total Disbursements	0	1,235	(1,235)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500	94	(1,406)			
CASH, JANUARY 1	1,877	1,877	0			
CASH, DECEMBER 31	3,377	1,971	(1,406)			
<u>DIVISION OF YOUTH SERVICES</u>						
<u>INTENSIVE PROBATION FUND</u>						
RECEIPTS						
Intergovernmental				50,000	26,036	(23,964)
Total Receipts				50,000	26,036	(23,964)
DISBURSEMENTS						
Juvenile Officer				50,000	26,036	23,964
Total Disbursements				50,000	26,036	23,964
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0

Exhibit B

GRUNDY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROJECT MENTORING FUND</u>						
RECEIPTS						
Intergovernmental	45,144	54,757	9,613	50,000	45,128	(4,872)
Total Receipts	45,144	54,757	9,613	50,000	45,128	(4,872)
DISBURSEMENTS						
Juvenile Officer	45,144	54,757	(9,613)	50,000	45,398	4,602
Total Disbursements	45,144	54,757	(9,613)	50,000	45,398	4,602
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	(270)	(270)
CASH, JANUARY 1	0	0	0	0	270	270
CASH, DECEMBER 31	\$ 0	0	0	0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

GRUNDY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Grundy County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Families and Friends of the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Associate Division Interest Fund	2000 and 1999
Child Care Fund	2000 and 1999
Expendable Trust Funds	2000 and 1999
Private Tutoring Fund	1999
Election Services Fund	2000
Division of Family Services	
Guardian Ad Litem Fund	2000

Warrants issued were in excess of budgeted amounts for the 9-1-1 Fund, Law Library Fund, Private Tutoring Fund, and Project Mentoring Fund in 2000 and the Circuit Clerk Interest Fund in 1999. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, a deficit balance was budgeted in the Assessment Fund for the year ended December 31, 2000.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	2000 and 1999
Families and Friends of the Developmentally Disabled	2000 and 1999
Circuit Clerk Interest Fund	2000 and 1999
Associate Division Interest Fund	2000 and 1999
Law Library Fund	2000 and 1999
Child Care Fund	2000 and 1999
Private Tutoring Fund	2000 and 1999
Project Mentoring Fund	2000 and 1999
Prosecuting Attorney Delinquent Tax Fund	2000 and 1999
Election Services	2000
Division of Youth Services Intensive Probation Fund	1999
Division of Family Services Guardian Ad Litem Fund	2000

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

Cash includes both deposits and investments. In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of deposits and investments. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The deposits of the Health Center Board at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name.

The deposits of the Families and Friends of the Developmentally Disabled (FFDD) Board at December 31, 2000 and 1999, were entirely covered by federal depositary insurance.

Approximately \$25,000 of the deposits maintained by the FFDD Board at December 31, 2000, was maintained in Certificates of Deposit at banks outside the state of Missouri, in apparent violation of Section 110.040, RSMo 2000.

Investments

The only investment of the FFDD Board was a money market fund with a reported amount of \$20,663 at December 31, 2000.

State law apparently does not authorize the investment of county monies in money market funds.

Supplementary Schedule

Schedule

GRUNDY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ER00459139	36,742	39,968
U.S. DEPARTMENT OF DEFENSE				
Direct program -				
12.105	Protection of Essential Highways, Highway Bridge Approaches, and Public Works	N/A	0	90,642
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Social Services -				
14.231	Emergency Shelter Grants Program	ERO1640269 ERO1640354 ERO1640397	7,965	11,500
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
Missouri Sheriff's Association				
16.unknown	Domestic Cannabis Eradication/Supression Program	N/A	2,227	1,322
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission:				
20.205	Highway Planning and Construction	BRO-040 (16)	7,791	49,554
		BRO-040 (17)	4,431	190,340
		BRO-040 (18)	8,611	8,469
		BRO-040 (19)	6,438	6,509
			<u>27,271</u>	<u>254,872</u>
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	1,507	9,863

Schedule

GRUNDY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
	Department of Health -			
93.268	Immunization Grants	PG06491391		
		PGAUNKNO	260	1,450
		N/A	20,652	18,982
			20,912	20,432
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance	N/A	878	0
Department of Social Services -				
93.563	Child Support Enforcement	N/A	168	2,070
93.569	Community Services Block Grant	N/A	25,532	12,766
Department of Health -				
93.575	Child Care and Development Block Grant	PGA0670139	1,498	1,095
Department of Social Services -				
93.667	Social Services Block Grant	ER0172022	0	26,036
		ER0172023	54,757	45,128
			54,757	71,164
Department of Health -				
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	C000168013	190	0
93.991	Preventive Health and Health Services Block Grant	AOC00380175	26,964	23,533
		N/A	197	183
			27,161	23,716
93.994	Maternal and Child Health Services Block Grant to the States	ER51460139	13,747	15,256
		N/A	987	919
			14,734	16,175
Total Expenditures of Federal Awards			\$ 221,542	555,585

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

GRUNDY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Grundy County, Missouri, except for the program accounted for in the Grundy County Public Housing Agency Fund. Federal awards for that fund have been audited and separately reported on by other independent auditors for its years ended September 30, 2000 and 1999.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for the Protection of Essential Highways, Highway Bridge Approaches, and Public Works (CFDA number 12.105) represent the value of the work performed by the Army Corps of Engineers.

Of the amounts for Immunization Grants (CFDA number 93.268), \$20,652 and \$18,982 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$197 and \$183 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$987 and \$919 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants, the Preventive Health and Health Services Block Grant, and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

<u>Federal CFDA Number</u>	<u>Program Title</u>	<u>Amount Provided</u>	
		<u>Year Ended December 31,</u> <u>2000</u>	<u>1999</u>
14.231	Emergency Shelter Grants Program	7,965	11,500
93.569	Community Services Block Grant	25,532	12,766

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Grundy County, Missouri

Compliance

We have audited the compliance of Grundy County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Grundy County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-3 and 00-4.

Internal Control Over Compliance

The management of Grundy County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 00-3 and 00-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

This report is intended for the information of the management of Grundy County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 15, 2001 (fieldwork completion date)

Schedule

GRUNDY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? x yes no

Reportable condition identified that is
not considered to be a material weakness? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
12.105	Protection of Essential Highways, Highway Bridge Approaches, and Public Works
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

00-1.

Ambulance Service Billings

Policies and procedures related to ambulance service billings and collections are not adequate. There are no written policies which address billing, collection, or write-off procedures.

The county operates an ambulance service for which client billings are prepared and submitted to various health care insurers for collection. Prior to December 2000, billings were prepared and sent to the various health care insurers by ambulance department personnel. Beginning on December 1, 2000, the county contracted with an outside vendor to provide billing services. During our review of the ambulance service billing procedures we noted the following:

- A. Initial service billings and write-offs totaled approximately \$463,000 and \$42,000, respectively, for the period January 1, 1999 through November 30, 2000. The accounts receivable balance increased by approximately \$148,000 over the same time period. Follow-up collection procedures were not performed on a significant number of accounts. Of the twenty-five billings we reviewed, thirteen were outstanding accounts for which no follow-up billings had been performed. According to county personnel, numerous billings to Medicaid and Medicare were returned because of coding errors and were never resubmitted. Many of these accounts may now be uncollectible. Additionally, the balance of accounts which were only partially paid by third party insurance providers were not re-billed to the clients. Approximately \$45,000 of the outstanding accounts were re-billed by the outside billing service. County personnel are currently in the process of reviewing other accounts receivable to determine collectibility.
- B. Billings are prepared by the outside billing service and payments are received by ambulance personnel and the County Treasurer. Follow-up billings are the responsibility of the billing service; however, the contract does not provide specific details on these procedures such as when or how often the procedures will be performed.
- C. Accounts to be written off as uncollectible are determined by the ambulance Administrator and the County Treasurer and approved by the County Commission. No standard procedures are in place for performing the write-off function.

Documented procedures should include the age of the accounts receivable to be written off and the number and types of collection attempts required prior to determining an account is uncollectible.

Failure to ensure adequate controls exist related to ambulance service accounts receivable may result in a loss of revenue to the county and increases the possibility of misappropriation of funds.

WE RECOMMEND the County Commission develop written policies and procedures for the ambulance billing function including provisions for follow-up on outstanding accounts and write-off procedures.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission will adopt written policies regarding ambulance billing and write-off procedures. The ambulance director has contacted the billing vendor and the county is in the process of clarifying follow-up and billing procedures. The County Commission will have this situation resolved by September 1st.

00-2. Family and Friends of the Developmentally Disabled Board Investments
--

At December 31, 2000, the Families and Friends of the Developmentally Disabled (FFDD) Board maintained approximately \$20,600 in a money market fund which, according to the fund's prospectus, is not FDIC insured nor protected from market loss. In addition, approximately \$25,000 was maintained in certificates of deposit held at banks in other states.

State law does not specifically authorize the investment of county monies in money market funds. Section 110.040, RSMo 2000, provides that political subdivisions may select depositories located outside of territorial limits only if there is not a depository available within the territory or if the depositories within the territory will not accept the awards of the public funds.

WE RECOMMEND the FFDD Board ensure public monies are invested in compliance with state law.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The Director of the FFDD Board stated he will advise the FFDD Board at the next regularly-scheduled meeting to implement the recommendation. He will advise that the money market account be closed as soon as possible and these funds deposited in FDIC or FSLIC insured securities. He will also recommend that all funds deposited in out-of-state certificates of deposit be renewed only at in-state financial institutions at the time these certificates of deposit mature, which will take place in May 2002.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

00-3.	Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	State Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity Identifying Number:	ER00459139
Award Year:	2000 and 1999
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Defense
Pass-Through Grantor:	Not Applicable
Federal CFDA Number:	12.105
Program Title:	Protection of Essential Highways, Highway Bridge Approaches, and Public Works
Pass-Through Entity Identifying Number:	Not Applicable
Award Year:	1999
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	
Pass-Through Entity Identifying Number:	BRO-040(16), BRO-040(17), BRO-040(18) & BRO-040(19)
Award Year:	2000 and 1999
Questioned Costs:	Not Applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards(SEFA) for the period covered by the auditee's financial statements. The county is required to submit the SEFA to the State Auditor's Office as part of the annual budget.

The county does not have procedures in place to adequately track federal assistance for preparation of the SEFA. The county prepared a SEFA for the years ended December 31, 2000 and 1999; however, some program expenditures were omitted, most notably, \$90,642

from the U.S. Department of Defense and approximately \$126,000 passed through the state Department of Social Services. In addition, expenditures reported for the BRO program were overstated by approximately \$78,000 for the two year period. These differences primarily occurred as a result of timing differences and because the county's matching share of the BRO program was included in some amounts reported.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk indicated he has not changed his procedures for preparing the SEFA. The county's matching share of expenditures has always been reported. The County Clerk will try to deduct the county's share of expenditures in the future. The County Clerk will try to implement the recommendation.

00-4.	Cash Management
--------------	------------------------

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-040(16) & BRO-040(18)
Award Year:	2000 and 1999
Questioned Costs:	Not Applicable

During the two years ended December 31, 2000, the county participated in the Highway Planning and Construction Program. Through this program, 80 percent of eligible expenses are reimbursed from federal funds passed through the Missouri Department of Transportation. During the two years, the county received and disbursed approximately \$280,000 through this program.

The county has not established cash management procedures to ensure the minimum time lapses between receipt of federal project monies and the disbursement of such monies. Reimbursements of \$1,255, \$1,450, and \$7,600 were held for 235 days, 166 days, and 15 days, respectively, before the related payments were made to contractors. While the liability was incurred prior to the reimbursement, payment was not made to the vendor on a timely basis.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to disbursement of the funds.

WE RECOMMEND the County Commission establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission indicated there are cash management procedures. The instances noted were oversights by the county and the engineer.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

GRUNDY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

GRUNDY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

SECTION ON OTHER MATTERS

GRUNDY COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Grundy County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 15, 2001. We also have audited the compliance of Grundy County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 15, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Grundy County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Budgets and Financial Statements

Budget hearings are not held prior to the approval of amendments to the budget. Two budget amendments approved during the audit period were not filed with the State Auditor's Office. We also noted two other amendments which were not approved in a timely manner. One of these amendments was approved on December 28, 1999, and appeared to be filed only so the actual expenditures would not exceed budgeted expenditures for the funds involved. The county's annual published financial statements did not include the financial activity of some county funds, most notably the Health Center and Friends and Families of the Developmentally Disabled Boards.

2. Health Center

The petty cash fund is not maintained on an imprest basis. Invoices are not marked after they have been paid to prevent repayment. Invoices are not reviewed for mathematical accuracy prior to payment. Blank checks are signed in advance by the Board. Budget revisions were not submitted to the State Auditor's Office.

The health center Board of Directors (Board) purchased a building for \$165,000 in April 2000. In February 2001 the Board entered into a thirty year agreement with the Grundy County Health Association, Inc. (Association) which was previously formed for the purpose of assisting the health center. The Association obtained a \$90,000 loan for remodeling the building purchased by the health center. As part of the lease agreement, the Board transferred title of the building to the Association. The Board is leasing the building from the

Association payable in thirty annual installments. The annual rental paid to the Association by the Board includes \$5,856 (or a total of \$175,680 over thirty years) for the loan principal and interest payment, \$586 for debt reserve, \$586 for replacement and extension, and \$1,972 for operations and maintenance costs. The amount of the annual rental payment is subject to negotiation between the Board and the Association. The Board purchased a vacant lot costing \$27,500 for the purpose of building a health center building approximately three months prior to the purchase of the building noted above. The lot is currently for sale. In addition, the 2001 budget for the Health Center Fund reflects an estimated ending cash balance of approximately \$170,000. The Board should continually monitor the lease agreement and to reduce the amount of interest expense associated with the loan, the Board should consider paying off the loan early as excess funds become available. In addition, appraisals were not obtained prior to the purchases of the vacant lot or the building.

3. Ambulance Service

Documentation of bids received for the services of a billing agency was not maintained. A cost analysis of county personnel performing ambulance service billing functions compared to obtaining an outside vendor to perform these functions was completed; however, the county did not consider that some significant costs to the county were one-time set-up costs and the cost analysis was not extended to cover a period of time exceeding one year.

4. Financial Condition

From January 1, 1999 to December 31, 2000, we noted a decline in the cash balance of the General Revenue Fund of approximately \$180,000. Additionally, the 2001 budget reflects an anticipated decline of approximately \$260,000 and an estimated ending cash balance of approximately \$301,000. The County Commission should closely monitor the financial condition of the General Revenue Fund.

This Letter on Other Matters is intended for the information of the management of Grundy County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**SCOTLAND COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-51
July 2, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Scotland, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Scotland County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The Prosecuting Attorney does not have an office in the courthouse; instead she performs her county duties from an office building used in the operation of her private law practice. The county does not have a written agreement with the Prosecuting Attorney and pays her \$340 per month as an allowance for the office expenses which include utilities, telephone, library/upkeep, supplies, and postage. The Prosecuting Attorney has not documented the actual costs of the office or the percentage of the office costs that relate to official duties. These unsupported expense reimbursements were not reported on her W-2 forms.

During December 2000, the Prosecuting Attorney mistakenly submitted two invoices for utilities and telephone expenses, totaling approximately \$480, to be paid from the Prosecuting Attorney Bad Check Fund. The invoices included the utilities and telephone expense for the entire building, which the Prosecuting Attorney also uses for her private practice and as a place of residence.

- Time sheets were inaccurate and were not always prepared or maintained. Leave records were not monitored against county policies and the issue of overtime/compensatory time was not adequately addressed in the county's personnel policy.

(over)

YELLOW SHEET

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Scotland County's Associate County Commissioners salaries were each increased approximately \$1,900 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$3,800 for the two years ended December 31, 2000, should be repaid. Any raises given to other officials within their term of office should also be re-evaluated for propriety.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Prosecuting Attorney and Sheriff. The audit also suggested improvements be made in the county's bidding procedures, restricted funds accounting, property tax system and computer controls, fixed assets and preparation of county commission minutes. Several of these issues had been noted in prior audits.

Copies of the audit are available upon request.

SCOTLAND COUNTY, MISSOURI

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SCOTLAND COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Scotland County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Scotland County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which

is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 29, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Scotland County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special purpose financial statements referred to above.



Claire McCaskill
State Auditor

March 29, 2001

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Todd Stoll
Audit Staff:	Susan M. Cessac
	Liang Xu
	Steve Garner



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Scotland County, Missouri

We have audited the special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Scotland County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Scotland County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Scotland County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 29, 2001(fieldwork completion date)

Financial Statements

Exhibit A-1

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 250,095	710,645	707,491	253,249
Special Road and Bridge	380,218	955,338	1,169,041	166,515
Assessment	255	62,579	62,616	218
Law Enforcement Training	1,061	1,195	1,447	809
Prosecuting Attorney Training	180	168	184	164
Off System	43,392	18,159	15,406	46,145
Community Development Block Grant	1,000	300,938	300,938	1,000
Recorder's User Fees	4,060	2,068	27	6,101
Circuit Clerk Interest	2,060	366	0	2,426
Law Library	6,139	1,741	2,044	5,836
Local Emergency Planning Commission- Federal Emergency Management Agency	5,274	3,921	5,266	3,929
Health Center	144,650	288,358	285,946	147,062
Election Services	77	675	0	752
Prosecuting Attorney Bad Check	619	4,517	4,525	611
Children's Trust	150	230	230	150
Local Records	0	5,626	0	5,626
Associate Circuit Division Interest	276	371	0	647
Cemetery Trusts	4,033	4,238	4,075	4,196
D.A.R.E.	305	0	305	0
Total	\$ 843,844	2,361,133	2,559,541	645,436

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SCOTLAND COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 226,794	650,077	626,776	250,095
Special Road and Bridge	255,253	931,594	806,629	380,218
Assessment	2,665	66,856	69,266	255
Law Enforcement Training	1,749	1,480	2,168	1,061
Prosecuting Attorney Training	1,138	232	1,190	180
Off System	40,646	44,932	42,186	43,392
Community Development Block Grant	1,000	121,203	121,203	1,000
Recorder's User Fees	2,000	2,194	134	4,060
Circuit Clerk Interest	2,046	513	499	2,060
Law Library	5,716	1,546	1,123	6,139
Local Emergency Planning Commission- Federal Emergency Management Agency	2,299	2,975	0	5,274
Health Center	134,344	312,048	301,742	144,650
Election Services	0	77	0	77
Prosecuting Attorney Bad Check	0	5,656	5,037	619
Children's Trust	100	255	205	150
Joint Dispatcher	3,072	15,000	18,072	0
Associate Circuit Division Interest	964	196	884	276
Cemetery Trusts	2,607	4,015	2,589	4,033
D.A.R.E.	1,034	0	729	305
Cash Crop	4	0	4	0
Total	\$ 683,431	2,160,849	2,000,436	843,844

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SCOTLAND COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 2,431,678	2,350,668	(81,010)	2,174,224	2,150,905	(23,319)
DISBURSEMENTS	2,834,770	2,554,931	279,839	2,380,292	1,991,193	389,099
RECEIPTS OVER (UNDER) DISBURSEMENTS	(403,092)	(204,263)	198,829	(206,068)	159,712	365,780
CASH, JANUARY 1	694,430	839,080	144,650	544,478	678,822	134,344
CASH, DECEMBER 31	291,338	634,817	343,479	338,410	838,534	500,124
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	200,168	202,673	2,505	222,908	201,563	(21,345)
Sales taxes	243,000	241,844	(1,156)	200,000	219,975	19,975
Intergovernmental	111,300	129,721	18,421	84,800	93,993	9,193
Charges for services	75,400	77,618	2,218	72,490	77,321	4,831
Interest	21,000	23,068	2,068	19,000	22,423	3,423
Other	23,790	35,721	11,931	14,731	26,942	12,211
Transfers in	0	0	0	0	7,860	7,860
Total Receipts	674,658	710,645	35,987	613,929	650,077	36,148
DISBURSEMENTS						
County Commission	48,232	50,774	(2,542)	42,773	44,228	(1,455)
County Clerk	45,064	42,956	2,108	43,181	44,492	(1,311)
Elections	15,000	9,636	5,364	0	1,654	(1,654)
Buildings and grounds	78,530	99,444	(20,914)	68,200	65,888	2,312
Employee fringe benefits	36,000	34,674	1,326	57,080	32,295	24,785
Treasurer	16,502	16,598	(96)	15,256	15,978	(722)
Collector	49,359	47,669	1,690	45,142	48,819	(3,677)
Recorder of Deeds	13,650	8,868	4,782	13,658	10,434	3,224
Associate Circuit Court	3,750	5,241	(1,491)	7,783	6,697	1,086
Court administration	4,041	2,843	1,198	4,016	2,851	1,165
Public Administrator	5,104	6,333	(1,229)	4,600	4,982	(382)
Sheriff	205,965	217,063	(11,098)	201,808	200,063	1,745
Prosecuting Attorney	47,128	49,224	(2,096)	45,232	47,938	(2,706)
Juvenile Officer	73,392	33,826	39,566	49,110	54,626	(5,516)
Coroner	5,570	2,109	3,461	5,499	2,361	3,138
Other general county government	44,590	45,157	(567)	40,950	36,732	4,218
Public health and welfare services	2,937	29,576	(26,639)	2,981	1,738	1,243
Transfers out	7,350	5,500	1,850	7,000	5,000	2,000
Emergency Fund	20,240	0	20,240	10,000	0	10,000
Total Disbursements	722,404	707,491	14,913	664,269	626,776	37,493
RECEIPTS OVER (UNDER) DISBURSEMENTS	(47,746)	3,154	50,900	(50,340)	23,301	73,641
CASH, JANUARY 1	250,095	250,095	0	226,794	226,794	0
CASH, DECEMBER 31	202,349	253,249	50,900	176,454	250,095	73,641

Exhibit B

SCOTLAND COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	269,000	269,004	4	295,991	267,286	(28,705)
Sales taxes	160,000	160,908	908	137,000	146,607	9,607
Intergovernmental	450,000	474,682	24,682	446,000	452,631	6,631
Interest	27,000	26,402	(598)	25,000	28,675	3,675
Other	22,000	24,342	2,342	49,000	34,085	(14,915)
Transfers in	0	0	0	0	2,310	2,310
Total Receipts	928,000	955,338	27,338	952,991	931,594	(21,397)
DISBURSEMENTS						
Salaries	255,000	260,782	(5,782)	229,600	247,111	(17,511)
Employee fringe benefits	46,000	37,509	8,491	65,900	37,980	27,920
Supplies	89,000	102,234	(13,234)	85,000	73,588	11,412
Insurance	20,000	12,892	7,108	18,000	16,860	1,140
Road and bridge materials	420,500	520,923	(100,423)	275,500	195,709	79,791
Equipment repairs	70,000	71,467	(1,467)	70,000	52,600	17,400
Rentals	10,000	2,415	7,585	10,000	1,038	8,962
Equipment purchases	150,000	99,025	50,975	150,000	56,910	93,090
Construction, repair, and maintenance	215,000	61,494	153,506	180,000	122,332	57,668
Other	1,000	300	700	1,000	847	153
Transfers out	0	0	0	0	1,654	(1,654)
Total Disbursements	1,276,500	1,169,041	107,459	1,085,000	806,629	278,371
RECEIPTS OVER (UNDER) DISBURSEMENTS	(348,500)	(213,703)	134,797	(132,009)	124,965	256,974
CASH, JANUARY 1	380,218	380,218	0	255,253	255,253	0
CASH, DECEMBER 31	31,718	166,515	134,797	123,244	380,218	256,974
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	62,200	56,068	(6,132)	61,300	60,552	(748)
Interest	650	662	12	850	711	(139)
Other	320	349	29	330	593	263
Transfers in	7,350	5,500	(1,850)	7,000	5,000	(2,000)
Total Receipts	70,520	62,579	(7,941)	69,480	66,856	(2,624)
DISBURSEMENTS						
Assessor	70,732	62,616	8,116	69,430	68,266	1,164
Transfers out	0	0	0	0	1,000	(1,000)
Total Disbursements	70,732	62,616	8,116	69,430	69,266	164
RECEIPTS OVER (UNDER) DISBURSEMENTS	(212)	(37)	175	50	(2,410)	(2,460)
CASH, JANUARY 1	255	255	0	2,665	2,665	0
CASH, DECEMBER 31	43	218	175	2,715	255	(2,460)

Exhibit B

SCOTLAND COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for services	1,400	1,195	(205)	1,200	1,480	280
Total Receipts	1,400	1,195	(205)	1,200	1,480	280
DISBURSEMENTS						
Sheriff	2,461	1,447	1,014	2,949	2,168	781
Total Disbursements	2,461	1,447	1,014	2,949	2,168	781
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,061)	(252)	809	(1,749)	(688)	1,061
CASH, JANUARY 1	1,061	1,061	0	1,749	1,749	0
CASH, DECEMBER 31	0	809	809	0	1,061	1,061
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	200	168	(32)	200	232	32
Total Receipts	200	168	(32)	200	232	32
DISBURSEMENTS						
Prosecuting Attorney	380	184	196	1,338	1,190	148
Total Disbursements	380	184	196	1,338	1,190	148
RECEIPTS OVER (UNDER) DISBURSEMENTS	(180)	(16)	164	(1,138)	(958)	180
CASH, JANUARY 1	180	180	0	1,138	1,138	0
CASH, DECEMBER 31	0	164	164	0	180	180
<u>OFF SYSTEM FUND</u>						
RECEIPTS						
Intergovernmental	397,118	15,406	(381,712)	33,636	41,026	7,390
Interest	2,500	2,753	253	1,500	3,906	2,406
Total Receipts	399,618	18,159	(381,459)	35,136	44,932	9,796
DISBURSEMENTS						
Construction	350,000	0	350,000	24,813	24,494	319
Engineering fees	47,118	15,406	31,712	17,232	17,692	(460)
Total Disbursements	397,118	15,406	381,712	42,045	42,186	(141)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,500	2,753	253	(6,909)	2,746	9,655
CASH, JANUARY 1	43,392	43,392	0	40,646	40,646	0
CASH, DECEMBER 31	45,892	46,145	253	33,737	43,392	9,655
<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Intergovernmental	15,526	300,938	285,412	153,067	121,203	(31,864)
Total Receipts	15,526	300,938	285,412	153,067	121,203	(31,864)
DISBURSEMENTS						
County structures	16,526	32,863	(16,337)	154,067	118,893	35,174
Water system	0	268,075	(268,075)	0	0	0
Transfers out	0	0	0	0	2,310	(2,310)
Total Disbursements	16,526	300,938	(284,412)	154,067	121,203	32,864
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	0	1,000	(1,000)	0	1,000
CASH, JANUARY 1	1,000	1,000	0	1,000	1,000	0
CASH, DECEMBER 31	0	1,000	1,000	0	1,000	1,000

Exhibit B

SCOTLAND COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S USER FEE FUND</u>						
RECEIPTS						
Charges for services	2,000	2,068	68	1,900	2,194	294
Total Receipts	2,000	2,068	68	1,900	2,194	294
DISBURSEMENTS						
Ex Officio Recorder of Deeds	6,060	27	6,033	3,900	134	3,766
Total Disbursements	6,060	27	6,033	3,900	134	3,766
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,060)	2,041	6,101	(2,000)	2,060	4,060
CASH, JANUARY 1	4,060	4,060	0	2,000	2,000	0
CASH, DECEMBER 31	0	6,101	6,101	0	4,060	4,060
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	500	366	(134)	600	513	(87)
Total Receipts	500	366	(134)	600	513	(87)
DISBURSEMENTS						
Circuit Clerk	2,560	0	2,560	2,646	499	2,147
Total Disbursements	2,560	0	2,560	2,646	499	2,147
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,060)	366	2,426	(2,046)	14	2,060
CASH, JANUARY 1	2,060	2,060	0	2,046	2,046	0
CASH, DECEMBER 31	0	2,426	2,426	0	2,060	2,060
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	1,300	1,589	289	1,200	1,385	185
Interest	150	152	2	0	161	161
Total Receipts	1,450	1,741	291	1,200	1,546	346
DISBURSEMENTS						
Law Library	2,044	2,044	0	5,793	1,123	4,670
Total Disbursements	2,044	2,044	0	5,793	1,123	4,670
RECEIPTS OVER (UNDER) DISBURSEMENTS	(594)	(303)	291	(4,593)	423	5,016
CASH, JANUARY 1	6,139	6,139	0	5,716	5,716	0
CASH, DECEMBER 31	5,545	5,836	291	1,123	6,139	5,016
<u>LOCAL EMERGENCY PLANNING COMMISSION - FEDERAL EMERGENCY MANAGEMENT AGENCY FUND</u>						
RECEIPTS						
Intergovernmental	3,000	3,921	921	2,800	2,975	175
Total Receipts	3,000	3,921	921	2,800	2,975	175
DISBURSEMENTS						
Other	8,274	5,266	3,008	5,099	0	5,099
Total Disbursements	8,274	5,266	3,008	5,099	0	5,099
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,274)	(1,345)	3,929	(2,299)	2,975	5,274
CASH, JANUARY 1	5,274	5,274	0	2,299	2,299	0
CASH, DECEMBER 31	0	3,929	3,929	0	5,274	5,274

Exhibit B

SCOTLAND COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	65,000	62,505	(2,495)	65,000	61,873	(3,127)
Intergovernmental	226,051	197,385	(28,666)	209,581	209,449	(132)
Charges for services	5,000	3,865	(1,135)	6,300	4,363	(1,937)
Interest	8,500	8,471	(29)	8,000	8,256	256
Other	27,655	16,132	(11,523)	37,600	28,107	(9,493)
Total Receipts	332,206	288,358	(43,848)	326,481	312,048	(14,433)
DISBURSEMENTS						
Salaries	221,615	203,504	18,111	216,475	196,536	19,939
Office expenditures	26,000	23,608	2,392	29,500	24,929	4,571
Equipment	4,500	2,854	1,646	8,500	5,584	2,916
Mileage and training	13,500	9,437	4,063	12,000	9,325	2,675
Other	60,800	46,543	14,257	58,869	65,368	(6,499)
Total Disbursements	326,415	285,946	40,469	325,344	301,742	23,602
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,791	2,412	(3,379)	1,137	10,306	9,169
CASH, JANUARY 1	0	144,650	144,650	0	134,344	134,344
CASH, DECEMBER 31	5,791	147,062	141,271	1,137	144,650	143,513
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Charges for services	600	653	53			
Interest	0	22	22			
Total Receipts	600	675	75			
DISBURSEMENTS						
Election	677	0	677			
Total Disbursements	677	0	677			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(77)	675	752			
CASH, JANUARY 1	77	77	0			
CASH, DECEMBER 31	0	752	752			
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	2,000	4,517	2,517			
Total Receipts	2,000	4,517	2,517			
DISBURSEMENTS						
Prosecuting Attorney	2,619	4,525	(1,906)			
Total Disbursements	2,619	4,525	(1,906)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(619)	(8)	611			
CASH, JANUARY 1	619	619	0			
CASH, DECEMBER 31	\$ 0	611	611			

Exhibit B

SCOTLAND COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CHILDREN'S TRUST FUND</u>						
RECEIPTS						
Charges for services				240	255	15
Total Receipts				240	255	15
DISBURSEMENTS						
Other				340	205	135
Total Disbursements				340	205	135
RECEIPTS OVER (UNDER) DISBURSEMENTS				(100)	50	150
CASH, JANUARY 1				100	100	0
CASH, DECEMBER 31				0	150	150
<u>JOINT DISPATCHER FUND</u>						
RECEIPTS						
Intergovernmental				15,000	15,000	0
Total Receipts				15,000	15,000	0
DISBURSEMENTS						
Other				18,072	12,866	5,206
Transfers out				0	5,206	(5,206)
Total Disbursements				18,072	18,072	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(3,072)	(3,072)	0
CASH, JANUARY 1				3,072	3,072	0
CASH, DECEMBER 31				0	0	0

\$

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

SCOTLAND COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Associate Circuit Division Interest Fund	2000 and 1999
Cemetery Trusts Fund	2000 and 1999
D.A.R.E. Fund	2000 and 1999
Children's Trust Fund	2000
Local Records Fund	2000
Election Services Fund	1999
Prosecuting Attorney Bad Check Fund	1999

Cash Crop Fund 1999
Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Community Development Block Grant Fund	2000
Prosecuting Attorney Bad Check Fund	2000
Off System Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Local Records Fund	2000 and 1999
Associate Division Interest Fund	2000 and 1999
Cemetery Trusts Fund	2000 and 1999
Circuit Clerk Interest Fund	1999
Law Library Fund	1999
Health Center Fund	1999
D.A.R.E Fund	1999
Cash Crop Fund	1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board of Trustee's deposits at December 31, 2000 and 1999 were entirely covered by Federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end for the health center.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

SCOTLAND COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-0200	\$ 10,114	13,418
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grant/State's Program	97-PF-25	32,863	121,203
		99-PF-41	268,075	0
	Program Total		<u>300,938</u>	<u>121,203</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,332	1,115
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-099(11)	0	23,909
		BRO-099(12)	15,406	17,117
	Program Total		<u>15,406</u>	<u>41,026</u>
State Emergency Management Agency -				
20.703	Hazardous Material and Emergency Preparedness	HMEMO-09045070	1,269	1,501
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	1,327	612

Schedule

SCOTLAND COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERO146-0200CLPP	0	90
93.268	Immunization Grants	PG0064-0200IAP	9,788	7,808
Department of Social Services -				
93.563	Child Support Enforcement	ER0103	48	1,003
Department of Health -				
93.575	Child Care and Development Block Grant	ER0146-0200	1,025	733
Department of Social Services -				
93.667	Social Services Block Grant	ERO172-093	34,011	31,911
Department of Health -				
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	EPF161-10005	143	0
93.991	Preventive Health and Health Services Block Grant	PGA064-12001	117	84
93.994	Maternal and Child Health Services Block Grant to the States	ERO146-0200MCH	15,845	11,283
Total Expenditures of Federal Awards			\$ <u>391,363</u>	<u>231,787</u>

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

SCOTLAND COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Scotland County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$9,788 and \$7,073 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$117 and \$84 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$583 and \$421 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$268,075 to a subrecipient under the Community Development Block Grant Program (CFDA number 14.228) during the year ended December 31, 2000.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Scotland County, Missouri

Compliance

We have audited the compliance of Scotland County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Scotland County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Scotland County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Scotland County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 29, 2001 (fieldwork completion date)

Schedule

SCOTLAND COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major program:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? yes x no

Identification of major program:

CFDA or

Other Identifying

14.228

Program Title

Community Development Block Grant/State's Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes

 x no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

00-1.

Budgetary Practices

Actual disbursements exceeded budgeted amounts in the following funds:

Fund		Year Ended December 31,	
		2000	1999
Off System Fund	\$	N/A	141
Community Development Block Grant Fund		284,412	N/A
Prosecuting Attorney Bad Check Fund		1,906	N/A

Although the County Commission approved and budgeted Community Development Block Grant Fund disbursements of \$16,526 in 2000, an additional federal grant for a Community Development Block Grant project was received after the budget was finalized, resulting in significantly greater receipts and disbursements for 2000. The county apparently failed to monitor such financial activities and did not amend the Community Development Block Grant budget.

It was ruled in *State ex rel. Strong v. Cribb*, 364 Mo. 1122, 273 S.W. 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

WE RECOMMEND the County Commission not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor's Office

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission stated they agree with the recommendation. They said that the block grant mentioned was a unique project in which the block grant money was passed through to a rural water

district and the failure to amend the budget was an oversight. In the future, they will ensure that budgets are amended as needed.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

SCOTLAND COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

SCOTLAND COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

SCOTLAND COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 29, 2001. We also have audited the compliance of Scotland County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 29, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Scotland County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Policies

- A. Bids were not solicited or bid documentation was not retained for some purchases. Examples of the items purchased without documentation of bids and/or advertisement are as follows:

Road and Bridge Supplies	\$ 6,300
Road Rock	165,031
Steel Pipe	29,497
Rent on Equipment used for Road & Bridge Project	22,210

The county indicated they often solicited bids by phone or items were sometimes purchased from sole source suppliers or from suppliers they knew would have the lower price. Documentation of such sole source procurements was not maintained. The road work expenditure represented one transaction with the quarry. The road and bridge supplies and steel pipe purchases represent several transactions.

Section 50.660, RSMo 2000, requires the advertisement for bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence the county's established purchasing procedures, as well as statutory requirements, are followed. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice if applicable, a copy of all bids received, and a summary of the basis and justification for awarding the bid.

A similar condition was noted in the prior audit.

- B. The County Clerk does not prepare adequate records of the meetings of the County Commission. Minutes frequently lack sufficient detail of discussions and votes taken and items such as bid solicitations and selections, transfers between funds, and various other decisions are not always documented. In addition, the minutes are not prepared in a timely manner. The January and February 2001 minutes had not been prepared as of March 29, 2001.

Section 51.120, RSMo 2000, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the

contents to ensure that the minutes include all important information regarding the meetings held.

- C.1. The Prosecuting Attorney does not have an office in the courthouse; instead she performs her county duties from an office building used in the operation of her private law practice. The Prosecuting Attorney has not documented the actual costs of running the office or the percentage of the costs of the office that relate to official duties. Rather, the county pays the Prosecuting Attorney \$340 per month as an allowance for the office expenses incurred on behalf of the county which include utilities, telephone, library/upkeep, supplies, and postage. The county has made similar payments to previous prosecuting attorneys for a number of years. Also, as noted in MAR #7, in December 2000 the county also paid two invoices for utility and telephone expenses for the Prosecuting Attorney's Office from the Prosecuting Attorney's Bad Check Fund. No supporting documentation is provided to the county for these monthly expenses, nor does the county have a written agreement with the Prosecuting Attorney outlining the portion of the total office expenses to be paid by the county.

The Prosecuting Attorney's unsupported expense reimbursements were not reported on her W-2 forms as required by law. IRS regulations specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. In addition, Section 432.070, RSMo 2000, requires that all county contracts be in writing.

2. The Circuit Court Judge charges Scotland, Clark and Schuyler counties every month for the expenses of his office. The monthly expense claims include specific documented actual costs for books/publications, office supplies, telephone, copies, and postage, as well as a flat charge of \$150 per month for use of equipment.

The county does not have a contract with the Circuit Court Judge for the rental of the equipment, indicating how the rental amounts were determined. However upon our request, the Circuit Court Judge provided a listing of rental equipment, including items such as a desk, office chairs, filing cabinets, and a copier, with purchase values totaling \$13,900. Section 432.070, RSMo 2000, requires that all county contracts be in writing.

Similar conditions were noted in the prior three audit reports and there has been no action by the County Commission to remedy the conditions or implement the prior recommendations. Without supporting documentation, the County Commission cannot determine the validity and propriety of the expenditures.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain sufficient documentation of all bids obtained and justification of bid awards. If bids cannot be obtained and sole source or emergency procurement is necessary, the County Commission minutes should reflect the circumstances.

- B. Ensure a complete record of meetings is prepared and approved on a timely basis.
- C. Require adequate supporting documentation prior to approving expenditures for payment and any unsupported payments to employees should be included on W-2 forms. In addition, all county contracts should be in writing and the basis for payments should be documented.

AUDITEE'S RESPONSE

- A. *The County Commission stated that they agree with the recommendation and are already implementing it. They indicated they are now trying to ensure purchases over \$4,500 are being bid and documentation is being retained. If bids cannot be taken, the reasons and circumstances for the purchase will be documented in the minutes.*
- B. *The County Commission stated they agree and the recommendation is already being implemented. The County Clerk indicated she is now keeping more detailed minutes and preparing them more timely.*
- C. *The County Commission stated that they agree with the recommendation and have already developed a written contract with the Circuit Court Judge, including information regarding the equipment to which the rental payment applies. They also indicated that negotiations with the Prosecuting Attorney are ongoing.*

2. Capital Improvements and Law Enforcement Sales Taxes
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As authorized by Section 67.700, RSMo 2000, county voters approved a capital improvements sales tax for improvements of the county's roads and bridges. State law requires the monies received from a capital improvements sales tax to be deposited in a separate fund and used solely for the designated purpose. The county deposited the receipts from the capital improvements sales tax into the county's Special Road and Bridge Fund and did not separately account for disbursements made from the sales tax receipts.

In addition, the county voters passed a law enforcement sales tax authorized by Section 67.582, RSMo 2000. State law requires monies received from this law enforcement sales tax be deposited in a separate fund and used solely for the designated purpose. The county deposited the law enforcement sales tax receipts in the county's General Revenue Fund and did not separately account for disbursements made from the sales tax receipts.

While it appeared restricted disbursements exceeded the applicable sales tax receipts, use of the appropriate separate sales tax funds would provide better control and compliance with the statutory requirements.

These conditions were noted in the prior three audit reports. The County Commission indicated in their response to the prior report that a year end report would be prepared to document the amount of such sales tax monies spent for the restricted purposes. However,

no such report has been prepared and no other corrective action has been taken to remedy the above conditions.

WE AGAIN RECOMMEND the County Commission direct the Treasurer to deposit revenues from the capital improvements sales tax and the law enforcement sales tax into separate funds to properly account for the use of these monies.

AUDITEE'S RESPONSE

The County Commission stated that they agree with the recommendation. Starting in January 2002, they plan to establish separate funds and budgets for both of these special sales taxes.

3. Property Tax System and Computer Controls

- A. The County Collector prepares the tax books, collects and distributes property taxes, and makes changes to the property tax records for additions and abatements throughout the year. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector, even though property tax collections are a significant source of revenues for the county and various state laws require their involvement in these processes. The County Clerk does not maintain an account book with the Collector, nor does she verify the totals of the tax books. In addition, even though court orders for additions and abatements are approved by the County Commission when prepared, there is no independent and subsequent review of the actual changes made to the tax books, nor is there any apparent review of the County Collector's annual settlement of activity.

A complete account book, summarizing taxes charged, monthly collections, abatements and additions, and protested payments would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Commission to verify the County Collector's annual settlements. The accuracy of the taxes charged for collection would also be substantiated by the County Clerk verifying the tax book totals at the start of the tax year and through a subsequent independent reconciliation of approved addition and abatement orders to actual changes made to the property tax data files.

Some of these records and controls are also required by various sections of state law, which are intended to establish some checks and balances related to the collection of property taxes. In addition, some of these conditions have been noted in our prior four audit reports and, although the County Commission indicated they would consider possible changes, no action has been taken.

- B. Access to the computer programs such as the property tax, payroll, and disbursement systems is not adequately restricted. Staff in both the County Collector's and County Assessor's offices have access to the property tax system, the County Clerk's office

has access to the payroll and disbursement systems, and the County Treasurer has her own system. However, personnel in the County Collector's, County Clerk's and County Treasurer's offices do not utilize passwords. The lack of an effective system of user passwords may allow unauthorized changes to be made to tax books, payroll records, and disbursement ledgers.

To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals. A system of passwords and other procedures can be used to properly restrict access. A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

- C. Backup disks of information for the County Clerk's, County Treasurer's, and Health Center's computer systems, which could be used to provide a means of recreating destroyed master disks, are not prepared periodically. As a result, damage to these computer systems could make it difficult, or even impossible, to retrieve or recreate lost program modifications and/or data. Preparation of backup disks, along with off-site storage, would provide increased assurance that methods are available to restore any lost data or program modifications.

Conditions B and C were also noted in our previous two audit reports.

WE AGAIN RECOMMEND:

- A. The County Clerk prepare the current and back tax books or verify the totals generated by the County Collector's office, maintain a complete account book of the County Collector's transactions, and the County Clerk and County Commission make use of this account book to verify the County Collector's annual settlements. The County Clerk or County Commission should also agree approved addition and abatement orders with related changes made to the tax records.
- B. The County Commission consult with their programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.
- C. The County Clerk, Treasurer, and Health Center Board of Trustees ensure that backup disks from the computer systems are prepared and stored in a secure, off-site location.

AUDITEE'S RESPONSE

- A. *The County Commission and County Clerk stated that they agree and have already taken steps to implement the recommendations. The County Clerk has now started maintaining an account book which will be posted monthly with the Collector's activity, including any approved additions and abatements. The County Clerk will use the account book to verify*

the information on the Collector's annual settlement. The County Clerk also stated she will start verifying the tax books on a test basis when they are prepared each year.

- B. The County Commission stated they agree with the recommendation. The County Clerk stated that she is currently looking at a software package which will allow passwords to be used on the County Clerk's and County Treasurer's computers. The current software does not have such a capability. The County Clerk will also be discussing this issue with the County Collector.*
- C. The County Clerk stated that she has now begun backing up her computer system weekly and will begin taking the backup disk home with her immediately. The County Clerk and County Treasurer stated they have discussed how to backup the Treasurer's computer and they will work together to ensure that is done and that the backup disk will be taken off-site. The Health Center Administrator stated that they have already implemented the recommendation as well. The bookkeeper now prepares backup disks of the computer system regularly and keeps the backup disk at her home.*

4. Personnel and Payroll Policies and Procedures

Our review of the county's personnel and payroll policies and procedures indicated the following areas of concern:

- A. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Scotland County's Associate County Commissioners salaries were each increased approximately \$1,900 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$3,800 for the two years ended December 31, 2000, should be repaid. In addition, in light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- B. The county's personnel policy requires time sheets be prepared by all employees, reviewed and approved by the employee's supervisor, and submitted to the County Clerk's office. However, time sheets are not always prepared by employees or

maintained by the County Clerk's office and in some cases appear to be inaccurate. We noted instances where time sheets could not be found and time actually worked did not appear to agree with what was recorded on the timesheet. For example, based on comments from courthouse employees, we noted one employee had earned and used compensatory time; however none of this activity was reflected on the approved timesheet submitted to the county. When asked, the individual provided us with personal records to support the hours earned and used. Additionally, time sheets are not always signed by the employees' supervisor.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. To ensure adequate support for payroll expenditures, the time records should be prepared and signed by all employees, approved by the applicable supervisor, and filed with the County Clerk.

A similar condition was noted in the prior two audit reports.

- C. While the county now maintains centralized leave records, a comparison of timesheets and leave records indicated employee leave balances are not always correctly recorded on the centralized leave records and monitored for compliance with the county's accumulation limits. Instances were noted where an employee lost sixteen hours of annual leave because of a calculation error, another employee received and used eight hours more annual leave than earned, and a third employee received and used sixteen hours more annual leave than earned.

It appears the County Clerk is not comparing time sheets to leave records to ensure leave activity reported on the time sheets is accurately posted to the centralized leave records. The activity reflected on employee time sheets and leave records should be carefully reviewed for consistency and mathematical accuracy to ensure that employee leave balances are correct.

A similar condition was noted in the prior three audit reports.

- D. The county's current personnel policy does not adequately address the issue of overtime/compensatory time. While courthouse employees work a 32.5 hour workweek, the county's overtime policy indicates actual hours worked in excess of 40 in any workweek are compensated at a rate of one and one-half the normal rate of pay. The policy does not address the compensation of such hours between 32.5 and 40 in a week, nor does it indicate compensatory time is allowable in lieu of payment for extra hours worked. During our review, we noted several instances where employees were accruing and using compensatory time at a rate of one hour for every hour of time worked in excess of 32.5 hours per week. In addition, the actual hours worked and compensatory time that was earned and used was not always accurately reflected on individual timesheets, as noted in part B above.

The FLSA requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

WE RECOMMEND the County Commission:

- A. Review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Ensure accurate and complete time sheets are prepared and maintained for all employees. The records should be prepared and signed by employees, approved by the applicable supervisor, and filed with the County Clerk.
- C. Ensure that employee leave earned, taken, and the accumulated balances are reported accurately and require the County Clerk to properly maintain centralized annual, sick and compensatory leave records.
- D. Ensure county policy addresses how employees are to be compensated for any hours worked between 32.5 and 40 in a workweek and whether the granting of compensatory time off in lieu of payment is allowable. Timesheets should accurately reflect actual hours worked, including any compensatory time accrued and taken.

AUDITEE'S RESPONSE

- A. *The County Commission provided the following response:*

Our action was based on following Statute 50.333.13 as follows: "At the salary commission meeting in 1997 which establishes salaries for those officers to be elected at the general election in 1998, the salary commission of each noncharter county may provide salary increases for associate county commissioners elected in 1996. This one-time increase is necessitated by the change from two to four year terms for associate commissioners pursuant to House Bill 256, passed by the first regular session of the Eighty-Eighth General Assembly in 1995."

Because of this statute, the County Commission feels that until the Supreme Court rules that this money shall be paid back, we will take no further action on this matter.

- B. *The County Commission stated that they agree with the recommendations. Effective May 1, 2001 a new timesheet was implemented. The new timesheet requires both the employee's signature and the supervisor's signature before paychecks will be issued. The timesheet also requires time to be reported as actually worked, with explanations for any time outside of normal work hours. The County Commission also stated that the only employee they are not currently receiving a timesheet from is the Road Boss, but that they monitor his work closely enough that they are certain he is working his required time.*
- C. *The County Commission stated that they agree with the recommendation. The County Clerk stated she is now monitoring the leave reported on the timesheets and posted to the leave records more closely. She stated she is considering periodically reporting to the employees the various leave balances so they can verify the accuracy.*

- D. *The County Commission stated that they agree that timesheets should reflect the actual hours worked. The County Commission stated they intend to enforce the current policy which requires overtime to be paid and will not allow the use of compensatory time off. In addition, they said that no overtime will be granted for hours worked between 32.5 and 40 hours in a week because all the positions in question are salaried positions and they believe the salary paid covers all time up to 40 hours.*

5. Fixed Assets

The County Commission or its designee is responsible for maintaining a complete, detailed record of county property. In the past, the County Clerk has been primarily responsible for these records. However, purchases of new fixed assets and disposition of old items have not been recorded on the fixed asset listing since 1993. In addition, since that time, most new assets have not been properly numbered, tagged, or otherwise identified and physical inventories have not been performed.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipt.

AUDITEE'S RESPONSE

The County Commission stated that they agree and have now established a policy addressing these issues. They intend to have the inventory listing updated and completed by July 1, 2001 and plan to have annual physical inventories performed by October 1 of each year.

6.**Sheriff's Accounting Controls and Procedures**

The Sheriff's office handles receipts in the form of cash and checks for bonds, sheriff fees, and gun permits, etc. These monies, totaling approximately \$33,000 and \$23,000 for the years ended December 31, 2000 and 1999, respectively, are remitted to the County Treasurer or Associate Court monthly. Our review noted the following concerns:

- A. The duties of cash custody and record-keeping have not been adequately segregated. The Sheriff's bookkeeper is primarily responsible for collecting, recording, depositing, and disbursing all monies. The Sheriff's deputies and dispatchers may also receipt money. There are no documented reviews of the accounting records performed by the Sheriff or another supervisor.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. The Sheriff's office issues prenumbered receipt slips for all monies received but the receipt slips do not indicate the method of payment. To ensure receipts are handled properly, the method of payment should be indicated on the receipt slips and the composition (cash and checks) noted on receipt slips should be reconciled to the composition of the bank deposits.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Require the method of payment be indicated on all receipt slips and ensure the composition of cash and checks per the receipt slips is reconciled to monies deposited to the bank account.

AUDITEE'S RESPONSE

- A. *The Sheriff stated that he agrees with the recommendation. He stated he is going to be hiring an additional employee, part of whose duties will be to provide oversight of these activities and the accounting records. In addition, the Sheriff stated that he is now also reviewing the accounting records and documenting his review.*
- B. *The Sheriff stated that he agrees with the recommendation and will implement it immediately.*

7. Prosecuting Attorney's Accounting Controls and Procedures

Since February 1999, the Prosecuting Attorney's office has been receiving monies for bad check restitution and fee payments. Payments are to be made by two separate money orders or cashier's checks; one made payable to the vendor for bad check restitution and service fees, and one made payable to Scotland County to cover the Prosecuting Attorney's fee. During 2000, the Prosecuting Attorney's records indicate approximately 225 bad check complaints were filed. We reviewed the accounting controls and procedures of the office and noted the following concerns:

- A. Duties are not adequately segregated. Currently all duties, including receiving and recording bad check complaints and payments, transmitting and disbursing monies, and following-up on amounts still due are performed by one employee, with no independent oversight. To ensure proper accountability, the duties of receiving and recording complaints and payments should be segregated from the duties of disbursing/transmitting monies and following-up on amounts due. If the duties cannot be adequately segregated, at a minimum, someone independent should periodically review the bad check records and compare records of monies received with documentation of transmittal to the County Treasurer and disbursement to the victims, as well as ensuring recorded dispositions appear proper. Failure to adequately segregate duties or provide a supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.
- B. Prenumbered receipt slips were not issued for most monies received. Receipt slips that were issued were written from the same receipt slip book that was used for the Prosecuting Attorney's private practice and were not issued in sequential order. To ensure all monies are handled and accounted for properly, separate prenumbered receipt slips should be issued for all monies received by the Prosecuting Attorney in an official capacity.
- C. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, has not been established. The bad check complaints are not assigned sequential control numbers nor are they recorded on an initial log or listing as they are received. During our review, we found that some complaints were insufficiently processed and erroneously included among the closed complaint files and some files could not be located. In addition, the Prosecuting Attorney does not obtain documentation from the merchant when the restitution checks are turned over to them.

To ensure all bad checks turned over to the Prosecuting Attorney are properly handled, a sequential number should be assigned to each bad check complaint received and a log should be maintained listing each complaint and its disposition. The log should contain information such as the complaint number, the merchant's name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including date restitution was received and disbursed to the merchant, the date and criminal case in which charges were filed, or other disposition. In

addition, documentation should be obtained from the merchant to indicate their receipt of the restitution.

- D. The Prosecuting Attorney has not established a formal policy specifying when unpaid bad check complaints should be filed as a court case. During our review of bad check files, we noted that collection procedures and efforts are not always made timely and there is no clear policy of follow-up collection efforts to be taken or timing of the efforts. As indicated above, we noted several complaints which were filed as closed, even though there was no documentation the bad check had been resolved or a court case filed.

The Prosecuting Attorney should establish written procedures for collection of unpaid bad check restitution and fees. Such procedures should consist of generating periodic reports of complaints with balances due and following up on those for which payments are not being made. In addition, information regarding complaints with delinquent payments and significant balances due should be regularly provided to the Prosecuting Attorney for review and assessment of follow-up collection efforts or other court action which may be necessary.

- E. During December 2000, the Prosecuting Attorney submitted two invoices for utilities and telephone expenses, totaling approximately \$480, to be paid from the Prosecuting Attorney Bad Check Fund. The invoices included the utilities and telephone expenses for the entire building, which the Prosecuting Attorney also uses for her private practice and a place of residence. Payment of expenses not related to official duties does not appear to be a prudent use of public funds. In addition, Section 570.120 RSMo 2000, provides that the Prosecuting Attorney Bad Check Fund may be used only for office supplies, postage, books, training, office equipment, capital outlay, trial and witness preparation, and employee salaries.

WE RECOMMEND the Prosecuting Attorney:

- A. Provide for adequate segregation of duties and/or performance of independent reconciliations and reviews of accounting records.
- B. Ensure official prenumbered receipt slips are issued for all monies received.
- C. Assign sequential control numbers to bad check complaints and maintain a log to adequately account for bad check complaints as well as the ultimate disposition.
- D. Maintain a complete and accurate listing of delinquent bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such complaints, including when to file as court cases.
- E. Limit future expenditures of the Prosecuting Attorney Bad Check Fund to expenses related to the official duties of prosecution of bad check complaints.

AUDITEE'S RESPONSE

- A. *The Prosecuting Attorney stated that she agrees with the recommendation and has already taken steps to implement it. Effective the beginning of April 2001, both the employee's direct supervisor and the Prosecuting Attorney began closely reviewing the activity on the bad check complaints, including the preparation and review of various reconciliations.*
- B. *The Prosecuting Attorney stated that she agrees with the recommendation and has already implemented it. A separate series of prenumbered receipt slips is now being used and the receipt slips are issued for all bad check monies received.*
- C. *The Prosecuting Attorney stated that she agrees with the recommendation and has already implemented it. As of March 27, 2001 sequential control numbers are now assigned to all new bad check complaints and a control log of the complaints and related actions is also now maintained. In addition, the staff has now gone back through all past bad check complaints to ensure they have been fully processed. The office also now provides a postcard to vendors that they are to return to document their receipt of the restitution.*
- D. *The Prosecuting Attorney stated that she agrees with the recommendations. She stated her office has now developed written procedures that document the various steps in the process of collecting bad checks. They now also monitor the bad check log frequently to ensure that bad check complaints are processed timely and have developed a checklist to be completed for each complaint before it is closed out to ensure all applicable steps have been taken.*
- E. *The Prosecuting Attorney stated that she agrees expenditures from the Bad Check Fund should, and will be, restricted to the official duties related to prosecution and allowed by statute. Regarding the invoices mentioned, the Prosecuting Attorney stated that the various areas of the building are billed together and the invoices were submitted and paid in error. The applicable amounts will be reimbursed to the Bad Check Fund.*

This report is intended for the information of the management of Scotland County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

SCOTLAND COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Scotland County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Policies

- A. In December 1995, the county entered into an unauthorized five year agreement with a corporation to abate its personal and real estate taxes beginning with the 1996 tax year, provided the company employed at least forty full time employees.
- B. Receipts were not required to support the expenditure of travel monies advanced to the former Sheriff to cover the costs of extraditing prisoners from other states, some unused advances were not returned timely, and unsupported expense reimbursements were not included on the former Sheriff's W-2 forms.
- C. During 1996, a deputy serving as a guard was paid the guard fee and mileage rather than including the time worked in the regular payroll compensation. As a result the guard fees were not subject to payroll withholdings and were not reported on the respective W-2 forms.
- D. The county did not maintain adequate supporting documentation for expenditures.

Recommendation:

The County Commission:

- A. Discuss with the prosecuting attorney the best method of handling the current agreement that the county has entered. In the future, the County Commission should follow allowable methods as provided by the statutes.
- B. Ensure receipts supporting expenditures and any funds remaining from monies advanced to the Sheriff for extraditing prisoners are returned to the county on a timely basis. In addition, the County Commission should ensure all unsupported payments to county employees are included on the employee's annual W-2 form.
- C. Ensure deputies who serve as guards are paid under normal payroll procedures for the actual time worked.

- D. Ensure adequate supporting documentation is obtained and maintained for all expenditures.

Status:

- A. Partially implemented. The County discontinued the practice of entering into new agreements with corporations to abate their taxes. However, the County Commission never consulted with the Prosecuting Attorney about how to handle the agreement that had been entered into and the prior agreement was still in effect until the end of the audit period.

B&C. Implemented.

- D. Not implemented. Invoices for two of sixty items reviewed were not adequately detailed. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Former Sheriff's Missing Records and Property

See our audit report on Scotland County, Missouri, for the two years ended December 31, 1998 (report number 99-70).

3. Capital Improvements and Law Enforcement Sales Taxes

The county deposited the receipts from the capital improvements sales tax into the county's Special Road and Bridge Fund and the law enforcement sales tax into the county's General Revenue Fund rather than establishing separate funds as required by state law. The disbursements made from these sales tax receipts were also not accounted for separately.

Recommendation:

The County Commission direct the Treasurer to deposit receipts from the capital improvements sales tax and the law enforcement sales tax into separate funds to properly account for the use of these monies.

Status:

Not implemented. See MAR No. 2.

4. Property Tax System and Computer Controls

- A. The County Clerk did not prepare the current or back tax books for real estate and personal property taxes or verify the tax book totals.
- B. The County Clerk did not maintain an account book with the County Collector.

- C. The County Collector made changes to the property tax records for additions and abatements which occurred throughout the year. There was no independent and subsequent comparison of approved additions and abatements to actual changes to the property tax data files or to amounts reflected on the County Collector's annual settlement.
- D. Access to the computer programs such as the property tax, payroll, and disbursement systems was not adequately restricted.
- E. Backup disks of information for the county's computer systems were not stored at an off-site location.

Recommendation:

- A. The County Clerk prepare the current and back tax books or verify the totals generated by the County Collector's office.
- B. The County Clerk maintain a complete account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settlements.
- C. The County Commission revise the addition/abatement process so that the County Collector does not have the capability to make changes to tax data without other controls in place.
- D. The County Commission establish procedures to restrict access to computer files, through the use of unique passwords, to only those individuals who need to use the information.
- E. The County Commission ensure that backup disks from the county's computer systems are prepared and stored in a secure, off-site location.

Status:

A-E. Not implemented. See MAR No. 3.

5. Personnel Policies and Procedures

- A. Centralized accumulated vacation and sick leave records were not maintained by the County Clerk and most elected officials also did not keep such records for their employees.
- B. Time records were prepared and signed by county employees but no indication of supervisory approval was documented.

Recommendation:

- A. The County Clerk maintain centralized employee leave records for all county employees.
- B. The County Commission require all county employees to prepare and submit time sheets which are signed by the employee and approved by the applicable supervisor.

Status:

- A. Partially implemented. Although the County Clerk now maintains centralized leave records for all county employees, a number of the leave records appeared to be incomplete and inaccurate. See MAR No. 4.
- B. Not implemented. See MAR No. 4.

6. Documentation of Reimbursable Expenses

- A. The county paid the Prosecuting Attorney \$340 per month as an allowance for office expenses incurred on behalf of the county. No supporting documentation was provided to the county and the unsupported expense reimbursements were not reported on the W-2 forms of the Prosecuting Attorney.
- B. The Circuit Court Judge charged Scotland, Clark, and Schuyler counties every month for the expenses of his office, including \$150 for rental of equipment owned by the judge. There was no contract for the rental of the equipment, and no documentation to indicate how the rental amount was determined.

Recommendation:

The County Commission require adequate supporting documentation prior to approving expenditures for payment. All county contracts should be in writing and rental agreements should be supported by documentation of how rental amounts were determined. In addition, unsupported payments to county employees should be included on W-2 forms.

Status:

Not implemented. See MAR No. 1.

7. Sheriff's Accounting Controls and Procedures

- A. Receipt slips issued by the Sheriff's Office were not prenumbered and did not indicate the method of payment.
- B. Formal monthly bank reconciliations were not always prepared.

- C. There was no ledger maintained to control billings or collections of prisoner boarding costs billed to other governments.
- D. No comparison between the number of meals billed and received from a local restaurant and the number of prisoners fed was made by the Sheriff's Department or by the County Clerk.

Recommendation:

The Sheriff:

- A. Issue prenumbered receipt slips for all monies received, require the method of payment be indicated on all receipts, and reconcile total cash and checks to monies deposited to the bank account.
- B. Prepare formal bank reconciliations every month. The reconciled bank balance should be agreed to the book balance on a monthly basis and any differences investigated.
- C. Compare prisoner board billings and the subsequent payments received by the County Treasurer on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.
- D. Compare prisoner meal records with the vendor's invoice and investigate and reconcile any differences. In addition, the Sheriff and County Commission may want to consider whether the county might have other, less costly, alternatives for providing prisoner meals.

Status:

A. Not implemented. See MAR No. 6.

B, C,
& D. Implemented.

8. Circuit Clerk's Accounting Controls

The accounting duties in the Circuit Clerk's office were not adequately segregated and there was no documentation that the Circuit Clerk performed reconciliations of the records or reviewed the work performed by the Deputy Circuit Clerk.

Recommendation:

The Circuit Clerk perform documented supervisory reviews of the Deputy Clerk's work.

Status:

Implemented.

9. Health Center's Controls and Procedures

- A. The Board of Trustees approved expenditures in excess of budgeted amounts of \$3,869 and \$13,308 for the years ended December 31, 1996 and 1995, respectively.
- B. Some available resources, including the Car Seat Program and Equipment Loan Program, were not reported on the budgets, resulting in an inaccurate picture of the health center's financial position.
- C. The method of payment was not documented on the receipt slips or receipt ledger.

Recommendation:

The Health Center Board of Trustees:

- A. Not authorize expenditures in excess of budgeted expenditures.
- B. Prepare budget documents that contain complete information regarding beginning available resources, revenues, expenditures, and ending cash balances.
- C. Ensure mode of payment is indicated on the receipt or in the receipt ledger. Furthermore, the composition of receipts should be reconciled to the composition of deposits.

Status:

- A. Implemented.
- B. Partially implemented. The Health Center discontinued the Car Seat Program in 1997 and has included the Equipment Loan Program on the budgets for the two years ended December 31, 2000. However, the Health Center did not include beginning available cash and ending budgeted cash balances for those two years. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.

10. Ex Officio Recorder of Deeds Accounting Procedures

Monies were not deposited intact daily or when cash on hand exceeded \$100.

Recommendation:

The Ex Officio Recorder of Deeds deposit all receipts intact daily or when accumulated receipts exceed \$100.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

SCOTLAND COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Scotland was named after Scotland, the European nation. Scotland County is a county-organized, third-class county and is part of the First Judicial Circuit. The county seat is Memphis.

Scotland County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Scotland County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 471,677	28	468,849	30
Sales taxes	402,752	24	366,582	23
Federal and state aid	604,403	36	546,624	34
Fees, interest, and other	187,151	12	199,616	13
Total	\$ 1,665,983	100	1,581,671	100

The following chart shows how Scotland County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 405,269	22	321,788	23
Public safety	302,222	16	304,988	21
Highways and roads	1,169,041	62	806,629	56
Total	\$ 1,876,532	100	1,433,405	100

The county maintains approximately 200 county bridges and 524 miles of county roads.

The county's population was 5,499 in 1970 and 4,822 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		2000	1999	1985*	1980**	1970**
		(in millions)				
Real estate	\$	26.2	25.8	23.4	17.1	13.9
Personal property		12.5	11.3	6.1	7.1	3.0
Railroad and utilities		5.7	5.8	4.0	3.6	3.4
Total	\$	44.4	42.9	33.5	27.8	20.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Scotland County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		2000	1999
General Revenue Fund	\$	0.4908	0.4900
Special Road and Bridge Fund		0.6505	0.6500
Health Center Fund		0.1500	0.1500

In addition to the above property taxes, in November 1999 Scotland County voters, as allowed by Section 231.444 RSMo 2000, passed an additional levy of twenty-five cents per acre of property classified as agricultural or horticultural. The proceeds of this tax are to be used solely for the purpose of purchasing road rock to be placed on county roads.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),	
		2001	2000
State of Missouri	\$	13,512	12,964
General Revenue Fund		220,898	211,380
Special Road and Bridge Fund		291,769	279,599
Road Rock Fund		64,578	0
Assessment Fund		28,882	27,356
Health Center Fund		66,748	63,973
School districts		1,457,862	1,386,049
Library district		84,287	80,792
Ambulance district		110,829	106,294
Hospital district		216,387	207,034
Nursing Home district		67,185	64,407
Bear Creek Watershed district		2,014	2,087
Cities		25,046	24,883
County Clerk		67	54
County Employees' Retirement Fund		13,546	10,584
Commissions and fees:			
Collector		721	548
General Revenue Fund		45,152	41,782
Total	\$	<u>2,709,483</u>	<u>2,519,786</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),	
		2001	2000
Real estate	97 %	97 %	
Personal property	94	93	
Railroad and utilities	100	100	

Scotland County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	None
Capital Improvements	.0050	2001	None
Law Enforcement	.0025	None	None

The elected officials and their compensation paid for the year ended December 31 (except as

noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Mike Stephenson, Presiding Commissioner	\$	15,358	14,969
Roger Riebel, Associate Commissioner		13,358	12,969
Dean Childress, Associate Commissioner		13,358	12,969
Betty Lodewegen, County Clerk		22,538	21,881
Susan Henry, Prosecuting Attorney		25,680	24,932
Mark Drummond, Sheriff		21,483	20,858
LaMayra Brown, County Treasurer		14,977	14,541
Virginia Brackett, County Coroner		1,570	1,524
Mary Morgan, Public Administrator*		5,825	4,480
Kathy Becraft, County Collector**, year ended February 28 (29)	27,854	26,890	
James Ward, County Assessor***, year ended August 31,		25,206	24,497

* Includes fees received from probate cases.

** Includes \$721 and \$548, respectively, of commissions earned for collecting city property taxes.

*** Includes \$900 annual compensation received from the state.

State-Paid Officials:

Anita Watkins, Circuit Clerk and Ex Officio Recorder of Deeds		46,127	44,292
Karl DeMarce, Associate Circuit Judge		97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk and Ex Officio Recorder of Deeds	0	1
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff	10	0
County Collector	1	0
County Assessor	2	0
Associate/Probate Division*	0	2
Road and Bridge	19	0
Health Center	9	0
Total	<u>43</u>	<u>3</u>

* Includes one part-time employee

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Scotland County's share of the First Judicial Circuit's expenses is 29.04 percent.



**KANSAS CITY METROPOLITAN
COMMUNITY COLLEGES**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-50
June 28, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2001

www.auditor.state.mo.us

The Kansas City Metropolitan Community Colleges (KCMCC) consist of the Longview Community College, Maple Woods Community College, Penn Valley Community College, and Blue River Community College as well as the Business and Technology Center. The KCMCC is governed by an elected six-member Board of Trustees. The trustees serve a six-year term and serve without compensation. The Board of Trustees appoints the Chancellor who serves as the Chief Executive Officer. The following concerns were discovered as a result of an audit conducted of the Kansas City Metropolitan Community Colleges.

A review of the employment contracts, related compensation and other benefits provided for the Chancellor and other officers disclosed the following concerns:

- As part of their compensation packages, various car related expenses (i.e. gasoline, oil, etc.) are paid for by the KCMCC even though a portion of these expenses would appear to relate to the personal use of the vehicles.
- The Chancellor was not required to account for any expenditures made from the monies he received annually as a special expense account. He received \$5,268 related to this account in fiscal year 2000.
- The Chancellor's contracts are not completed on a timely basis.
- The fiscal year 2000 compensation of the Chancellor and the four campus Presidents was not accurately reported to the Missouri Department of Higher Education.

The colleges hire firms and individuals to perform various professional services; however, requests for proposals were not solicited for many of the services obtained. In addition, written agreements were not entered into for some of the professional services noted.

The Board of Trustees' policy provides the KCMCC "will normally request proposals for contracted services such as architects, construction managers, consultants, banking service, auditors, bond counsel, investment banks, maintenance contractors, and/or related contracted services. However, the Chancellor may elect to either solicit bids or negotiate for these services." Our audit of professional services expenditures and their procurement disclosed that the colleges frequently negotiate for professional services. For example, KCMCC has not solicited proposals for its annual audits since fiscal year 1993 and did not solicit proposals for some consultants hired to write grant proposals and advise on various programs.

(over)

YELLOW SHEET

The college system did not solicit proposals for the services of the bond counsel, financial advisor, and trustee for debt instruments issued during fiscal years 1999 and 2000. Other professional services for which the KCMCC did not solicit proposals included W-2 processing, network engineering implementation, wiring for various buildings, media relations and business plan consultants for the Child Development Center, and arbitrage services. The college system paid over \$90,000 for these services in fiscal year 2000. Also, the college system does not have a written agreement with its legal counsel, nor did it solicit proposals for interpreting services for the deaf.

According to KCMCC records, approximately \$200,000 was paid from unrestricted funds for food costs during fiscal year 2000. These food purchases represented amounts billed from various food service providers and did not include amounts reimbursed to employees through expenses accounts or amounts paid with credit cards. Our review of the food purchases made in fiscal year 2000 disclosed that some of these purchases may not have been a prudent, reasonable, or necessary use of KCMCC funds. While a certain level of food expense is probably necessary, those costs need to be assessed in terms of their importance compared to other critical education needs.

The KCMCC has not established district-wide written policies and procedures regarding the handling of delinquent student account receivable and their write-off, if applicable. As a result, inconsistencies were noted in the handling of delinquent accounts at the various campuses and instances were noted where students were allowed to enroll with a balance due from a previous semester, contrary to district policy.

Various record keeping problems were noted regarding the Child Development Center located on the Penn Valley campus. In addition, the Child Development Center allowed some accounts to remain delinquent for an extended period of time without appropriate action being taken. The day care center on the Longview campus operated without a license from November 1998 to March 1999 due to non-compliance with licensing issues. It appears these issues were not addressed in a timely basis.

Other findings noted that a physical inventory of general fixed assets has not been completed for several years, even though KCMCC guidelines require such inventories annually. Also, procedures and controls over the collection of monies at various points needs to be improved.

Criminal background checks on prospective employees are not initiated by the Human Resources Department, and the information obtained by other departments through these background checks is not maintained in the Human Resources Department.

The KCMCC subsidizes most of the operating expense of its Foundation, a not-for-profit corporation established to receive donations and provide financial support and assistance for the KCMCC. These subsidies totaled over \$550,000 during the two years ended June 30, 2000. This practice does not appear to be appropriate and may violate provisions of the Missouri Constitution.

In its responses to the various recommendations, the KCMCC indicated that many of the problems reported had already been corrected or were in the process of being corrected.

KANSAS CITY METROPOLITAN
COMMUNITY COLLEGES

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Board of Trustees of the Junior College
District of Metropolitan Kansas City, Missouri
and
Dr. Wayne E. Giles, Chancellor
Kansas City Metropolitan Community Colleges
Kansas City, MO 64111

We have audited the Kansas City Metropolitan Community Colleges. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objectives of this audit were to:

1. Review and evaluate expenditures of the colleges as well as purchasing practices and procedures.
2. Review and evaluate selected personnel practices and procedures.
3. Review internal control procedures over selected financial areas, legal compliance issues, and management practices to determine the propriety, efficiency, and effectiveness of those procedures and practices.
4. Review selected records and activities of the colleges' Foundation.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The colleges' Board of Trustees had engaged Ernst & Young, LLP, Certified Public Accountants, to perform financial audits of the colleges for the years ended June 30, 2000 and 1999. To minimize any duplication of effort, we reviewed the reports and substantiating work papers of this CPA firm. In conducting our audit, we interviewed personnel; reviewed specific policies, procedures, and relevant legal provisions; reviewed various documents and records; and visited campus locations.

As part of our audit, we assessed the colleges' management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the colleges' management and was not subject to the procedures applied in the audit of the Kansas City Metropolitan Community Colleges.

The accompanying Management Advisory Report presents our findings arising from our audit of the Kansas City Metropolitan Community Colleges.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

November 2, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Toni M. Crabtree, CPA
Audit Staff:	Terese Summers, CPA
	Brian Benter
	Kimberly Fowler
	Brittany Ebbertt

MANAGEMENT ADVISORY REPORT SECTION

KANSAS CITY METROPOLITAN
COMMUNITY COLLEGES
SUMMARY OF FINDINGS

1. Employment Contracts of Officers (pages 7-10)

Multi-year contracts have been entered into with Officers. The current practice of paying personal car expenses may have tax consequences for the employee and the Kansas City Metropolitan Community Colleges (KCMCC). The Chancellor was not required to account for expenditures from his special expense account, and these expenses were not included on his W-2 form. The Chancellor's contract is not completed on a timely basis. The annual compensation amounts of the Chancellor and four campus Presidents were not reported accurately to the Department of Higher Education.

2. Controls Over Receipts (pages 10-14)

The KCMCC has not developed district-wide written policies and procedures regarding the handling and depositing of receipts and internal controls over receipts need to be improved.

3. Foundation (pages 14-17)

The KCMCC subsidizes most of the operating expenses of the Foundation. This practice does not appear to be appropriate and may violate provisions of the Missouri Constitution. In addition, some expenditures related to Foundation activities did not appear necessary or essential to the operation of the KCMCC or the Foundation.

4. Professional Services (pages 17-20)

The KCMCC frequently negotiates for professional services instead of soliciting proposals. In addition, written agreements were not entered into for some professional services.

5. Expenditures (pages 20-23)

Approximately \$200,000 was paid from unrestricted funds for food costs during fiscal year 2000. Various examples of questionable food purchases were noted. The KCMCC should develop a policy regarding food purchases in an effort to reduce expenditures in this area. Documentation supporting credit card charges was not always adequate and the supporting documentation for the credit card charges is not always reconciled to the credit card statements on a timely basis. Some expenses of the legislative liaison are not adequately documented.

6. Delinquent Student Accounts (pages 24-25)

The KCMCC has not established district-wide written policies and procedures regarding the handling of delinquent student accounts receivable and their write-off, if applicable.

7. Day Care Centers (pages 25-30)

Various recordkeeping problems were noted regarding the Child Development Center located on the Penn Valley campus. In addition, the Child Development Center allowed some accounts to remain delinquent for an extended period of time without appropriate action being taken. The day care center on the Longview campus operated without a license from November 1998 to March 1999 due to non-compliance with licensing issues. It appears these issues were not addressed in a timely basis.

8. Fixed Assets (pages 31-34)

A physical inventory of general fixed assets has not been completed for several years. The detailed fixed asset records have not been reconciled to the general ledger account and it was determined that many fixed asset items have not been recorded in the detailed fixed asset records. As a result, the total cost of the furniture and equipment items recorded in the detailed fixed assets records is less than the amount recorded in the general ledger account by approximately \$11 million. District-wide policies and procedures regarding the disposition of fixed assets have not been established. The controls over the usage of vehicles are not adequate.

9. Related Personnel (page 34)

The KCMCC has not established procedures to identify related employees and ensure related individuals are not working in conflicting employment capacities.

10. Internal Audit Function (page 34-36)

The internal auditor did not perform any internal audits of the activities and operations of the KCMCC during fiscal years 1999 and 2000. In addition, the internal auditor does not report to top management, such as the Board of Trustees or Chancellor.

11. Background Checks (page 36)

Criminal background checks on prospective employees are not initiated by the Human Resources Department, and the information obtained by other departments through these background checks is not maintained in the Human Resources Department.

KANSAS CITY METROPOLITAN
COMMUNITY COLLEGES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Employment Contracts of Officers
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The Officers of the KCMCC include the Chancellor, three Vice Chancellors, and four college Presidents. A review of the employment contracts, related compensation, and other benefits provided these individuals disclosed the following concerns:

- A. The KCMCC has entered into multi-year employment contracts with the Chancellor and its other Officers. The Chancellor's contract is for three years, and is handled as a continuous contract. The salary and benefits are negotiated each year and a year is added to the end of the contract period. As a result, the contract never expires and the Board loses much of its authority and influence it might otherwise exercise over its top administrator. The contracts for the other Officers are for two years and while a year is not added each year, the salary is negotiated for the second year of their contracts.

No statutes expressly prohibit multi-year contracts for administrative employees; however, problems can arise from such arrangements. For example, should the Board wish to terminate an individual who has an extended term contract, buyout terms can prove costly. As a result, the Board needs to reevaluate its practices regarding multi-year contracts.

- B. As part of the Officers' compensation packages, the KCMCC paid for repairs, gasoline, oil, and insurance for the Chancellor's personal vehicle and gasoline, oil, filters, and other automobile liquid purchases for the other Officers' personal vehicles. Generally, these car-related expenses are charged to a KCMCC credit card.

It appears the payment of the car-related expenses noted above may include expenses related to the personal use of the vehicles. The current arrangement provides little assurance that only business-related expenses are paid. It is not good public policy to pay personal expenses of employees. In addition, the payment of personal expenses of employees may have tax consequences for the applicable employees and the KCMCC. Paying car expenses through a mileage reimbursement would help ensure any expenses incurred are for business purposes.

The KCMCC should review this situation and consider limiting the Officers to mileage reimbursements based on actual mileage driven on

district business. If the board wishes to continue to pay the car-related expenses of the Officers, the personal portion of the expenses should be tracked and reported as compensation to those individuals.

- C. The Chancellor was not required to account for any expenditures made from the monies he received annually as a special expense account.

In the fiscal year 2000 and prior, the Chancellor's contract provided for a special expense account to be used for "... activities and functions which he deemed to be beneficial to the District..." In fiscal year 2000, the KCMCC paid \$5,268 directly to the Chancellor related to this contract clause. The amount of this special expense account had been adjusted annually for inflation. This special expense account was paid to the Chancellor in addition to other business expenses paid by the KCMCC on his behalf.

The Chancellor's contract provided that upon request of the Board, he was to provide in writing the dates of the expenses, the nature of the events, and the amounts expended related to this special expense account. However, according to the Chancellor, the Board did not request this information for either fiscal year 1999 or 2000. We could not review the extent or nature of any expenses paid from these monies because the Chancellor indicated that he did not retain the documentation after the end of the respective fiscal year. According to the Chancellor, the expenses paid from the special expense account monies were similar to other business expenses that he incurred on behalf of the KCMCC.

It did not appear appropriate for the KCMCC to pay the Chancellor money to offset any business expenses he might have incurred without requiring him to account for the use of these funds. In addition, Internal Revenue Service (IRS) Regulation Sections 1.62-2 and 31.3401(a)-4 specifically require employee business expenses not accounted for to the employer to be considered gross income and that payroll taxes be withheld from the undocumented payments.

It should be noted this special expense account was eliminated from the Chancellor's fiscal year 2001 contract. In the future, the KCMCC should require an employee to account for the use of any similar monies provided or report such payments as compensation on the employee's W-2 form and withhold appropriate payroll taxes. In addition, the KCMCC should consider amending the Chancellor's W-2 forms for past years in which these special expense account payments were made but not accounted for properly.

- D. The Chancellor's contracts are not completed on a timely basis. His contracts were entered into after July 1, the start of each fiscal year. For

fiscal year 1999, the contract was not completed until November 1998; for fiscal year 2000, the contract was not completed until December 1999; and for fiscal year 2001, the contract was not completed until January 2001.

Contract terms should be completed before the new contract period begins. In addition, district regulations require that district Officers contracts be normally issued no later than the Board's regular March meeting, to be effective the subsequent July 1.

- E. The KCMCC did not accurately report the fiscal year 2000 compensation of the Chancellor and the four campus Presidents to the Missouri Department of Higher Education (DHE). Each year the DHE publishes a compensation survey of salaries of chancellors/presidents for Missouri institutions of higher education, based upon information provided by the various institutions. The Chancellor's compensation reported to the DHE was approximately \$35,000 less than the compensation per the Chancellor's contract. For each of the four Presidents, the compensation amounts reported to the DHE were \$6,000 less than the compensation per the contracts.

The KCMCC should ensure that the annual compensation amounts of the Chancellor and its campus Presidents are reported accurately to the DHE.

WE RECOMMEND the KCMCC:

- A. Reevaluate its practice of entering into multi-year employment contracts. The Board should utilize employment contracts that last for a specific term and refrain from rolling over the Chancellor's contract to cover additional periods.
- B. Consider limiting the Officers to mileage reimbursements based on actual mileage driven on district business. If the board wishes to continue to pay the car-related expenses of Officers, the personal portion of the expenses should be tracked and reported as compensation to those individuals.
- C. Require an employee to account for the use of any monies paid to that individual to defray business expenses or report the payment(s) as compensation on the employee's W-2 form and withhold appropriate payroll taxes. In addition, the KCMCC should consider amending the Chancellor's W-2 forms for past years in which the special expense account payments were made but not accounted for properly.
- D. Ensure the Chancellor's contract is completed before the contract period begins, in accordance with its regulations.

- E. Ensure the annual compensation amounts of the Chancellor and campus Presidents are reported accurately to the DHE.

AUDITEE'S RESPONSE

- A. *The College has utilized multi-year contracts for its Officers dating back to at least 1975. The Board of Trustees believes that these multi-year contracts are essential to help it retain qualified executive employees.*

In terms of the Chancellor's contract, while it is true that it may be extended for additional one-year periods at the option of both the Board and the Chancellor, the contract always has a termination date. In the event that either the Board or the Chancellor elects not to exercise the one-year extension, the contract will expire in two years.

- B. *The Board of Trustees has determined to continue to pay the business-related car expenses of its Officers and will establish a method to ensure proper reporting.*

- C. *As noted in the State Auditor's findings, the account was eliminated from the Chancellor's contract beginning with the 2001 fiscal year. Business-related items will, when practical, be paid with a procurement card which requires documentation for each expenditure. The Board believes that the Chancellor's expenses have been made and recorded properly.*

- D. *The Board of Trustees will endeavor to improve its time frame for approving the Chancellor's contract.*

- E. *The contracts of the Officers and the Chancellor are public documents, and the amounts of their compensation are readily ascertainable. The College believes that any discrepancy between the contract amounts and the amounts reported to the Department of Higher Education have resulted from the College's interpretation of the survey directions. The College found the survey form confusing and throughout the years the College called the DHE several times for direction in completing the survey. The College has consistently reported compensation for the Chancellor and the four campus Presidents according to the directions given. The DHE changed the survey format for fiscal year 2001, and again with clarification directly from the DHE, the College conscientiously completed the survey. The College now believes that the survey is more straightforward and has furnished the information accordingly.*

2. Controls Over Receipts

The KCMCC has not developed district-wide written policies and procedures regarding the handling and depositing of receipts and internal controls over receipts need to be improved. Many receipts are not being deposited on a timely

basis, receipt slips are not always issued for all monies received, some checks are not restrictively endorsed when received, and receipts for some athletic programs have not been accounted for properly.

Each campus collects various types of receipts. These receipts included registration fees and miscellaneous monies (e.g. transcript fees, rental fees for renting space at the campus, library fines, etc.) collected by the various campus business offices. In addition, receipts are collected by the various recreation centers and for athletic programs. While a large percentage of these monies are paid by check, money order, or credit card, a substantial portion of the funds are received in cash.

During fiscal year 2000, the KCMCC received approximately \$23.5 million for student tuition and fees, \$2.6 million in other income, and almost \$1 million from the recreation centers. Some specific problems we noted in this area are as follows:

A. Business Offices

A business office is located on each campus, and generally most money collected on a campus is handled by the business office. At the end of each business day, cash drawers are generally closed out and a deposit is prepared for the drawer. However, if there is low activity in a drawer, the drawer may not be closed out for several days. Most business offices use an armored car service which collects the receipts on Tuesday and Thursday and transports them for deposit. Other business offices take their receipts directly to the bank for deposit. According to the business office managers, deposits are generally made twice a week. Based on this depositing frequency, a substantial amount of money can be accumulated. For example, during one weekend period in mid-August 2000, approximately \$133,000 was held by the various college business offices. Of this amount, over \$23,000 was being held in cash (coin and currency).

During cash counts conducted at the various business offices in July 2000, we also noted that some checks were sometimes held for an excessive period of time before being recorded in a deposit. We also noted checks which were not restrictively endorsed.

B. Recreation Centers

Recreation centers are located on three campuses. These centers offer a variety of fitness options (such as treadmills, weight machines, classes for aerobics, yoga, swimming, etc.) for students, employees, and the public. Only Longview provides a swimming pool. Receipts at these centers include membership dues, day passes for use of the facility, class fees, and concession sales.

1. The recreation center at the Maple Woods campus turns receipts over to the campus business office only once a week. During a cash count conducted in July 2000, we noted over \$5,000 on hand. In addition, receipt slips are not issued for guest passes.
2. The recreation center at the Penn Valley campus turns over receipts to the campus business office only about twice a month. Receipt slips are not issued for monies received through the mail. In addition, we noted monies for special programs (e.g. box aerobics and yoga) were held and not deposited until the program started. Thus, these monies were held for several weeks. During a cash count conducted in July 2000, we noted over \$1,900 in receipts was on hand.
3. The recreation center at the Longview campus prepares deposits daily; however, the deposits are only picked up by the armored car service on Tuesdays and Thursdays. During a cash count conducted in July 2000, we noted five individual deposits, totaling approximately \$11,000, were on hand.

C. Athletic Programs

1. The athletic director at the Longview campus collects monies for programs such as swimming lessons, fencing, karate, and volleyball and basketball leagues. According to his records, over \$73,500 was collected between August 1999 and July 2000.

The athletic director indicated he holds monies collected with the enrollment form until the program begins. Once the program starts, the monies are turned over to the recreation center for deposit. The athletic director indicated the monies may be held for several weeks before being turned over.

2. The Penn Valley campus charges \$3 for admittance to men's and women's basketball games (except for children, students, and faculty who are admitted free). A former basketball coach at the Penn Valley campus handled the gate receipts for these basketball games until his death in December 1999, when the current athletic director took over this responsibility.

The records and controls surrounding the handling of these gate receipts were nearly nonexistent. No prenumbered tickets were issued to account for the number of individuals charged admission to the games and gate receipts were not turned over to the business office on a timely basis. Instead the gate receipts were turned over

once a year at the end of the season. In addition, we were informed that various game expenses (i.e. payments to the scorekeeper and statistician) were paid out of the gate receipts; however, there was no documentation maintained to support these cash disbursements.

According to information provided by the athletic director, total gate receipts to the basketball games during fiscal year 2000 and 1999 totaled \$2,468 and \$3,519, respectively. Of these amounts, only \$1,900 and \$853, respectively, were ultimately turned over to the business office for deposit.

Considering the poor records maintained, there is little assurance that all gate receipts collected at basketball games at Penn Valley were handled properly.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, the KCMCC should develop district-wide written policies and procedures to provide guidance on the handling of receipts. Such policies and procedures should require receipts be deposited on a timely basis (preferably daily or when accumulated receipts exceed \$100), receipt slips be issued for all monies received, and checks be restrictively endorsed immediately upon receipt. In addition, the policies and procedures should address the proper handling of any gate receipts from athletic events.

WE RECOMMEND the KCMCC develop district-wide written policies and procedures regarding the handling and depositing of receipts. Such policies and procedures should require that receipts be deposited on a timely basis, receipt slips be issued for all monies received, and checks be restrictively endorsed immediately upon receipt. In addition, procedures should be established for the handling of any gate receipts from athletic events. Prenumbered tickets should be issued for the events and reconciled to gate receipts, and the monies should be turned over to the business office on a timely basis. No expenses should be paid directly from gate receipts.

AUDITEE'S RESPONSE

The College is in the process of documenting overall district-wide cash management guidelines. It is expected that the process will be completed and fully implemented by July 1, 2001. The guidelines will include the following specific provisions for the handling of monies received.

- *All checks and money orders will be restrictively endorsed (stamped), receipts will be provided for all payments received, and the use of undeposited cash for any purchase will be prohibited.*

- *Gate receipts from the athletic departments will be reconciled to event attendance and will be deposited with the business office within three business days of an event. The part-time bookkeeper works Tuesday/Wednesday/Thursday only. Therefore, Friday game deposits will go to the bank on Wednesday (third day).*
- *Beginning in the summer of 2001, the College will utilize armored courier services more frequently.*

3.

Foundation

A not-for-profit corporation, the Metropolitan Community Colleges Foundation • Alumni Association (the Foundation), was established in 1976 to provide financial support and assistance for certain charitable, educational, literary, and scientific purposes of the KCMCC. The Foundation is administered by nine directors, an executive committee of five members, and an advisory board of eleven members. The Chancellor and Vice President of the Board of Trustees serve as ex-officio directors.

The Foundation receives donations from individuals and organizations for the benefit of the KCMCC. Donations received by the Foundation are classified as either unrestricted, restricted, or endowment funds. Unrestricted funds are expendable for any purpose deemed appropriate by the Foundation. Restricted funds are restricted by the donor, grantor, or other outside party for a particular purpose. Endowment funds are subject to the restrictions of gift instruments with the principal and/or income used as specified by the donor. For the fiscal year ended June 30, 2000, revenues and expenses of the Foundation totaled approximately \$1.8 million and \$1.5 million, respectively.

A review of the Foundation's operations and activities disclosed the following concerns:

- A. The KCMCC subsidizes most of the operating expenses of the Foundation and considers these contributed services. This practice does not appear to be appropriate and may violate provisions of the Missouri Constitution.

In fiscal years 2000 and 1999, the contributed services totaled approximately \$285,000 and \$266,000, respectively, and were paid from the KCMCC's General Fund. These amounts primarily involved the payroll and employee fringe benefit costs of KCMCC employees who serve as the Foundation's staff; however, they also included accounting and auditing expenses, dues and membership fees, postage, travel and convention expense, telephone expense, and other expenses. In addition, the KCMCC provides office space in the administrative center for the staff. Foundation accounting records are included in the KCMCC's

accounting system, and purchases of the Foundation are processed through the KCMCC's purchasing and accounting sections.

The practice of subsidizing the Foundation with KCMCC funds appears to constitute the granting or lending of public funds to a private entity, which is prohibited by Article VI, Section 25 of the Missouri Constitution.

B. We noted some expenditures related to Foundation activities that did not appear necessary or essential to the operation of the KCMCC or the Foundation. These expenditures were paid from KCMCC or Foundation monies and included the following:

- Season tickets to the Kansas City Royals baseball games (4 box seats for the 2000 season) totaling \$5,265 were purchased from unrestricted monies of the Foundation. The Kansas City Area Development Council reimbursed the KCMCC for two of these tickets.
- In April 2000, four tickets totaling \$141 for a performance at the Starlight Theater were purchased from unrestricted monies of the Foundation. According to KCMCC personnel, these tickets were used by the Chancellor and Associate Vice Chancellor and their spouses.
- Christmas gift baskets for special donors totaling \$264 were paid from the KCMCC's General Fund.
- Food costs totaling \$713, facility rental totaling \$350, and a harpist cost of \$285 for a retired teachers luncheon were paid from the KCMCC's General Fund. According to KCMCC personnel, the luncheon was sponsored by the Foundation at the request of the Chancellor.
- Food costs totaling \$2,900 and facility rental totaling \$1,000 were expended for a gratitude gala at the Union Station from the KCMCC's General Fund. According to KCMCC personnel, this event was sponsored by the Foundation at the request of the Chancellor.

The expenditures from the KCMCC's General Fund are included in the contributed services amounts noted above.

Both the Foundation and the KCMCC have a fiduciary duty to donors and taxpayers to ensure gift monies and KCMCC funds are expended in a manner that provides the greatest benefit to the KCMCC. We could not

determine how the expenditures listed above resulted in a benefit to the Foundation and the KCMCC.

WE RECOMMEND the KCMCC:

- A. Discontinue the practice of subsidizing the operations and activities of the Foundation and consider requesting reimbursement from Foundation funds for past subsidies.
- B. Along with the Foundation, ensure costs incurred from KCMCC or Foundation funds are necessary, reasonable, and benefit the KCMCC.

AUDITEE'S RESPONSE

- A. *The Board of Trustees established the Foundation some 25 years ago out of the recognition that having a 501(c)(3) organization would facilitate giving from members of the public who are otherwise concerned about the tax deductibility of their contributions to organizations other than recognized 501(c)(3) organizations (although deductions to the College would certainly be deductible in accordance with Section 170(c)(1) of the Internal Revenue Code).*

The Foundation exists solely and exclusively to support the College. Prior to the time the Foundation was organized, the College performed all of the functions now performed by the Foundation with College staff in College facilities. In organizing the Foundation, the Board of Trustees provided for a Board of Directors, but it also assured that the Board of Trustees would retain control over the Foundation by providing that all directors of the Foundation are appointed by the Board of Trustees and serve at its pleasure. By utilizing its appointment prerogatives for the Board of Directors, the Board of Trustees has selected prominent civic-minded individuals who have numerous contacts in the community and have further facilitated the goal of raising money, as well as public support, for the College and its programs.

The Foundation is a pure alter ego of the College in that it may not engage in any activity that is not in furtherance of the College, its students and programs, and its Board of Directors is appointed by the College's Board of Trustees. Thus, not only does it exist to support the College, but it also is controlled by the College.

The College is cognizant of Article VI, Section 25 of the Missouri Constitution and its prohibition against lending public credit to private individuals and/or entities. However, as the College's alter ego, any support the Foundation has received from the College has enabled it to perform its function of supporting the College. The case law interpreting Article VI, Section 25 holds that there is no violation of the prohibition when public funds are spent for public purposes. In light of the fact that the Foundation exists solely to support the College and its

educational functions, for which there is no better example of a public purpose, the College believes that its support of the Foundation is entirely appropriate and lawful. In the State Auditor's findings, the following comment appears: "Both the Foundation and the KCMCC have a fiduciary duty to donors and taxpayers to ensure gift monies and KCMCC funds are expended in a manner that provides the greatest benefit to the KCMCC." The College completely concurs and maintains that this is precisely what has occurred and is occurring in terms of the Foundation's relationship with the College.

- B. The College agrees that it should, along with the Foundation, ensure that expenditures from College or Foundation funds are necessary, reasonable and of benefit to the College. Indeed, the College has been able to document that the expenditures enumerated by the State Auditor (with the exception of the gift basket which was paid out of the wrong fund) were for the benefit of the College in that they were made to develop financial and community support for the College and its programs.*

On three different occasions since 1996, the Foundation board provided \$5,000 from their unrestricted funds to make available a chancellor's/president's fund for "emergency and goodwill expenses". The College's share of the Royals tickets is for "fund and friend raising" and dispersed to College supporters, funders, legislators, employees, and etc. Other goodwill expenses included: support of the Urban League, Kansas City Consensus, St. Joseph Health Center, and Starlight Theatre functions.

The luncheon for retired employees is an investment in the College's future. The retiree group is informed about the Foundation's planned giving program and the work of the Foundation in raising funds to support scholarships and other programs benefiting the College.

The gala brings together scholarship donors and students receiving those scholarships for the opportunity for the two to meet and students to express their appreciation. The gala also serves as a reminder to current and potential donors that the scholarship endowment needs continued support.

4. Professional Services

The KCMCC hires firms and individuals to perform various professional services for the colleges; however, requests for proposals were not solicited for many of the services obtained. In addition, written agreements were not entered into for some of the professional services noted.

The Board of Trustees' policy provides the KCMCC "will normally request proposals for contracted services such as architects, construction managers, consultants, banking service, auditors, bond counsel, investment bankers,

maintenance contractors, and/or related contracted services. However, the Chancellor may elect to either solicit bids or negotiate for these services.” Our review of professional services expenditures and their procurement disclosed that the KCMCC frequently negotiates for professional services.

We had concerns regarding the following professional services expenditures:

- The KCMCC has not solicited proposals for its annual audits since fiscal year 1993, when the current auditing firm was selected for a five year period. Even though the period covered by this agreement expired in fiscal year 1997, the KCMCC has continued to have this same firm perform its annual audits. KCMCC officials indicated they were pleased with the services of this firm and wanted to maintain this relationship. The KCMCC paid \$46,000 in both fiscal years 1999 and 2000 for the annual audits.
- The KCMCC did not solicit proposals for some consultants hired to write grant proposals and advise on various programs. In one instance, a consultant was hired to assist in the writing of a grant proposal involving over \$1.7 million in grant funds over a five year period. The KCMCC entered into the agreement with the consultant in 1994, and the contract with this consultant provided for compensation of 10 percent of the funds awarded. In 1997, the KCMCC was successful in obtaining this grant; therefore, the consultant will be paid approximately \$170,000 for her services over the grant period. From October 1997 to October 2000, payments totaling \$130,463 were paid to this consultant pursuant to this agreement.
- The KCMCC has a Bookstore Manager who oversees the bookstore operations at each campus. The KCMCC has historically had private companies conduct the textbook buybacks at the end of the fall, spring, and summer semesters. The companies purchase books from students for their own resale to other entities (a wholesale buyback) and on behalf of the KCMCC bookstore operations (a retail buyback). The bookstore reimburses the companies for retail buyback books and the companies pay the bookstore a commission (10 percent for the spring semester 2000 buyback) on wholesale buybacks.

The KCMCC has not solicited proposals for the textbook buybacks and one company has handled the fall and spring buyback for many years. Records indicate the KCMCC received a commission of \$3,486 for the spring 2000 buyback, and paid the company approximately \$184,000 for the retail buyback. In addition, the KCMCC did not have written agreements with the book companies, outlining the services to be performed and compensation to be paid for rendering these services.

- The KCMCC did not solicit proposals for the services of the bond counsel, financial advisor, and trustee for debt instruments issued during fiscal years 1999 and 2000. In those two years, pursuant to Section 178.895, RSMo 2000, the KCMCC issued Industrial New Jobs Training Taxable Certificates, totaling \$3,677,000, for four companies. These certificates were issued to provide tax-aided training for employees of industries which are new to or expanding their operation within the state of Missouri. The certificates are to be repaid by the companies through payroll tax withholdings related to the new jobs created. In addition, in fiscal year 2000, the KCMCC issued Certificates of Participation, totaling \$2,940,000, for the purpose of acquiring energy conservation equipment. The issuance costs for the training certificates and certificates of participation were approximately \$52,700 and \$27,500, respectively.
- The KCMCC did not solicit proposals for interpreting services for the deaf. The KCMCC paid over \$54,000 and \$46,000 in fiscal years 1999 and 2000, respectively, for these services. In addition, there wasn't a written agreement for these services.
- Other professional services for which the KCMCC did not solicit proposals included W-2 processing, network engineering implementation, wiring for various buildings, media relations and business plan consultants for the Child Development Center on the Penn Valley campus, and arbitrage services. The KCMCC paid over \$90,000 for these services in fiscal year 2000.
- The KCMCC does not have a written agreement with its legal counsel. According to KCMCC officials, the same firm has been used for many years, the firm has maintained its hourly charges below what is charged comparable organizations, and they are satisfied with the services provided by the firm. The KCMCC paid approximately \$114,000 to this firm in fiscal year 2000.
- The KCMCC has not updated its request for qualifications (RFQ) list since 1997. The KCMCC uses various architects and/or engineers for small capital improvement and maintenance and repair projects (limited scope work). These firms are selected from a list of approved firms based on an RFQ.

The KCMCC should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the KCMCC from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the KCMCC to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost. In addition, written agreements provide the

framework necessary to detail the services to be provided and the compensation to be paid.

WE RECOMMEND the KCMCC solicit proposals for professional services to the extent practical. In addition, written contracts should be prepared to formalize these agreements.

AUDITEE'S RESPONSE

The College does solicit proposals for professional services when considered practical. Though some time limits for services had expired, we were either still being charged at the agreed upon rate, or the new charges were considered reasonable. Since the period audited, we solicited proposals and have consequently entered into agreements for external audit services and limited scope architect and engineering services, and obtained a written agreement with our legal counsel. During the summer of 2001, we will create a comprehensive calendar of the expiration dates of all professional services agreements. This will help to ensure appropriate and timely procedures are followed. We will review other items mentioned to determine if agreements need to be renewed or new solicitations made.

5. Expenditures

KCMCC records indicate expenditures, not including personal service costs, totaled over \$22 million in fiscal year 2000 for the operating funds (General Fund, Special Projects Fund, Business/Continuing Education Fund). Our review of these expenditures disclosed the following concerns:

- A. The KCMCC should assess the importance of food expense as compared to other critical needs of the entity and make an effort to reduce expenditures in this area.

According to KCMCC records, approximately \$200,000 was paid from unrestricted funds for food costs during fiscal year 2000. These food purchases represented amounts billed from various food service providers and did not include amounts reimbursed to employees through expense accounts or amounts paid with credit cards. The KCMCC has a policy regarding the reimbursement of travel expenses (including meals) to employees; however, a policy has not been established regarding meal expenses at meetings and other functions.

Our review of the food purchases made in fiscal year 2000 disclosed that some of these purchases may not have been a prudent, reasonable, or necessary use of KCMCC funds. In addition, the supporting documentation for these purchases did not always indicate the business purpose and/or identify those people attending. Food purchases included

meals at restaurants, catered luncheons, store purchases (e.g. cookies, cakes, etc.). Examples of some of the food purchases noted which we viewed as questionable are as follows:

- \$1,200 for a catered holiday party at the Chancellor's home for members of the Board of Trustees, legal counsel, secretary for the Board of Trustees, legislative liaison, and their spouses. Approximately \$750 was spent in fiscal year 1999 for a similar party.
- \$2,000 for the Greater Kansas City Chamber of Commerce's annual dinner and \$1,500 to an organization helping victims of domestic violence for its annual dinner. The KCMCC supports various not-for-profit entities by purchasing a table at the entities' annual fundraising dinners.
- \$2,067 for a holiday luncheon for 265 people (Longview)
- \$1,506 for a Millennium Holiday Party (Maple Woods)
- \$1,300 for a staff appreciation buffet (Maple Woods)
- \$1,043 for an appreciation breakfast for 150 people (Penn Valley)
- \$1,170 for a holiday luncheon (Administrative Center)
- \$185 for a retirement party (Blue River)
- \$160 for a secret pal luncheon and a birthday cake (Penn Valley)
- \$370 for a BBQ picnic (Administrative Center)
- \$278 for a retirement dinner (Longview)
- \$158 for a holiday luncheon (Blue River)
- \$514 for a retirement party and cake (Administrative Center)

While a certain level of food expense is probably necessary, those costs need to be assessed in terms of their importance compared to other critical education needs. The KCMCC should develop a comprehensive policy regarding food purchases in an effort to control and reduce expenditures in this area.

- B.1. Documentation supporting credit card charges was not always adequate. The KCMCC provides its top administrators credit cards to be used in

paying business expenses. Charges to these cards included expenses for hotels, meals, automobile services and gasoline, books, supplies, etc. During our review of these charges, we noted numerous instances when an administrator only approved the credit card statement and did not supply actual receipts to support the charges. In addition, when paying for guest meals, the KCMCC policy provides that a statement identifying the name(s) of the guest(s) and the nature of the business should be submitted with the actual receipt. Not all meal charges for guests included this information.

2. The supporting documentation for the credit card charges is not always reconciled to the credit card statement on a timely basis. We were informed the KCMCC's practice is to pay the credit card statement when received and then reconcile the actual receipts to the statement on a monthly basis. However, we noted that some charges made in December 1999 and in subsequent months were not reconciled until September 2000.

To support the propriety of credit card charges, the KCMCC should require the charge receipts to be submitted, the name(s) of any guest provided meals be identified, and the business reason of the meals be documented. In addition, the actual receipts should be reconciled to credit card charges on a timely basis.

- C. Some expenses of the KCMCC's legislative liaison are not adequately documented. A retired faculty member has been employed to lobby for the KCMCC. He has been hired to work up to a maximum of 550 hours annually, and he is reimbursed for any documented lobbying expenses actually incurred through an expense account, up to \$12,000 annually. He is also paid a \$12,000 annual housing/lodging allowance for such expenses incurred while in Jefferson City, and starting in fiscal year 2001, he is paid a \$500 per month car allowance. No supporting documentation is required for the allowances paid directly to this individual.

Although these allowances are included on this individual's W-2 forms as compensation, there is no assurance the amounts of these allowance reflect the actual costs incurred in performing these duties. The KCMCC should consider paying the lodging and car expenses on a reimbursement basis rather than paying the current allowances.

WE RECOMMEND the KCMCC:

- A. Develop a comprehensive policy regarding food purchases in an effort to control and reduce expenditures in this area.
- B. Ensure credit card charges are supported by the actual charge receipts. All meal expenses for guests should include the name(s) of the guest(s) and

the business purpose of the meal. In addition, actual receipts should be reconciled to the credit card statements on a timely basis.

- C. Consider reimbursing the actual costs incurred for lodging and car expense of the legislative liaison rather than paying the current allowances.

AUDITEE'S RESPONSE

- A. *The College, as with any quality minded institution, is committed to creating work environments which celebrate successes and reward conscientious work performance. We recognize that expenditures are examined for appropriateness and supporting documentation indicates the business purpose and identifies those people attending. The College will implement a policy regarding food purchases in the summer of 2001. The policy will be modeled on the state of Missouri domicile policy.*
- *The catered holiday party at the Chancellor's home expresses gratitude for services provided to the College during the year. The Board members are public officials and this provides an opportunity for them to build and maintain working relationships.*
 - *The College's mission closely partners the institution to the community. Attendance at annual dinners of various not-for-profit entities continues to stress the commitment of the College to this mission.*
 - *The holiday, appreciation, and retirement events build camaraderie and express appreciation for a job well done. These opportunities for College personnel to celebrate their cohesiveness and build morale will continue to be closely scrutinized for cost efficiency.*
- B. *During the State Auditor's visit, the College was in the transition of replacing the credit card program with a procurement card program, which requires written documentation for each expenditure. That transition was completed during the audit at which time the auditors gave verbal support of the procurement card program recognizing that it provided proper documentation.*
- C. *The College considers the compensation package of the legislative liaison to be reasonable and necessary to the furtherance of the College. The liaison must spend considerable time in Jefferson City requiring him to maintain living quarters in the capitol, separate from his primary home in the Kansas City area. The significant commute requires adequate transportation and automotive expenses. The College supports his living quarters and transportation expenses and is satisfied with the documentation provided to substantiate these and other business related expenses. As noted in the Auditor's report, all compensation is reported as salary.*

Students enrolled at the KCMCC are assessed tuition and fees to help cover the costs of classes. KCMCC records indicated delinquent student accounts numbered over 2,700 and totaled approximately \$523,000 as of June 30, 2000. In addition, delinquent accounts totaling approximately \$153,000 were written off the general ledger account during fiscal year 2000. While written off, these delinquent accounts are not forgiven and the applicable individuals are still restricted from receiving future services.

The KCMCC has not established district-wide written policies and procedures regarding the handling of delinquent student accounts receivable and their write-off, if applicable. The current procedures for delinquent student accounts receivable and for write-offs differ from campus to campus, and the business office for each campus is responsible for its own accounts. Write-offs are not reviewed and authorized by someone independent of the respective business office. In addition, in some business offices there is little segregation of duties. For example, the same individual may collect tuition and fees, monitor the receivable balance and send delinquent notices to the students, place restrictions on the student's account, and write-off delinquent balances.

Some of the differences noted at the various campuses included the following:

- One campus may write-off accounts at the end of the semester when the account became delinquent, while another campus may wait a year or longer to write-off a delinquent account.
- One campus may send delinquent accounts to a collection agency before the account is turned over to the state's debt offset program, while another campus may send the delinquent account directly to the state's debt offset program without sending the account to a collection agency.
- When a student account is delinquent, one campus will not turn the account over to the state debt offset program if no grades are received. In contrast, another campus will send the account to the debt offset program even if no grades are received. A restriction (i.e. unable to enroll in the future) may or may not be placed on the student's account.
- The various business offices differ in the number of collection letters sent to a student and when the letters are sent, before the account is sent to the state debt offset program and/or is written-off.

The KCMCC's accounts receivable system allows for various restrictive codes to be placed on delinquent accounts which restrict future enrollment or restrict the students from receiving transcripts. We noted the proper restrictive code was not

always placed on a student's account with an outstanding balance. We reviewed thirty-three student accounts with outstanding balances, and in seven (21 percent) cases, the proper restrictive code was not placed on the account. In four (12 percent) of these cases, a student was allowed to enroll with a balance due. It appears the lack of written policies and procedures for delinquent student accounts contributed to these problems.

District-wide policies and procedures regarding delinquent student accounts receivable and write-offs would help ensure uniformity among the campuses, ensure such accounts are handled in a proper manner, and ensure proper restrictive codes are placed on the accounts. In addition, someone independent of the business office should review and authorize write-offs. Without an independent review, there is less assurance the write-offs are proper.

WE RECOMMEND the KCMCC develop district-wide written policies and procedures regarding the handling of delinquent student accounts receivable and write-offs. The write-offs should be reviewed and authorized by someone independent of the business offices, and the independent review and authorizations should be documented. In addition, the KCMCC should ensure the proper restrictive codes are placed on delinquent accounts. Students should not be allowed to enroll in following semesters if their account is delinquent.

AUDITEE'S RESPONSE

The College has installed a new computer system, MetroSoft, which is being implemented in stages. The basic functionality of the student financial system was operational in April 2001. Additional functionality will be added throughout calendar year 2001. MetroSoft will centralize student accounts receivable versus the current campus student accounts receivable.

Parameters within MetroSoft will age student accounts and flag those with delinquent balances for review by the College's accounting director who will make all authorizations to change the status of the student's account. Students with delinquent accounts will not be allowed to enroll until all outstanding amounts are paid in full or otherwise satisfied. Delinquent accounts are submitted to the State debt offset program or a local collection agency.

7.

Day Care Centers

Day care for children is available to students, employees, and the public at the Child Development Center located on the Penn Valley campus and a day care center on the Longview campus. The day care centers must meet licensing regulations established by the Missouri Department of Health (DOH). The Missouri Division of Family Services (DFS) reimburses the day care centers for all or part (based on attendance) of day care tuition for children of low income

families. The KCMCC subsidizes a portion of the costs of the day care centers to provide affordable day care for students with children and because the Child Development Center operates as a lab school for students participating in the child growth and development program.

Our review of the records and operations of these day care centers disclosed the following concerns:

A. Penn Valley

1. The contract for day care services between the parents and/or guardians of the child and the center was not always present or was not always complete. Two of ten (20 percent) files reviewed did not include a contract outlining the hours the child would be at the center or the total weekly charge, and for four of ten (40 percent) files reviewed the contract was not properly completed. In addition, for those files reviewed none of the weekly charges billed to the responsible parties agreed to the amounts included in the contracts. It appears this was due to the contracts and files not being updated properly.

Complete and up-to-date contracts are necessary to identify the responsibilities of both parties and to support the child care fees being charged.

2. Supporting documentation to determine the eligibility status for free or reduced meals was not always present in the files. The DOH's Child Care Food Program reimburses the center for costs related to providing free or reduced meals for children whose families meet certain income guidelines. Two of five (40 percent) files reviewed related to children receiving free meals did not contain sufficient information to determine if the family met the income guidelines.

Complete and accurate information should be maintained to support the eligibility status for reimbursement from the state's Child Care Food Program.

3. The center could not provide us with a current accounts receivable listing when one was initially requested in July 2000. According to center personnel, the accounts receivable records were not up-to-date and accurate because all charges and payments from the parents/guardians or from the state were not posted to the records on a timely basis.

The center subsequently provided us an accounts receivable listing in September 2000. The listing indicated a past due amount of approximately \$30,000. In addition, the center had written off approximately \$9,000 because the balances were so high that center officials believed they could not be paid by the responsible parties and/or the amounts were in dispute.

Accurate accounts receivable records are necessary to ensure that statements sent to the parents/guardians are proper and to ensure participants with large past due amounts are not allowed to receive child care services. In addition, updating the accounts receivable records on a timely basis would help ensure that errors are caught and corrected on a timely basis.

4. The center has allowed some accounts to remain delinquent for an extended period of time without action being taken. We reviewed seven of the accounts written off in August 2000. In each instance, the center had allowed a delinquent balance to be carried for over a year. In one instance, the parent or responsible party did not make a payment for approximately a year, but the center continued to provide services for the child. Although the records indicated sporadic payments for most of these accounts, the payments were generally not sufficient to cover current fees, therefore causing the delinquent balance to increase.

This situation has contributed to the subsidies from the KCMCC needed to sustain the operations of the center. In addition, this situation prevents the acceptance of other children whose fees could be paid timely. The KCMCC should ensure timely and appropriate action is taken to address delinquent child care accounts at this campus.

5. Documentation supporting the reimbursement of child care fees from the DFS was not always accurate. The reimbursement of these day care fees are based on the child's daily attendance (full-time, half-time, part-time, or absent) at the center.

We reviewed the reimbursement claims prepared by the center for five children for March 2000. For three (60 percent) of these children, the attendance sheet maintained by the center did not agree to the reimbursement claim submitted to DFS. In each of these three instances, it appears the DFS was overbilled. In addition, the attendance sheet only indicated if the student was present or absent for the day, and did not indicate if the student was present for half or part-time.

Accurate attendance records are necessary to ensure the center receives the proper reimbursement of day care fees from the state.

6. The center did not retain copies of all inspection reports prepared by the DOH. When we compared the inspections performed by the DOH (according to its records) to the inspection reports retained by the center, we determined that the center did not have available all inspection reports that the DOH prepared.

The center should retain all inspection reports prepared by the DOH to ensure any non-compliance issues are properly addressed.

7. The center does not have a centralized record keeping system that allows for easy retrieval of information. Various internal reports such as the participants in the child care food program could not be provided on a timely basis, and current applications for the program could not be located for some participants. According to DOH officials, some of the non-compliance issues noted in the inspection reports related to poor record keeping.

Files and other information of a similar nature should be located together for easy access. This is necessary to ensure information is properly updated and to allow information to be retrieved on a timely basis.

B Longview

According to the DOH officials, the center was operating without a license from November 1998 to March 1999 due to non-compliance with licensing issues. These issues included lack of adequate background screenings and tuberculosis shots for some of the staff. It appears that these non-compliance issues were not addressed on a timely basis.

The center should make every effort to ensure that it is operating under a valid license from the state at all times. This can be accomplished by ensuring all non-compliance issues are addressed on a timely basis.

WE RECOMMEND the KCMCC:

- A. Establish internal control policies and procedures at the Child Development Center on the Penn Valley campus to ensure:
 1. The day care contracts are complete and include all relevant information.

2. The eligibility status for the Child Care Food Program for each applicable child is properly documented.
 3. Accounts receivable records are updated on a timely basis.
 4. Timely and appropriate action is taken regarding delinquent accounts.
 5. Ensure the attendance sheets clearly indicate the time the child is present at the center and agree with the reimbursement forms submitted to the DFS.
 6. Inspection reports from the DOH are properly retained.
 7. Records, reports, and other information are filed in a organized and systematic manner.
- B. Establish internal control policies and procedures at the day care center on the Longview campus to ensure timely action is taken to address any non-compliance issues which could affect the center's licensing status.

AUDITEE'S RESPONSE

It is important to note that there have been significant changes in personnel and policies at the Child Development Center (Center) since the time period covered by the State Auditor's visit. The Center now has a new director, coordinator and family advocate. The operations manager was relatively new at the time of the review. These four individuals, with the support of the College, have been working to improve the overall Center practices.

1. *Current policy requires a complete contract with all relevant fees indicated, which is reviewed by both the Center coordinator and operations manager. Parents must discuss any changes in enrollment or fees directly with the coordinator, and a new contract is generated. All contracts are on file, complete, and frequently cross-referenced against the automated billing program to ensure accuracy.*
2. *A new policy for enrollment mandates that a Child Care Food Program form be completed and signed prior to a child's first day of attendance at the Center. Forms are on file, complete with supporting financial information including income and/or DFS case numbers, for all children claimed in the free and reduced categories.*
3. *Procedures for maintaining current accounts receivable records have been updated. Parents are given receipts for payment the same day they are received.*

The receipts are generated as a result of the payment being entered into the accounting program.

- 4. Parents with current past due balances have been contacted individually by the operations manager and written payment plan agreements have been developed to eliminate these balances. The payment policy requires parents to pay in advance on the first day of the week their child attends the Center. Parents are not allowed to build up account balances. Delinquent childcare accounts will be handled in the same manner as delinquent student accounts. Children whose parents fail to keep current in their financial obligations are subject to exclusion from the Center.*
 - 5. To allow for accurate tracking of participation of DFS eligible children, attendance sheets have been redesigned to provide time of arrival and time of departure.*
 - 6. Current policy requires the Missouri Department of Health inspection reports be kept on file in the coordinator's office. A request has been made to the Department of Health's licensing representative to provide the Center with copies of all reports and correspondence in their official file from January 1999 to the present to ensure complete and accurate records are maintained at the Center.*
 - 7. Key members of the management team met to review document storage. A centralized record keeping system has been implemented.*
- B. To prevent the lapse in licensure, the Child Care Center staff will continue to cooperate fully with inspectors in correcting any concerns.*

The first inspection issue was the lack of proper records for a staff member's tuberculin test conducted on September 3, 1998. The physician's statement indicating negative test results was received by the Center on January 8, 1999. However, the Center's director had received verbal confirmation of the test results from the physician's office in September 1998.

The issue of inadequate background checks concerned the signature of the Department of Health's Request for Child Abuse or Negligent Criminal Record form signed by the Chancellor. The President of the Board of Trustees had previously been the signatory. The situation was corrected immediately with a November 23, 1998 letter to the Bureau of Child Care Safety and Licensure from the President of the Board of Trustees assuring the Bureau of the Chancellor's signature authority.

8.**Fixed Assets**

The KCMCC's financial statements, as of June 30, 2000, show an investment in equipment (including furniture and vehicles) of over \$35 million. Our review of the fixed assets records and related procedures disclosed the following concerns:

- A. According to KCMCC officials, a physical inventory of general fixed assets has not been completed for several years. The KCMCC's inventory guidelines and procedures provide that an inventory list is to be provided to all departments by March 1 of each year and that these items should be checked, counted, and certified by May 1. It is apparent the KCMCC is not following its inventory guidelines and procedures.

Annual physical inventories are necessary to ensure the accuracy of fixed asset records and to detect the loss, theft, or misuse of assets.

- B. The KCMCC does not reconcile its detailed fixed assets records to the applicable general ledger amount, and we determined that many fixed assets items have not been recorded in the detailed fixed assets records. Upon our request, the KCMCC prepared a listing of fixed assets items recorded in the database as of June 30, 2000. The cost of the fixed assets on this listing totaled only about \$24.5 million. As a result, the total costs of furniture and equipment items as presented in the fixed assets records is less than the amount recorded in the general ledger account and presented in the KCMCC's financial statements by over \$11 million.

The fixed assets general ledger account is updated as purchases are made. The KCMCC maintains its detailed fixed assets records in a computer database. Periodically, the purchasing department identifies fixed assets purchases from purchase orders recorded on the KCMCC's accounting system. The purchasing department completes a portion of the inventory form (i.e. purchase order number, date of purchase, inventory tag number, etc.) and sends the form and the inventory tag to the department which ordered the fixed asset. That department is then supposed to complete the form (i.e. location, cost, etc.), place the inventory tag on the fixed asset, and return the completed form to the purchasing department. The purchasing department only updates the fixed assets database when the completed form is received from the applicable department.

We noted many instances where a completed inventory form had not been returned to the purchasing department. For example, as of September 2000, a computer server purchased in January 2000 for \$280,389 and seventy-nine computers purchased in October 1999 for \$108,941 had not been recorded on the fixed assets database because the inventory forms had not been returned from the applicable department(s). Instances such

as these appear to account for much of the difference between the detailed fixed assets records and the applicable general ledger account.

The KCMCC should ensure fixed assets are added to the detail records on a timely basis. The detailed fixed asset records should be reconciled to the applicable general ledger account on a periodic basis to provide adequate control and accountability over fixed asset items.

- C. In addition to the problems noted in Part B, other problems were noted with the fixed assets records. During our review, we noted a computer and piano were not tagged with an identification number; several items were tagged with an identification number, but not entered in the records; and the fixed asset records contained some incorrect serial and/or model numbers and locations.

Fixed assets items should be properly tagged and all identifying information accurately recorded in the fixed assets records. Annual physical inventories would help identify these problems on a timely basis.

- D. Various campuses did not maintain adequate records to support the disposition either by destruction or donation of fixed assets. Listings of items destroyed or donated were not always prepared; entities receiving donated items were not always identified; and authorization for destroying or donating items was not always documented.

Fixed assets that are destroyed or donated should be identified and proper authorization of the disposal documented to ensure adequate control over property. The KCMCC should consider establishing district-wide policies and procedures regarding the disposition of fixed assets. In addition, an independent management level approval of the disposition should be required.

- E. The controls over the usage of vehicles are not adequate. The KCMCC has over 40 vehicles such as passenger cars, vans, trucks, and trailers which are assigned to various departments on the campuses. Most departments do not maintain a mileage and/or usage log. Some departments have not established adequate check-out procedures.

Mileage and/or usage logs are necessary to document the appropriate use of the vehicles and could be used in evaluating fuel costs. These logs should be reviewed by a supervisor to ensure all mileage is recorded, the vehicles are being properly utilized, and help identify vehicles which should be replaced. In addition, proper check-out procedures are needed to ensure only appropriate employees are using KCMCC vehicles.

Fixed assets represent a significant investment of funds and adequate records and procedures help ensure they are safeguarded from theft or abuse. In addition, accurate fixed assets records provide information needed by the KCMCC for financial reporting purposes.

WE RECOMMEND the KCMCC:

- A. Ensure an annual physical inventory is conducted of all fixed assets as required by district guidelines and reconcile the results of the inventory to the detailed property records.
- B. Ensure fixed assets items are added to the fixed assets database in a timely manner and reconcile the detailed fixed assets records to the applicable general ledger account on a periodic basis.
- C. Ensure fixed assets are properly tagged and all identifying information is properly recorded in the detailed property records.
- D. Establish district-wide policies and procedures regarding the disposition of fixed assets, including identifying the asset and method of disposal, identifying the donor entity, and documenting the authorization/approval. In addition, an independent management level approval of the disposition should be required.
- E. Ensure complete vehicle mileage/usage logs are prepared for all vehicles. The mileage/usage logs should be monitored for propriety and reasonableness of miles traveled and proper check-out procedures should be required.

AUDITEE'S RESPONSE

- A. *The College has contracted the services of an outside firm to conduct a physical inventory of fixed assets during the spring of 2001. Upon completion of the inventory, the results will be reconciled to the detailed property records. The College plans to conduct annual inventories.*
- B. *The occurrence of annual inventories will facilitate the process of adding fixed asset items to the database in a timely manner. Fixed assets will be reconciled to the applicable general ledger account on an annual basis.*
- C. *During the spring 2001 inventory, fixed assets above the threshold will be retagged with bar code stickers. As new assets are received, the appropriate campus department will be issued bar code stickers and return a form verifying application of said stickers. There will be regular follow through to ensure that the application and verification process is being properly conducted. During annual inventories, any discrepancies will be reconciled.*

- D. *The College follows its policy regarding the disposition of fixed assets. Though not detailed in the policy, the College has and will continue to maintain records identifying assets, the method of disposal, and the donor entity. The vice chancellor of administrative services, chancellor, or the Board of Trustees approves all disposals.*
- E. *Vehicle mileage/usage logs have been prepared for all vehicles and are being monitored for propriety and reasonableness of miles traveled. The College is in the process of establishing checkout procedures.*

9. Related Personnel

The KCMCC's nepotism policy provides that no family member should initiate or participate in a decision having a direct benefit to an immediate family member. The KCMCC does not maintain a list of related employees, and employment applications do not require the applicant to disclose relatives already employed at the college.

At our request, the KCMCC prepared a list of related employees and identified twenty-five familial relationships. While we did not note any instances of relatives supervising each other or some other conflicting situation existing, it appears the KCMCC should make an effort to monitor this situation.

WE RECOMMEND the KCMCC establish procedures to identify instances where employees are related to each other and ensure those individuals are not working in conflicting employment capacities.

AUDITEE'S RESPONSE

Effective June 1, 2001, all applicants for employment with the College will be required to complete a revised application for employment. The application requires the applicant to disclose if they are related to any current College employee and if so, the employee's name and relationship. This will provide the information needed to ensure that the nepotism policy is not violated.

10. Internal Audit Function

- A. The KCMCC has established an internal auditor position; however, the internal auditor did not perform any internal audits of the activities and operations of the KCMCC during fiscal years 1999 and 2000. Instead that individual has assisted the KCMCC's independent auditors in completing the annual financial audits and has been involved with the KCMCC's conversion to a new accounting and reporting system.

Internal audits can be a valuable management tool by identifying ineffective or inefficient operations and ensuring that established policies and procedures are being followed. The KCMCC may want to consider expanding the size of the audit staff if other responsibilities are preventing the internal auditor from performing her primary function.

- B. Under the current organization structure, the internal auditor does not report to top management such as the Board of Trustees or the Chancellor, but instead reports to the Director of Management and Auxiliary Services. The Institute of Internal Auditors' standards provide that internal audit activity is to be independent and should "report to a level within the organization that allows the internal audit activity to fulfill its responsibilities".

Direct communication with the Board of Trustees and/or Chancellor would help ensure independence and provide a means whereby the Board of Trustees and Chancellor can be kept abreast of current operations and activities.

WE RECOMMEND the KCMCC:

- A. Take steps to ensure internal audits are conducted of KCMCC operations and activities.
- B. Consider having the internal audit department report directly to the Board of Trustees and/or Chancellor.

AUDITEE'S RESPONSE

- A. *The previous internal auditor has been reassigned to a project analyst position. Two new internal auditors have been hired since the fall of 2000. Their roles are to conduct audits on operational areas identified by the College. A calendar will be developed and distributed periodically to College personnel to provide information regarding upcoming operational audits. The format for the audits will consist of the following four elements:*
- *An introduction that describes which operational procedure is being examined and the desired outcome.*
 - *The scope will explain the breadth of the audit and the processes the internal auditors will utilize.*
 - *The internal auditors' recommendation(s) for revision of the operational procedure.*
 - *A response section that will allow for appropriate personnel to provide input before procedures are altered.*

- B. *The College believes the current reporting line for the internal auditors is reasonable. This decision is backed by the fact that an auditing committee, comprised of four directors and the vice chancellor of administrative services, coordinates and schedules the internal audit function. The vice chancellor is available to the Board of Trustees and Chancellor whenever they have an inquiry.*

11. Background Checks

Criminal background checks on prospective employees are not initiated by the Human Resources Department, and the information obtained by other departments through these background checks is not maintained in the Human Resources Department.

Various departments on the campuses initiate a criminal background check from the state for their program and/or operation (i.e. security, healthcare, childcare), as they consider necessary. The results of the background check are returned to the applicable department. The Human Resources Department is not informed which programs and/or operations require a criminal background check, and is not informed when a background check is requested or the results of the check.

Complete personnel information related to individual employees should be maintained in the Human Resources Department. In addition, having the Human Resources Department initiate the criminal background checks and receive the results of the background checks provides better control over this confidential information.

WE RECOMMEND the KCMCC ensure the Human Resources Department initiates criminal background checks and maintains the information regarding the results.

AUDITEE'S RESPONSE

The College will begin conducting background checks on recommended new employees with a target date for implementation of September 2001.

A request for proposals will be issued and based on the proposals received, the College will determine whether to hire an outside agency for the checks or to conduct them in-house. The Human Resources department will maintain these records in a confidential manner.

This report is intended for the information of the KCMCC management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

KANSAS CITY METROPOLITAN COMMUNITY COLLEGES HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Kansas City Metropolitan Community Colleges trace their origin back to 1915, when the Kansas City Board of Education established the Kansas City Polytechnic Institute. The Junior College Division of the Institute and the Business Training, Engineering and Nurses' Training Divisions were combined to form the Junior College of Kansas City in 1919. The college started as an academically oriented institution; however, through the years the college increased its occupational offerings. Until 1964, the college was under the administration of the Kansas City School District.

In May 1964, pursuant to Section 178.770, RSMo, the voters of seven suburban school districts and the Kansas City School District approved the creation of the Junior College District of Metropolitan Kansas City, Missouri. The institution initially operated by the new district was referred to as the Metropolitan Junior College. The voters of the district subsequently approved a \$15.2 million bond issue for campus construction. In 1969, the Board of Trustees established colleges in the northern (Maple Woods Community College) and southern (Longview Community College) parts of the district as well as maintaining one in the central city (Penn Valley Community College). The district then became known as the Metropolitan Community Colleges to reflect its increasing focus on community needs.

Since that time, the district has continued to expand. The voters of four additional suburban school districts voted to join the district by annexation. An Administrative Center, located adjacent to the Penn Valley Community College, was completed and occupied in November 1985. In early 1995, the Business and Technology Center (BTC) was established. The center is the focal point for business and industry training for the entire district. In 1997, the Board created the Blue River Community College, serving the eastern part of the district.

Currently, the Kansas City Metropolitan Community Colleges consist of the Longview Community College, Maple Woods Community College, Penn Valley Community College, and Blue River Community College as well as the BTC. The district covers the county of Jackson and parts of the counties of Cass, Clay, and Platte, and includes the school districts of Kansas City, Center, Hickman Mills, Raytown, Grandview, North Kansas City, Belton, Blue Springs, Park Hill, Independence, and Fort Osage.

In the fall of 2000 and 1999, the KCMCC's full-time equivalent student enrollment totaled 9,585 and 9,572, respectively. The KCMCC employed approximately 1,063 full-time and 988 part-time employees in the fall of 2000 and approximately 1,035 full-time and 1,012 part-time employees in the fall of 1999.

The KCMCC is governed by an elected six-member Board of Trustees. The trustees serve a six-year term. These individuals serve without compensation; however, they receive reimbursement for any expenses incurred in performing their duties.

The Board of Trustees as of June 2000, consisted of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Ends</u>
David R. Buie	President	April 2004
Chuck James	Vice President	April 2004
J. Robert Ashcroft	Member	April 2006
David L. Disney	Member	April 2002
Jeffrey A. Grubb	Member	April 2006
Robert H. Martin	Member	April 2002

The Officers of the district consist of the Chancellor, three Vice Chancellors, and four college Presidents. The Board of Trustees appoints the Chancellor who serves as the Chief Executive Officer. Each college is under the oversight of a President.

The individuals serving as Officers and their annual compensation as of June 30, 2000, were as follows:

<u>Name</u>	<u>Position</u>	<u>Annual Compensation</u>	
Wayne E. Giles	Chancellor	\$ 182,450	
Allan H. Tunis	Vice Chancellor of Administrative Services	120,000	
Donald S. Doucette	Vice Chancellor of Education and Technology	121,635	
Malcolm T. Wilson	Interim Vice Chancellor of Student and Resource Development	109,455	1)
Ronald E. Greathouse	Interim President Blue River	138,520	2)
Fred Grogan	President Longview	109,455	
Merna S. Saliman	President Maple Woods	109,455	
Jacqueline I. Snyder	Interim President Penn Valley	114,940	3)

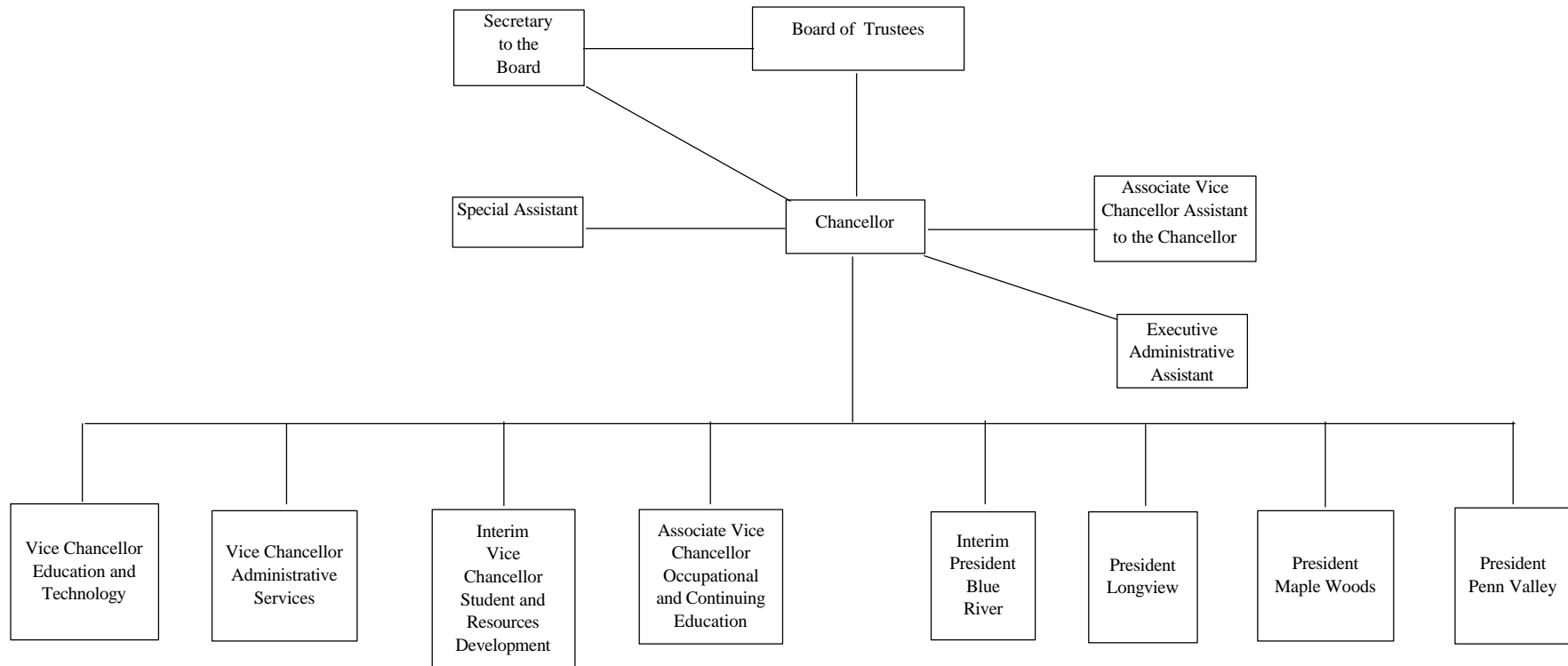
- 1) On July 1, 2000, Malcolm T. Wilson was appointed Interim President at Blue River, and on January 11, 2001, he was subsequently appointed to be the President at that college. The position of Vice Chancellor of Student and Resource Development is currently vacant.
- 2) On July 1, 2000, Ronald E. Greathouse was appointed as Special Assistant to the Chancellor. He subsequently retired in November 2000.
- 3) On July 1, 2000, Jacqueline I. Snyder was appointed to be the President at Penn Valley.

The Chancellor's compensation of \$182,450 included retirement benefits of \$23,578 (representing the employee's share of the retirement plan costs). In addition to this compensation, Dr. Giles' contract requires the KCMCC to contribute to an Executive Benefit Plan for severance benefits (\$37,000 was contributed in fiscal year 2000); pay for term life insurance at three times his total compensation; pay for dependent coverage for health insurance (medical, dental, eye); pay automobile expenses (including repairs, gas, oil, insurance); pay for a medical examination for the Chancellor, not less than once every two years and no more than once a year; and pay travel expenses of the Chancellor's wife to accompany him on business trips for the benefit of the KCMCC. In addition, the Chancellor received a special expense account of \$5,268.

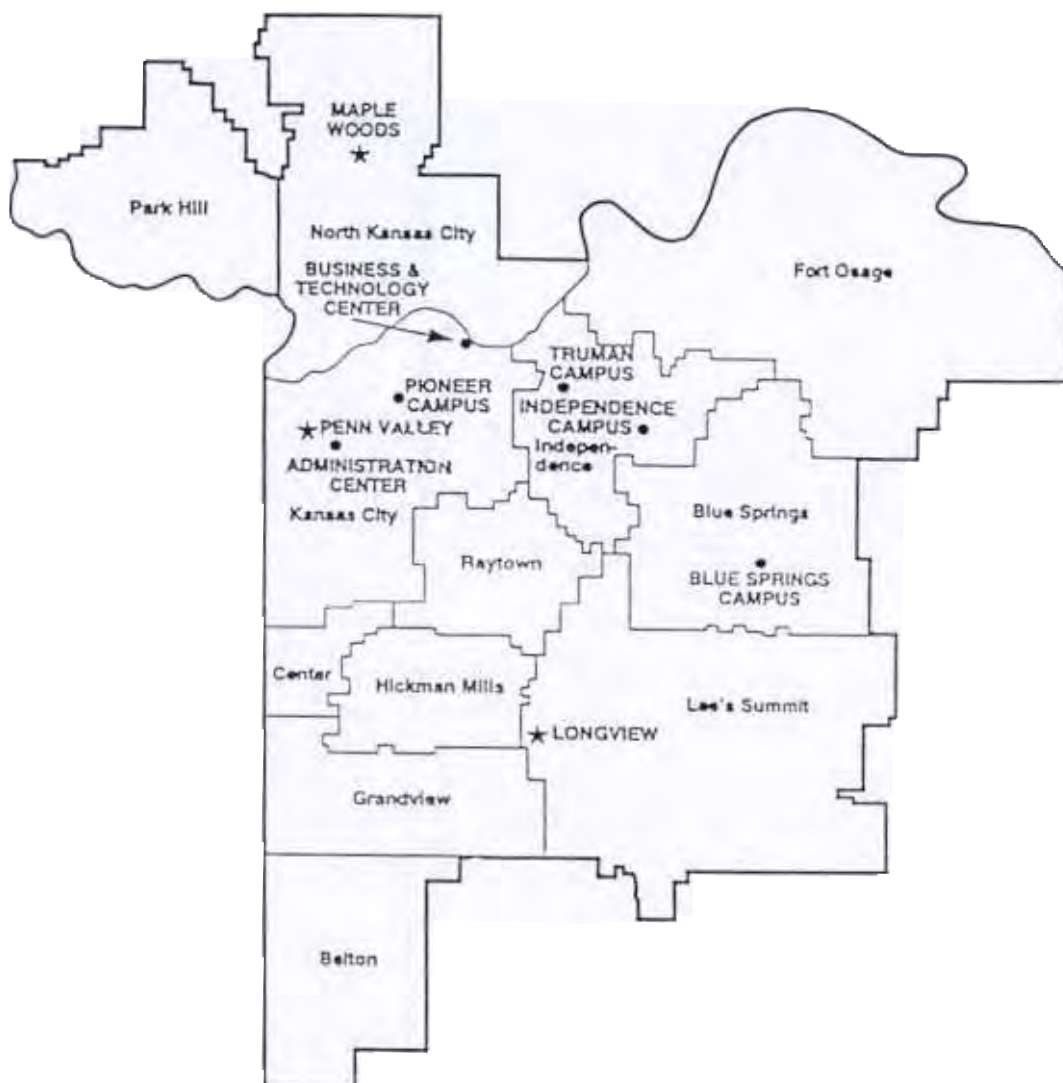
In addition to the other Officers' compensation, the terms of the contracts for those individuals require the KCMCC to pay for term life insurance at three times their total compensation and pay automobile expenses (including gasoline, oil, filters, and other automobile liquid purchases).

An organization chart and district map follow.

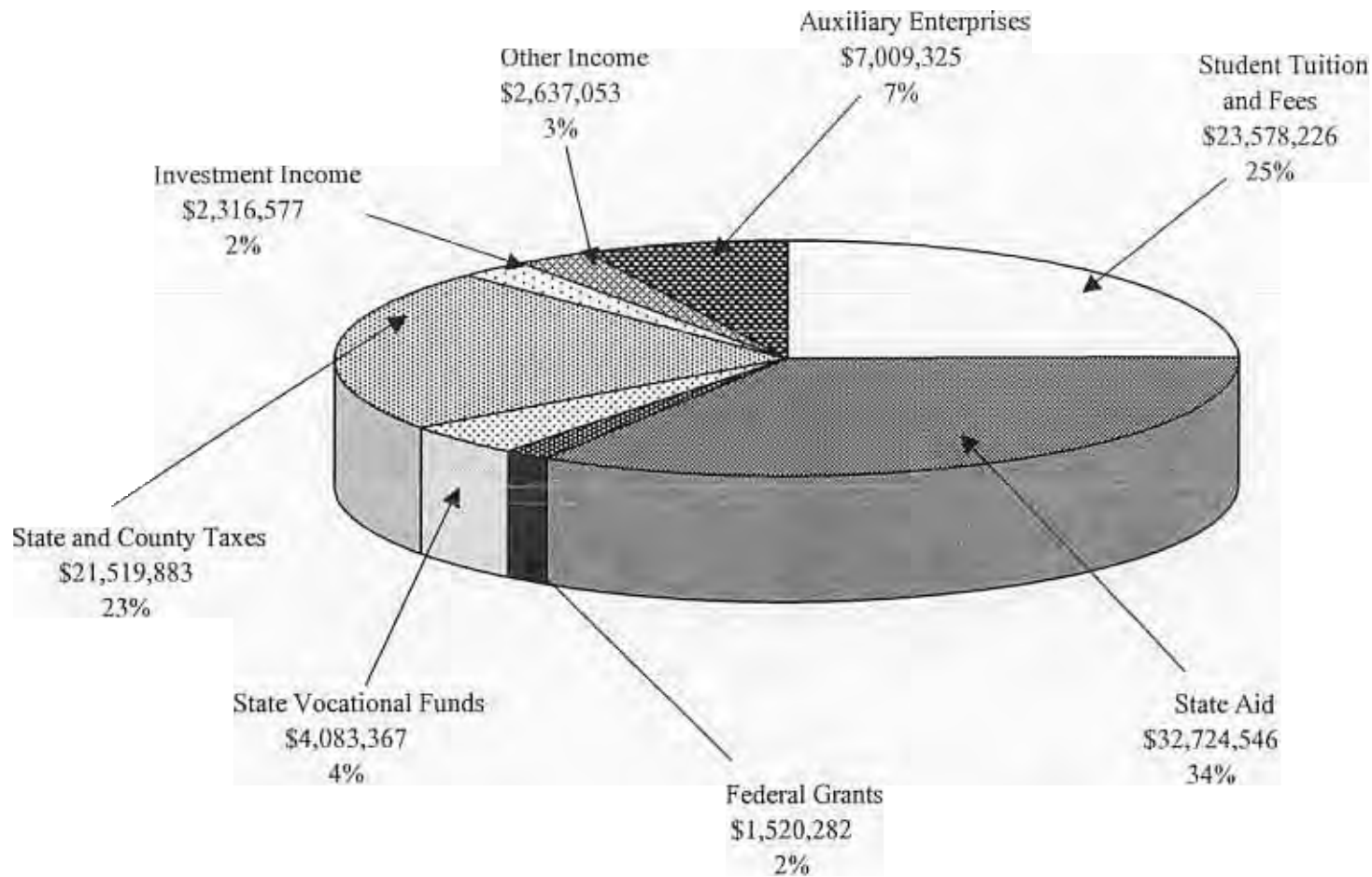
KANSAS CITY METROPOLITAN
COMMUNITY COLLEGES
ORGANIZATION CHART
JUNE 30, 2000



KANSAS CITY METROPOLITAN
COMMUNITY COLLEGES
DISTRICT MAP

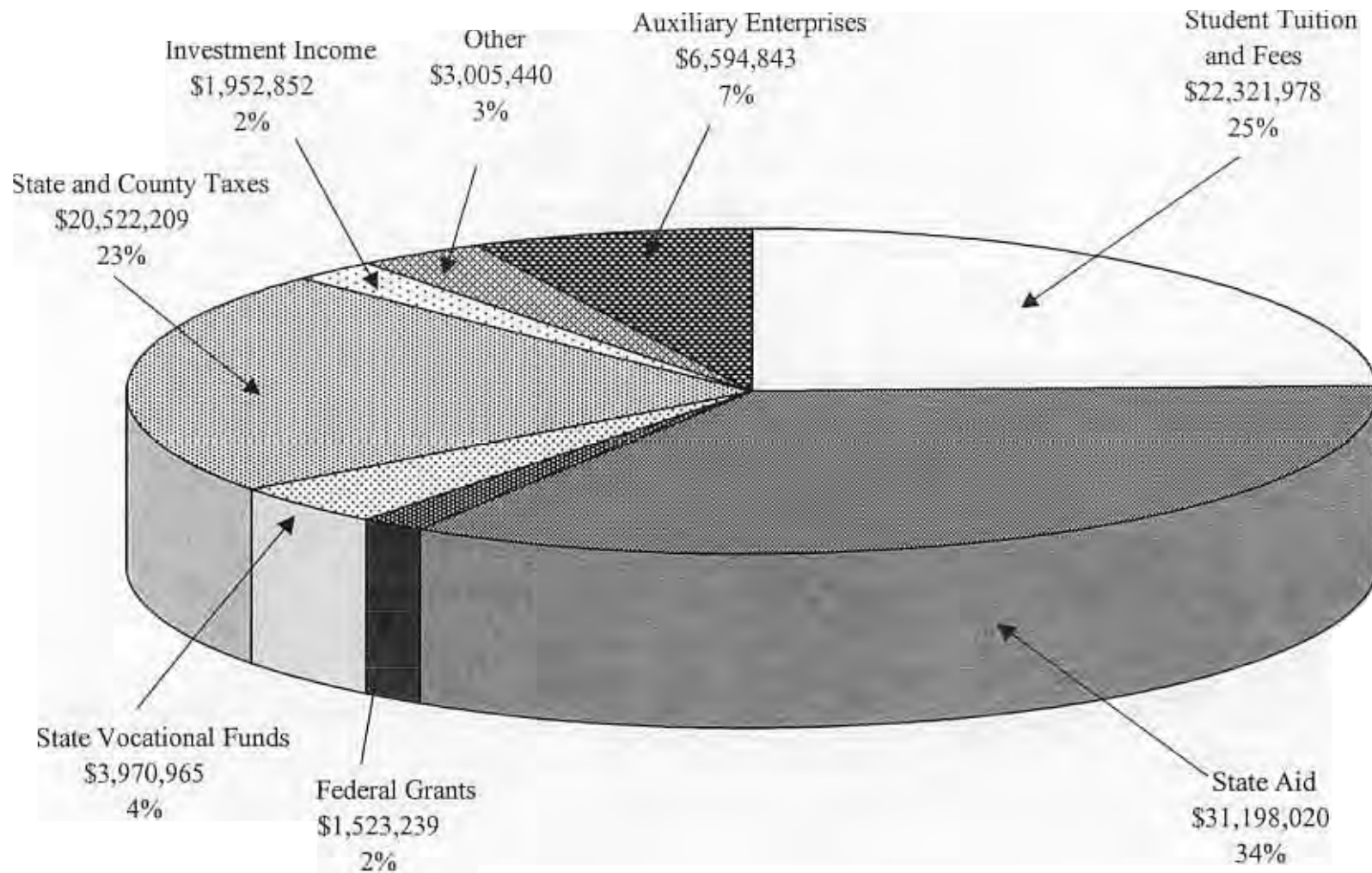


**Kansas City Metropolitan Community Colleges
Fiscal Year 2000
Unrestricted Current Fund Revenues**



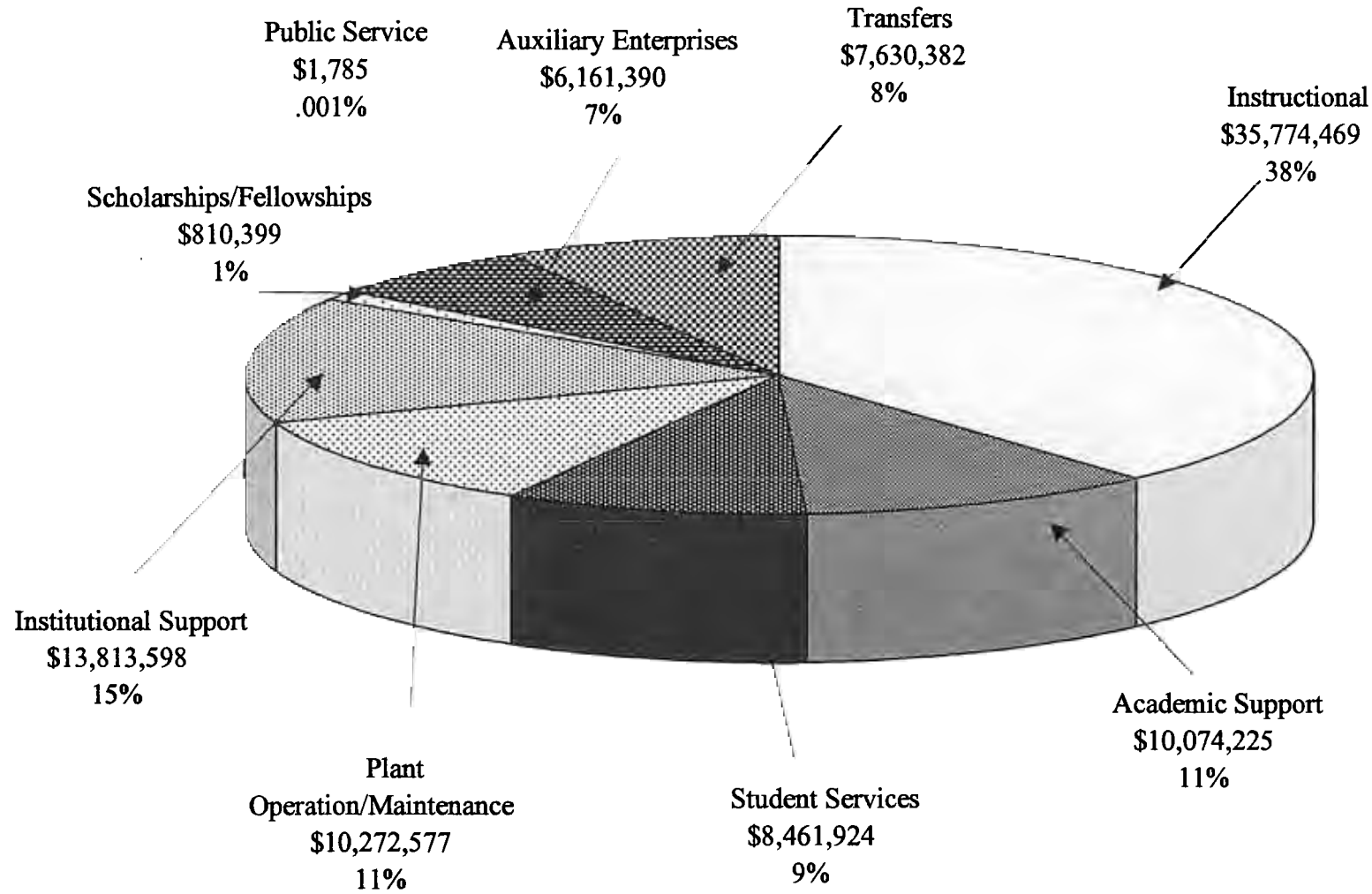
**Total Revenues
\$95,389,259**

**Kansas City Metropolitan Community Colleges
Fiscal Year 1999
Unrestricted Current Fund Revenues**



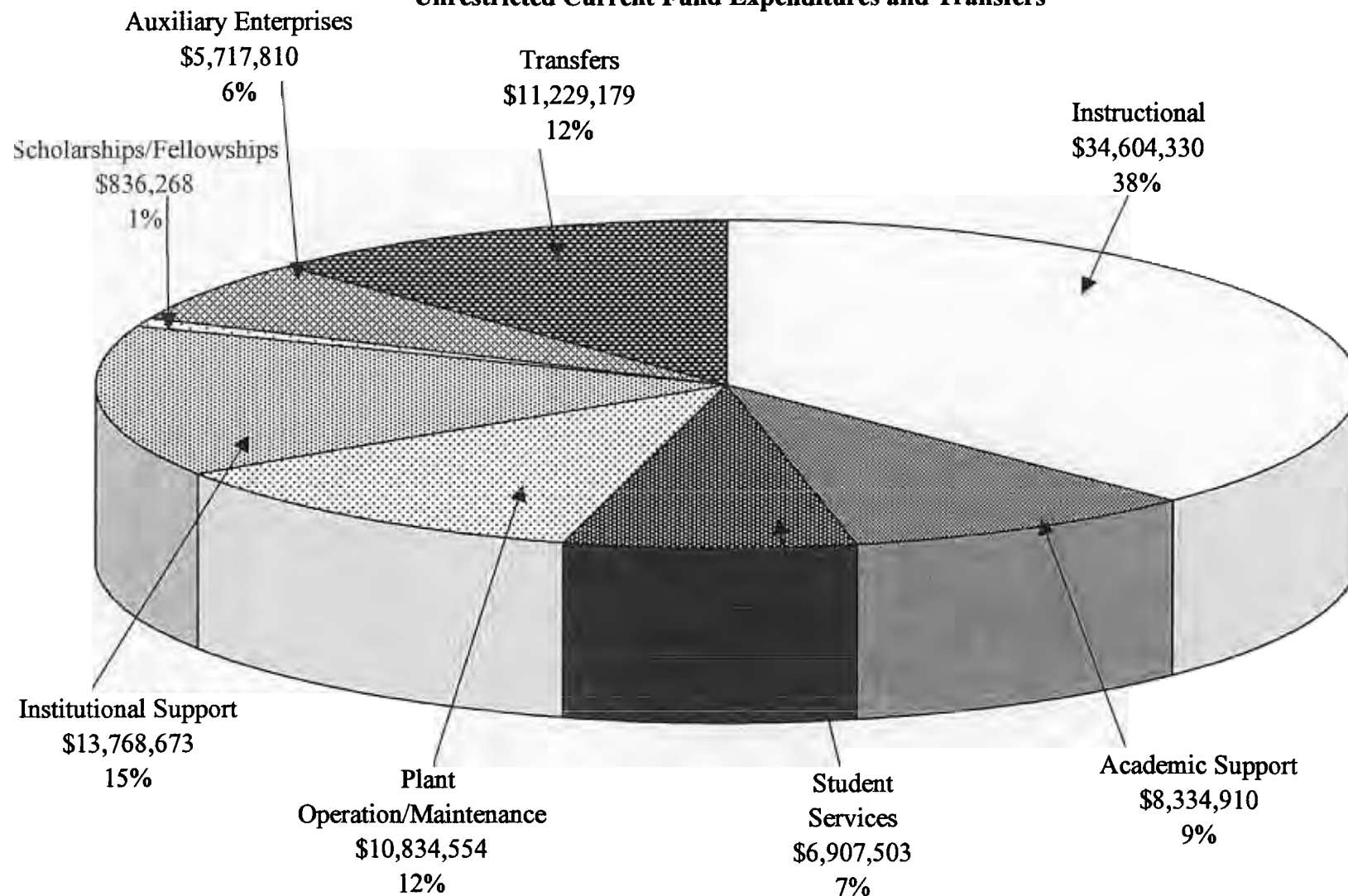
Total Revenues
\$91,089,546

**Kansas City Metropolitan Community Colleges
Fiscal Year 2000
Unrestricted Current Fund Expenditures and Transfers**



Total Expenditures and
Transfers-\$93,000,749

**Kansas City Metropolitan Community Colleges
Fiscal Year 1999
Unrestricted Current Fund Expenditures and Transfers**



Total Expenditures and
Transfers-\$92,233,227

* * * * *



**UNIVERSITY OF MISSOURI SYSTEM
VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM - 2000**

**From The Office Of State Auditor
Claire McCaskill**

The rehire program implemented in conjunction with an early retirement program was not equitably applied to all employees.

**Report No. 2001-49
June 28, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office Of
Missouri State Auditor
Claire McCaskill

June 2001

www.auditor.state.mo.us

Some participants in the University of Missouri's early retirement program received inconsistent treatment and compensation

This audit details the implementation of the University's Voluntary Early Retirement Incentive Program-2000, a systemwide effort to upgrade the professor corps and redirect money throughout the University's four campuses. Overall, the University accomplished its goal of creating an incentive to encourage retirements, with about 42 percent of eligible employees taking the incentive. But program provisions allowing University officials to rehire certain early retirees were applied inconsistently from campus to campus. More proactive management of the rehire program could have prevented many of the inequities uncovered in this audit.

Funds estimated for redirection undeterminable

University administrators initially estimated \$10 million would be freed up through the early retirement program for strategic reinvestment throughout the University System. Administrators presented this initial estimate to the Board of Curators with no detailed supporting records or other documents, but based the estimate on an administrator's experience with a previous early retirement program. Neither the University nor the auditors could validate this estimate because the University has not tracked costs of hiring new employees to fill early retiree positions and cannot estimate costs of hiring future employees. (See page 2)

Rehire provisions applied differently at various campuses

Campus officials administered the rehire provisions of the early retirement program to fit campus cultures. As a result, inconsistencies occurred and some individuals benefited greater than others. The following highlights the major inconsistencies:

- Some campus officials sought and received approval to rehire top administrators back in their administrative positions, a practice strictly prohibited by the program guidelines. After the audit was announced, University officials took various steps to correct these rehires. (See page 10)
- Some campuses rehired a significant number of early retirees above the suggested maximum rehire level, with the St. Louis campus having the highest percentage of such occurrences. All of the St. Louis employees rehired above the suggested maximum level held administrative or support positions, with several being top administrators and Chancellor support staff. No St. Louis faculty members were

YELLOW SHEET

rehired above 53 percent of their previous salary, which was less than the suggested maximum rehire level of 60 percent. The administrative and support personnel were rehired at levels between 70 and 74 percent of their previous salary. (See page 13)

- University System officials did not address the issue of salary increases for rehired early retirees. As a result on the Rolla campus, some rehired retirees could and did receive raises, but rehired retirees on the St. Louis campus could not. (See page 16)

Some early retirees hit financial “windfall” with dual incentives

Nine faculty members on various campuses, who had already agreed to retire with a cash buyout, also received the early retirement incentives. The University paid these faculty members more than \$648,000 in buyout incentives and will pay an estimated additional \$624,000 in pension benefits for their participation in the early retirement program. One administrator called the situation a “window of opportunity” that “created a windfall for these individuals.” As a result, for future employees, the University has revised the standard contract language for tenured buyouts to preclude a person from receiving dual incentives from a buyout and a similar early-retirement incentive program. (See page 21)

**UNIVERSITY OF MISSOURI SYSTEM
VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM-2000**

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**UNIVERSITY OF MISSOURI SYSTEM
VOLUNTARY EARLY RETIREMENT INCENTIVE PROGRAM-2000**

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Board of Curators
and
Dr. Manuel T. Pacheco, President
University of Missouri System

The State Auditor's Office audited the Voluntary Early Retirement Incentive Program-2000 of the University of Missouri System. Complaints within the University system and published reports about the program's rehire practices and overall financial benefits prompted this audit.

The purpose of the audit was to determine if University System officials implemented the program consistently and equitably as well as to review whether the program was cost-effective to the University System. The audit involved a review of the implementation of this program, including rehire practices on the individual campuses, as well as reviewing the cost savings projection.

We concluded the Voluntary Early Retirement Incentive Program met the objectives of the University System President, but we found multiple inequities in the rehire arrangements. As the audit progressed, University officials corrected many of the inequities brought to their attention before the September 2000 retirement date. The University System officials could have been more proactive in managing the early retirement program.

University System officials did not have any documentation to support their \$10 million estimate of what could be redirected as a result of early retirements. Our cost analysis disclosed that neither we nor University System officials can determine the validity of this estimate because system officials have not tracked the cost of hiring replacements for early retirees and cannot estimate the cost of hiring future employees for other necessary positions.

Claire McCaskill
State Auditor

February 19, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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RESULTS AND RECOMMENDATIONS

1. The University of Missouri Implemented a Voluntary Early Retirement Incentive Program

The University System accomplished the objective of encouraging staff and faculty to retire early by implementing a voluntary early retirement incentive program (early retirement incentive program) in December 1999. University System officials wanted to provide funding to upgrade the level of expertise in the corps of professors and to redirect funds throughout the University System. Although officials estimated the early retirement incentive program would make \$10 million available for redirection, they did not prepare any documentation to support this estimate prior to the Board of Curators' approval. In fact, officials did not document this estimate until October 2000—10 months after the Board of Curators' approval. Our cost analysis of this program disclosed that neither University System officials nor we could determine the validity of this estimate because system officials have not tracked the cost of hiring new employees to fill early retiree positions and cannot estimate the cost of hiring future employees for other necessary positions. University officials estimated it would take 2-3 years to determine the cost of hiring new employees.

Conditions of the early retirement incentive program

The early retirement incentive program was available to all employees of the University System, which included campuses at Rolla, Columbia, Kansas City, St. Louis, and the Hospital in Columbia as well as the System President's staff. To be eligible, employees had to meet the eligibility requirements for retirement under the University of Missouri pension plan or who would have met those requirements on or before September 1, 2000, and had a minimum of 10 years of employment required for eligibility for retirement (service credit) under that plan. Any employees who participated in the Civil Service Retirement System or Federal Employees Retirement System and reached age 55 with at least 10 years of eligible service with the University on or before September 1, 2000, were also eligible.

The early retirement incentive program participants would receive additional annuity benefits that they would not normally receive under the existing retirement programs. Employees could choose to:

- eliminate the early retirement reduction factor (a percentage reduction) for each year the participant is under the eligible retirement age, or
- add 3 years to the service credit earned by the participant while employed by the University of Missouri. However, the additional service credit granted under the early retirement incentive program could not be applied toward satisfying the service credit requirements under the University of Missouri Retirement, Disability, and Death Benefit Plan.

Employees
earn extra
retirement
credit

The "return to work" provision that required employees to work 1 year following a sabbatical, research, or development leave of absence would be waived for early retirement incentive program participants.

For eligible employees who participated in the Civil Service Retirement System or the Federal Employees Retirement System, early retirement incentive program benefits under the University of Missouri Retirement, Disability, and Death Benefit Plan would be calculated assuming 3 years of additional service credit under this plan. The present value of future benefits resulting from this calculation would be payable in a lump sum distribution.

In addition to the incentive that increased the participant's annuity payment, the formula used to calculate the portion of a retiree's health and dental insurance premiums to be paid by the University would be adjusted to provide the greater value by either assuming the employee was age 65 at retirement or adding 3 years to the length of service earned by an employee.

Participants could be rehired for transitional purposes in non-benefit eligible positions (positions that would not allow the employee to accumulate benefits while employed) for no more than 2 years to help phase down or transition a unit to a new staff or to continue work emanating from outside research dollars.

The University System officials believed that positions would become available by offering these early retirement incentives and campuses could use these positions to upgrade the level of expertise in the professor corps and staff. University System officials wanted to provide campuses discretion in redirecting the payroll savings to areas that are consistent with the institution's strategic plan.

Staff elect to participate in the early retirement incentive program

Prior to presenting the early retirement incentive program for Board of Curators' approval, University System officials estimated the number of individuals eligible for the program and the percentage of eligible employees who would participate. It was determined that the annual payroll and benefit costs associated with these eligible employees equated to \$128.2 million. Program administrators familiar with previous early retirement offers estimated that about 45 percent of the eligible employees would retire, thus affecting \$57.7 million in annual payroll and benefit costs.

Participation
rate met
expectations

The table below shows the degree of participation in the early retirement program at all four campuses.

Total University System Workforce					
Campus/ Division	Number of Employees	Number of Eligible Employees	Percentage Eligible	Number of Participants	Percentage Participants
Columbia	7,164	892	12	383	43
Hospital	4,457	162	4	88	54
Kansas City	2,236	327	15	112	34
Rolla	1,079	211	20	102	48
St. Louis	1,424	199	14	61	31
System	979	147	15	68	46
Total	17,339	1,938	11	814	42

Cost analysis disclosed that funds available for redirection could not be determined

University administrators told the Board of Curators in March 2000 that they would strategically reinvest \$10 million in payroll savings with the early retirement program. But the audit determined there were not any detailed records or other documentation to support this statement. According to the Vice President of Human Resources, the \$10 million estimate was based on experience from a prior early retirement program and he believed the estimate to be conservative.

When asked about the documentation to support the projected payroll savings, the Vice President of Human Resources indicated that none had been prepared. This official provided a written explanation for how he arrived at this estimate in October 2000.

In the written estimate, the Vice President stated approximately \$40 million in payroll would be affected annually by implementing the program. The following chart shows the breakout of this impact and how the \$10 million estimate developed.

<i>Explanation of Estimated Funds Available for Redistribution</i>	
<i>Salaries Saved from Retirees</i>	40 million
<i>- Cost of Replacement Salaries</i>	25 million
<i>- Cost of Incentives Paid to Retirees</i>	5 million
<i>Net Available</i>	10 million

To determine if the University System would meet its objective of being able to strategically reinvest \$10 million, we performed a cost analysis. The table below shows the results of our analysis.

Cost Analysis of Early Retirement Incentive Program						
Campus/Division	Total Salary Costs of Retirees	Rehire Costs of Retirees	Retirement Incentive Costs	Salaries Of Individuals W/Buyout Agreements	Medical Dental Incentive Costs	Savings To Be Reinvested
Columbia/Hospital	\$23,555,464	\$4,148,369		\$167,205		\$19,239,890
Kansas City	\$5,643,703	\$709,560		\$85,950		\$4,848,193
Rolla	\$6,182,426	\$1,409,946		\$229,007		\$4,543,473
St. Louis	\$3,044,030	\$868,326		\$202,600		\$1,973,104
University System	\$2,877,675	\$435,089				\$2,442,586
Paid by UM System for all participants			\$4,565,400		\$250,000	
Total	\$41,303,298	\$7,571,290	\$4,565,400	\$684,762	\$250,000	\$28,231,846 *

* This does not include the cost to hire new replacement staff

We deducted the salaries of individuals who, while participating in the early retirement incentive program, had previously entered into tenure buyout agreements and agreed to retire pursuant to those agreements. We did not consider the related salary costs of these individuals as savings realized by implementing the early retirement incentive program.

Our cost analysis does not reflect the salary costs of any new full-time employees who have been hired to replace retirees of the early retirement incentive program. Although we requested this information to complete our analysis, University System officials were unable to provide this data and they indicated this information has not been tracked and some replacements have not yet been hired.

Based on the above analysis, the University System has approximately \$18 million available to hire new employees to fill the positions vacated by retirees and still meet its estimate of having \$10 million to strategically reinvest. The University System officials did not track the costs of hiring new employees and were unable to estimate the costs of future new hires. As a result the \$10 million estimate cannot be validated. University officials stated that it would take approximately 2-3 years before they would know the total cost to hire new staff. In order to develop these costs, they will have to track them when they occur.

Conclusion

With the exception of matters disclosed in Result 3, page 21, the early retirement incentive program was successfully used to accomplish the objectives. Based on the participation rate, the University officials properly anticipated the number of employees that would take advantage of the incentives, and participation occurred at relatively the same rates at all four campuses.

2. The Rehire Provisions within the Voluntary Early Retirement Incentive Program Were Not Applied Uniformly Throughout the University of Missouri System

University System officials did not give sufficient guidance regarding the rehiring of retirees. The System President and associated officials wanted to give the individual campuses discretion to implement the rehire program within general parameters approved by the Board of Curators. After the audit was announced and as the audit progressed, university officials monitored the discretion given to campuses. Campus officials administered the early retirement incentive program to fit campus cultures; as a result, inconsistencies occurred across the system and some individuals benefited greater than others. Campus officials:

- ❑ Established their own procedures that were not consistent across the campuses.
- ❑ Sought and obtained approval from the System President to rehire top administrators in their administrative positions, although such rehires were explicitly prohibited in the general guidance that was approved by the Board of Curators.
- ❑ Allowed certain individuals to file their intent to retire forms; with the retirement being contingent upon their subsequent rehire.
- ❑ Did not consistently comply with the reemployment operational guidelines establishing suggested maximum rehire levels – affecting hours worked and compensation received.
- ❑ Did not disseminate rehire guidelines to all levels of management involved in making rehire recommendations.
- ❑ Provided salary increases at some campuses and not others and were unsure whether retirees were eligible for salary increases.
- ❑ At some campuses rehired retirees at a level of work that could make them ineligible for the retirement benefits they are receiving.

Reemployment opportunities in the early retirement program

The Board of Curators approved an early retirement incentive program that provided opportunities for reemployment to some eligible retirees. Being rehired in a non-benefit eligible position (employees would not receive any benefits; health, retirement credit, etc.) was allowed, for a period not to exceed 24 months, if it was determined to be in the best interests of the university, to phase down or transition a unit to a new staffing level, or to continue research work emanating from outside research dollars. However, the program guidance explicitly stated, “Under no circumstances will senior system or campus officers be allowed to remain in their administrative positions (or similar positions) and draw retirement. Senior system and campus officers are defined as vice presidents, chancellors, vice chancellors, or executive level positions reporting to these officers.”

Rehires required justification and the System President's approval if the retirees' combined retirement benefits and rehire salaries exceeded 100 percent of the base salary they were earning before retirement.

The System President communicated in a memorandum to the general officers on the various campuses that the operational guidelines allowed reemployment not to exceed 60 percent full-time equivalency (FTE) for the first year and 40 percent FTE for the second year, and that these guidelines were reasonable for most situations. Exceptions would be considered if there was a compelling academic or business need. He emphasized that reemployment decisions should be based on clearly defined needs to maintain services or programs in the affected units during the period of transition and stressed that although reemployment opportunities existed, they were not an entitlement for individuals opting for early retirement.

University campuses established rehire procedures that were not consistent system-wide

Each campus was responsible for establishing their own procedures addressing rehire issues. Some campuses established detailed procedures for applying for and approving rehires and others did not. The following table shows the inconsistency in application of the rehire program.

PROCEDURE	ROLLA	KANSAS CITY	ST. LOUIS	COLUMBIA
Chain of command for approval of rehires in writing	X	X		X
Chancellor approval required on all rehire decisions	X	X		
Letter of justification required for all rehires	X	X		X
Personnel form with Chancellor's approval signature required		X		
Full-time equivalency percentage for 3-hour course	25	25	10	20
Senior Officials rehired in same or similar positions			X	X
Some retirements contingent upon rehire		X		
Salary increases can be given to rehires	X		X	X

Source: SAO analysis and individual university procedures

The Human Resources Directors of the Kansas City and Rolla campuses established detailed procedures for rehiring early retirement incentive program participants. The internal procedures

established the chain of command for rehire recommendations, required a letter of justification with each recommendation, and called for Chancellor approval.

The Human Resources Director on the Kansas City campus went one step further by adding a requirement which stated that the personnel action form, which is an internal document used to reestablish the individual on the payroll, “must have all the appropriate approvals before the employee begins working.” However, in practice, at least 37 percent of the personnel action forms did not contain the Chancellor’s approval prior to the individuals’ commencing work. Campus officials could not provide an explanation.

Internally
established
procedures not
followed

Although the rehire procedures were similar on the Columbia campus, the Chancellor did not provide the final approval of each rehire. Unless the rehire appointment resulted in an individual’s salary and pension benefits exceeding 100 percent of their salary at retirement, the final approval was provided by the appropriate Vice Chancellor or the Provost. If the rehire salary and pension benefits exceeded 100 percent of an individual’s pre-retirement salary, the Chancellor’s approval was required. The Chancellor issued a memo to the Deans, Directors, and Department Chairpersons stressing that they work together to incorporate the goals of the early retirement incentive program into the campus planning efforts and to manage the program in a way that would support the institution’s strategic plan. However, by foregoing the Chancellor’s approval on the majority of rehire appointments, there was less assurance that all appointments contributed to the institution’s strategic plan and mission.

Chancellor
unaware of
numerous
rehires

Officials on the St. Louis campus did not develop any written internal procedures to assist in the rehiring of early retirement incentive program participants. Each employee that was considering retiring under the early retirement incentive program was instructed to meet with the Deputy to the Chancellor to discuss the rehire option. By not establishing specific rehire procedures, the opportunities increased for the program’s inequitable administration. There was no assurance that each employee received the same counseling on the early retirement program’s options as envisioned by University System officials. The Deputy to the Chancellor was conducting private one-on-one sessions with employees and deciding what was best for the university.

Written
procedures did
not exist at St.
Louis campus

Guidelines for determining the percentage of effort (full-time equivalency) that would be assigned to various duties performed by faculty members were not consistent among the universities. The total percentage of effort assigned to each faculty member has a direct correlation to the compensation received, as it is a percentage of the salary they were earning upon retirement.

As noted in the schedule above, an individual’s compensation for teaching a 3-hour course varied by campus. Compensation ranged from 25 percent workload equivalency to 10 percent workload equivalency for the same course. Because the University System officials did not provide any guidance regarding workload percentages, these discrepancies resulted in inequitable

Inequitable
workloads
assigned to
faculty

workload assignments, and compensation received, among the various faculty members who were rehired.

Campus officials sought and received approval to rehire top administrators in their administrative positions

Campus officials sought and received approval for exceptions to the provision that expressly prohibited senior officers from being rehired in their administrative (or similar) positions.

St. Louis Campus

The Chancellor at the St. Louis campus asked for and received approval from the System President to rehire three top administrators in the same or similar positions: the Deputy to the Chancellor, the Interim Vice Chancellor for University Relations, and the Director of the Office of Equal Opportunity. The approval received was for 74 percent FTE appointments for 2 years, the maximum workload believed to be allowable while collecting retirement benefits. The documentation requesting the approval to rehire these individuals indicated that their job duties would be similar to the duties they were performing prior to retirement.

In the request to rehire her Deputy, the Chancellor explained the integral role that he played in various projects and stated: “These are attributes that I do not care to even attempt to replace through another individual at this stage of my administration.” She went on to say, “I am willing to consider a title change to Special Assistant to the Chancellor if that were deemed to be more appropriate.” Documentation from the Office of the System President indicated that her request was approved; however, he indicated a title change was needed.

Senior
officials were
rehired

The Chancellor’s request to rehire the Interim Vice Chancellor for University Relations explicitly stated that he would remain in his current position. The request from the Chancellor stated: “It would be my intention to continue to use this individual as an Interim Vice Chancellor until a successor is chosen...” The System President approved the rehire request, even though it was contrary to the program provisions.

The request to rehire the Director of the Office of Equal Opportunity stated that it would be impossible to ever replace the individual and that time was needed to transition to new leadership, and perhaps a new structure. To assist in the needed transition, the System President approved rehiring the individual for a period of 2 years.

The Chancellor on the St. Louis campus was not the only individual seeking approval to rehire top administrators. The Vice Chancellor for Student Affairs sent a memo to the Chancellor stating, “This memorandum comes to request an exception to the current early retirement guidelines governing the part-time hire backs of employees who opt for early retirement.” The Vice Chancellor was requesting permission to rehire the Director of the Office of Student Activities, in his current position. The memorandum stated that

an open search for a new Director would begin in September 2002, thus allowing the individual to remain in his current position for 2 years following retirement. The Chancellor forwarded the memorandum to the System President with her recommendation that the rehire be approved. The System President subsequently approved the request.

According to the documentation and approvals, the rehires would assume the same duties they had before they retired, which violated the applicable early retirement incentive program provision. However, shortly after the State Auditor announced an audit of this program, considerable actions and documentation occurred (as described below) to clarify that the provisions of the program had been followed.

Clarification
of approvals
coincides with
audit

After the System President approved rehiring the top three administrators on the St. Louis Campus and after the State Auditor announced the audit, the Chancellor at the St. Louis campus received a memorandum from the System President stating:

“This note serves to confirm my verbal and written understanding that the duties of these individuals will change and that each will cease to be a senior administrator...my approval of your requests to rehire these three individuals was granted with the understanding that the Board policy would be followed and that these individuals would relinquish their official positions, including any line authority they may possess under the current organization....”

In addition to notifying the Chancellor of his understanding, the System President sent a letter to the President of the Board of Curators stating that his approval of these rehires had been granted with the understanding that the Board policy would be followed and these individuals would relinquish their official positions. It was not until after the subsequent communication from the System President to the Chancellor of the St. Louis campus that serious action was taken to change the duties of the Interim Vice Chancellor for University Relations and the Director of the Office of Equal Opportunity and relieve them of their administrative authority. The change in duties did not become effective until September 1, 2000.

To avoid having to change the duties of the Deputy to the Chancellor, the Chancellor requested that he withdraw his decision to retire and continue in his full-time position. After the Deputy to the Chancellor rescinded his decision to retire, he was given a \$30,000 salary increase (23% of his base pay), which became effective in September 2000. The Chancellor justified the salary increase by stating that additional administrative duties were assigned. Not only did this salary increase ensure his continued employment and effectively take him out of the early retirement incentive program, it provided an extra benefit to him since his base salary for annuity computations would be higher and thus ensures a higher annuity when he retires.

Deputy
receives
\$30,000 salary
increase

Columbia Campus

Columbia officials requested approval to rehire the Director of Admissions and Registrar, an executive level official. Although the request stated that the individual was needed (at a 72 percent FTE level) for a 2-month period to continue to serve as Director (same duties), the Chancellor at that campus as well as the System President approved the request. Near the end of the 2-month term serving as Director, University officials realized that this appointment violated the rehire provisions. The administrative duties of this individual were assigned to someone else and he was assigned other duties for the remainder of this period.

Senior officer works for 1½ months in same position

The Director of Library Services, a position considered to be executive level, also chose to retire under the early retirement incentive program and was rehired (at a 74 percent FTE level) for a period of up to 2 years to serve in that position until a successor was appointed. The University Provost gave the approval of this appointment, as the individual did not require the System President's approval, in accordance with the program's guidelines. After realizing that the approval may be in violation of the early retirement incentive program provisions, but before the individual actually retired, the Provost requested that the Director postpone her retirement and remain in her full-time position until a replacement could be found, to which she agreed.

Although the early retirement incentive program prohibited rehiring senior officers into the same (or similar) positions, in administering the program campus/division officials requested exceptions to the provision to suit the individual campus/division needs.

Campus officials allowed certain individuals to file intent to retire forms, with the retirement being contingent upon their subsequent rehire

Although it was not explicitly stated in the early retirement incentive program guidelines, communications from University System officials indicated that individuals' decisions to retire were irrevocable on their part. According to University System officials, this policy was established to ease the administration of the program and to determine the rehire needs of each campus.

The decision to retire was an irrevocable decision

An individual's decision to retire was official and irrevocable once he/she submitted their intent to retire form to the human resources department at their campus. The early retirement incentive program required that candidates submit intent to retire forms no later than February 29, 2000.

Various communications to campus officers emphasized "...reemployment is not an entitlement for individuals opting for early retirement."

The former Interim Chancellor at the Kansas City campus submitted documentation seeking approval to rehire three individuals. The documentation indicated that the individuals had submitted their intent to retire forms, an irrevocable decision. Although the intent to retire forms had been submitted, the rehire request from the former Interim Chancellor stated, “This is contingent on the University reemploying the retirees.” Approval of these rehires subsequently was received from the System President.

Retirement
contingent
upon being
reemployed

We saw no other instances of employees filing retirement forms contingent upon their subsequent rehire. Allowing these three employees to do so is another example of the program’s inconsistent and inequitable implementation.

One of these individuals intended to retire effective September 1, 2000, but at the request of the University, he postponed his plans and accepted a full-time position for 4 months as Interim Vice Chancellor, before retiring and taking a part-time position. By accepting this full-time appointment, the retirement benefits that were going to be received during the period he was a full-time employee had to be suspended. By accepting the position, and suspending retirement benefits, the individual’s annual compensation would be \$26,000 less than it would have been had he collected retirement benefits and worked in the approved part-time position over the same 4 months. As a means of holding the individual harmless for the decrease in annual compensation, University officials agreed to employ the individual on a part-time basis for 8 months at a rate that would recover the \$26,000.

Although there was an agreement to employ the individual on a part-time basis, there was no agreement regarding the duties the individual would be performing while serving in this part-time capacity. According to the Chancellor: “We are still discussing what we will have the individual do during his part-time appointment. An offer has been made to an individual to fill the Vice Chancellor position and we will discuss what he can do. He will most likely chair a committee of some sort.”

It is difficult to determine the compelling business or academic need for the part-time employment when the duties are not defined. The decision to “make up the difference” in compensation in this instance would be more credible if the part-time duties had been defined.

Significant disparities existed among the campuses in their compliance with suggested maximum rehire levels

Shortly after the Board of Curators approved the early retirement incentive program, campus officers received a memorandum addressing the program’s management and reemployment guidelines. That memorandum stated that a 60 percent full-time equivalency (FTE) appointment for the first year and a 40 percent FTE appointment for the second year was reasonable for most situations; however, exceptions would be considered if there was a compelling academic or business need. The compensation to be received by the retirees rehired has a direct correlation to

the FTE appointment, as the rehired employees' salaries are determined by multiplying their salary at retirement by their rehire FTE percentage.

It was not clear how these suggested maximum rehire levels were established; however, we noted that in November 1999, the Vice President of Human Resources sent a memorandum to the general officers which stated: "Reemployment of faculty and staff at non-benefit eligible levels...could effectively circumvent the program objectives...faculty and staff cannot be reemployed except in the most pressing employment areas where fully qualified internal and external candidates are not available."

Although the directive stated exceptions to the suggested maximum rehire limits would be considered if there was a compelling academic or business need, there was no guidance provided to clarify what might constitute a valid exception. No controls were established to ensure this directive was followed and truly a compelling need existed for any rehires above these established levels. As a result, the various campuses and divisions did not apply this reemployment operational guideline consistently.

Disparities
revealed in the
use of
guidelines

The table below shows the percentage of retirees that were rehired by each campus and the percentage of those reemployed individuals that were rehired above the suggested maximum rehire levels. This data discloses significant disparities in compliance with these guidelines. While some of the campuses/divisions made a conscientious and concerted effort to rehire the individuals within the suggested maximum rehire limits, other campuses/divisions appeared to ignore them.

Campus/Division	Percent Rehired to Total Rehired in System	Percent compensated in excess of guideline amounts
Columbia	51	20
St. Louis	11	36
Rolla	16	6
Kansas City	10	3
University System ¹	7	35
Hospital	5	0

As noted in the previous table, the St. Louis campus rehired a relatively high percentage of the early retirees above the suggested maximum rehire levels. The Deputy to the Chancellor at the St Louis campus said he strongly believed in the program and viewed it as an opportunity to have a "mini-rebirth" on the campus. While he was aware of the reemployment guidelines, he thought the suggested maximum rehire levels were too low to attract many employees to participate

Deputy
Chancellor
disagrees with
guidelines

¹ System employees are those who work for the University System and are not affiliated with any of the University campuses.

in the program. He stated that being rehired was a key factor in most of the individuals' decisions to retire.

Because the Deputy to the Chancellor was aware that the System President would consider higher FTE appointments, he stated that he encouraged individuals to accept early retirement. Some rehires were given a 74 percent FTE appointment for a 2-year period. The end result was that a number of top administrators and Chancellor support staff were rehired at high percentage levels, which prompted complaints to the State Auditor's Office from faculty members about unequal treatment.

Several faculty members at that campus reported that they were told the maximum level they could anticipate being rehired was 60 percent in the first year and 40 percent in the second year. Because of the limited rehire levels and/or the heavy teaching loads associated with those rehire levels, some of the faculty stated they decided not to take the retirement offered. A total of 34 retirees at the St. Louis campus were rehired on a part-time basis. No faculty members were rehired above a 53 percent FTE level, which is less than the suggested maximum 60 percent rehire level. All 12 of the individuals hired above the suggested maximum rehire level held administrative or support positions. These individuals were rehired at an FTE level between 70 and 74 percent. Six of these 12 had either held a top administrative position or worked directly for the Chancellor.

We found the compelling business or academic need for hiring some of these individuals in excess of the established guidelines to be questionable. For example, the Chancellor stated that she recommended the rehire of both her Administrative Secretary and her Executive Assistant due to the heavy telephone traffic in the office, to take care of all the incoming and outgoing mail, and because they were good employees.

Chancellor
rehires staff to
handle clerical
duties

This problem was not limited to the St. Louis campus. On the Columbia campus, the Assistant Vice Chancellor of Facilities Management informed us that custodians that chose to retire under the early retirement incentive program were allowed to be rehired at whatever FTE percentage they desired. One such custodian was rehired at a 72 percent FTE appointment. The justification documented for this rehire included Boone County's tight labor market as well as that individual's custodial experience, including her knowledge of the cleaning chemicals and equipment. The Vice Chancellor for Administrative Services requested and received authorization to rehire his Executive Staff Assistant, a position similar to that of a secretary, at a 72 percent FTE appointment. The justification documented for this rehire was that the individual had been an integral part of his office for 20 years, had a wealth of information concerning the Administrative Services operation, and was an extremely dedicated and loyal employee that would be sorely missed.

Was the need
compelling for
academic or
business?

By establishing the reemployment operational guidelines and then not ensuring they were consistently followed by the various campuses/divisions, the System administrators contributed to the inequitable administration of the retirement program.

Reemployment operational guidelines were not distributed to all levels of management involved in making rehire recommendations

The majority of requests to reemploy a retired individual began with the individual's Director or department chairperson. The Director or department chairperson determined the need to reemploy the individual and made a recommendation of reemployment to either their Vice Chancellor or Dean. The Vice Chancellor or Dean then had the authority to either accept or reject the recommendation.

Although the recommendation to reemploy a retired employee began with lower level management, not all management employees received a copy of the reemployment operational guidelines issued.

Both the Assistant Vice Chancellor for Facilities Management, on the Columbia campus, and the Director of Records Management, within the University System, informed us that they were unaware of the suggested maximum rehire levels included in the reemployment operational guidelines. They stated that they determined a 74 percent FTE appointment was allowed by referring to policies in the University of Missouri Retirement, Disability, and Death Benefit Plan.

Management
unaware of
operational
guidelines

Within the retirement, disability, and death benefit plan the issue of full-time employee/appointment is addressed and states "An employee on a nine month service basis must have a full-time equivalency of 100 percent. An employee whose service basis is in excess of nine months must have a full-time equivalency of at least 75 percent."

Because the employees of facilities management and records management have a service basis in excess of 9 months, the Assistant Vice Chancellor and Director recommended 74 percent FTE appointments for those rehires for which they were responsible. They believed this was the maximum appointment possible without making the individual a full-time employee, which in turn would require paying additional benefits.

Since the reemployment operational guidelines were not distributed to all levels of management involved in recommending individuals for reemployment, some individuals received higher pay than intended by the rehire program, which caused the rehire program to be unfairly applied to employees.

Salary increases were given to some rehired retirees and not others

University System officials did not address the issue of salary increases for retired individuals that were reemployed under the early retirement incentive program. As a result, inconsistent understandings occurred system-wide and within individual campuses. During our campus interviews, we questioned each individual that was involved in the rehire process if rehired retirees could

Salary
increases not
addressed in
policy

receive salary increases and if they were eligible for future salary increases.

Rolla Campus

While visiting the Rolla campus the Dean of the College of Arts and Sciences informed us that the former Chancellor had established a policy, which was distributed to his staff, which prohibited salary increases to all early retirement incentive program rehires. Three department chairpersons, two within the School of Engineering and one within the College of Arts and Sciences, concurred that salary increases were prohibited for early retirement incentive program retirees. However, the Dean of the School of Engineering stated that rehired retirees were eligible for salary increases at the discretion of the individual Deans and Vice Chancellors. Due to the conflicting understanding surrounding this issue, and our inability to obtain a copy of such policy, we inquired with each Dean and Vice Chancellor about their understanding of the policy. Four Deans/Vice Chancellors believed that rehired retirees were eligible for salary increases, while three believed that the individuals were ineligible for such increases.

Rehire issue
interpreted
differently

The Dean of the School of Engineering gave salary increases to five rehired retirees. The amount of these increases differed among the five rehires and ranged from 2 percent to 13.5 percent.

St. Louis Campus

The Chancellor established a policy prohibiting salary increases for rehired retirees. The Deputy to the Chancellor believed that this was a system-wide recommendation. Although the majority of Deans and Vice Chancellors interviewed at the St. Louis campus had the same understanding, the Vice Chancellor for Administrative Affairs believed that retirees could receive salary increases based on merit and job performance.

Columbia Campus

The Provost believed that rehired retirees were eligible for salary increases, as there were no provisions prohibiting them within the program. The Vice Chancellor for Administrative Services believed that the individuals were not eligible for increases. The majority of individuals involved in rehiring retired employees on the campus and at the Health Sciences Center were unsure whether the rehired retirees were eligible for salary increases. They informed us that there was not any policy addressing the issue and that it was never discussed. In responding to this question, the Assistant Vice Chancellor of Facilities Management stated “We will cross that bridge when we get to it.”

Kansas City Campus

Although the majority of the officials we spoke with believed that the retirees were not eligible for salary increases, the Interim Provost stated that there had not been any discussions concerning increases in the future.

University System

Officials within the University System had conflicting understandings concerning salary increases for rehired retirees. The Associate Vice President of Management Services and the Director of Risk Management understood that retirees were not eligible for any salary increases. The Director of Records Management understood that increases were prohibited during the first year of reemployment, but was unaware of any policy concerning future increases.

Without sufficient guidance from the early retirement incentive program administrators, the university campus officials were left on their own to interpret what could or could not be done with regard to salary increases. As a result, some employees benefited more than others depending upon where they were employed.

Some campuses rehired retirees at a level of work that could make them ineligible for the retirement benefits they are receiving

University System officials did not properly consider the percentage of work effort that could impact a rehired retiree's retirement benefits. According to Section 530.010.C.3.a, of the University of Missouri Retirement, Disability and Death Benefit Plan, any employee working 1,500 hours or more during a contract year is eligible for retirement service credit—thus equating the individual to a full-time employee for retirement purposes. Under these circumstances, a rehired retiree who works 1,500 hours or more reverts to receiving retirement credit, thus negating his/her right to collect retirement benefits at the same time he/she is employed. The early retirement incentive program booklet explicitly states, "An employee who retires under the provisions of the early retirement incentive program and returns to employment in a position with the University that would allow the employee to be eligible for service credit under the University of Missouri Retirement, Disability and Death Benefit Plan will have early retirement incentive program benefits suspended."

Confusion
caused by lack
of guidance

Because Section 530.010.A.21 of the University of Missouri Retirement, Disability and Death Benefit Plan defines a full-time employee as an employee, whose service basis is in excess of 9 months, having a full-time equivalency (FTE) of at least 75 percent, campus officials believed that a reemployed retiree could be rehired with an appointment up to 74 percent FTE. However, any time over a 72 percent FTE breaches the 1,500-hour rule.

In late January 2000, the Interim Director of Human Resources on the Rolla Campus brought this oversight to the attention of the University System Assistant Vice President of Faculty and Staff Benefits. The Assistant Vice President of Faculty and Staff Benefits agreed that there was an

unresolved issue as evidenced in an e-mail message, “Perhaps we (the benefits department) need to address this issue with the various campuses so as to avoid a problem ...”

The Assistant Vice President of Faculty and Staff Benefits did not notify all Human Resource Directors concerning this issue. Officials at the Columbia campus and University System officials were made aware of the issue based on the e-mail correspondence being copied to a member of their human resources department. However, as of mid-November 2000, the Director of Human Resources at the St. Louis campus was surprised by the issue and informed us that he had not heard anything about it. He expressed concern about the numerous individuals that had been rehired at a 74 percent FTE appointment, earning service credit, and collecting retirement benefits. This issue did not apply to the Kansas City campus since none of its retirees were reemployed at a 74 percent FTE level.

Not all campuses were aware of problem

Individuals would not have been rehired at a work level that could make them ineligible for retirement benefits had University System officials properly considered the service credit provision within the Retirement, Disability and Death Benefit Plan, and had the Assistant Vice President of Faculty and Staff Benefits notified the various campuses when the issue was discovered.

Columbia campus officials did not adjust salaries when individuals’ rehire levels were lowered to 72 percent FTE appointments

The FTE percentage recorded on some individual personnel action forms did not agree to the FTE percentage recorded on their request to rehire documentation. Although the request for rehire documentation had been approved at a 74 percent FTE appointment level, the personnel action form had been lowered to a 72 percent FTE appointment.

Rehire documentation does not agree

The Associate Director of Human Resources stated that the applicable personnel action forms had been lowered to a 72 percent FTE appointment to address the 1500-hour service credit issue that had been discovered. Although the individuals’ rehire level had been lowered, their compensation had not been lowered to correlate with their reduced rehire level, with the exception of one professor. According to the Associate Director of Human Resources, the salaries of the other individuals were not adjusted to correspond to the reduced rehire level because the salary was approved prior to completing the personnel action form. Although the human resources department did not believe it was proper to adjust an approved salary, there was no provision prohibiting the University from lowering salaries. When comparing the salaries of the applicable individuals at a 72 percent FTE appointment level to their salaries at a 74 percent appointment level, we determined that an additional \$14,745 per year, up to two years, in unnecessary salary costs will be paid because the salaries were not lowered, and one professor suffered a salary reduction when others did not.

\$15,000 in unnecessary additional salaries

Computation of Additional Salaries				
Faculty/Staff	Salary at Retirement	Rehire Salary for 2000-2001 Academic Year	Salary at a 72% FTE Appointment	Additional Salary Received
A	\$73,400	\$54,316	\$52,848	\$1,468
B	\$71,198	\$52,687	\$51,263	\$1,424
C	\$42,240	\$39,072	\$38,016	\$1,056
D	\$70,000	\$51,800	\$50,400	\$1,400
E	\$44,900	\$33,226	\$32,328	\$898
F	\$225,400	\$166,500	\$162,288	\$4,212
G	\$75,130	\$55,574	\$54,094	\$1,480
H	\$140,400	\$103,895	\$101,088	\$2,807
Total				\$14,745

Conclusion

While we do not question the authority or the implementation of the early retirement incentive program, we do have concerns with the rehiring program that was established tangential to the retirement program. The lack of guidance in implementing the rehire program and insufficient oversight from the University System level led to multiple inconsistencies in the treatment of many early retirees.

3. Nine Faculty Members Received Cash Buyouts and Early Retirement Incentives

Nine faculty members on the various campuses, who had already agreed to retire with a cash buyout, were also allowed to receive the early retirement incentives offered by the early retirement incentive program. There were not any provisions in the early retirement incentive program that prevented these faculty members from participating, and University System officials did not take appropriate action to ensure these individuals were not overcompensated. These officials stated that since the early retirement incentive program went into effect before the agreed upon tenure buyout retirement dates of these individuals, they were eligible for the early retirement incentive program. The faculty members were paid over \$648,000 in buyout incentives under separate contracts, and we estimate they will also receive additional pension benefits related to the early retirement incentive program totaling over \$624,000 over the average remaining life expectancy of those individuals. The additional incentives received by these individuals included added years of service or the waiver of the annuity reduction factor based on age. Since both the buyout and early retirement incentives were given to these individuals, they were treated differently than other early retirees and were overcompensated.

Background

It is a common practice in the University environment for tenured faculty members to relinquish their tenured status by entering into a tenure buyout agreement. Tenured status is defined as the act, right, or manner of holding a position, which gives the faculty member protection from being terminated by summary dismissal. Upon entering into a tenure buyout agreement and after their resignation, the faculty member will generally participate in either the regular early retirement or the regular retirement program, depending upon their age.

The benefit to the University of offering these cash incentives is the opportunity to employ a new faculty member with advanced technological knowledge and the opportunity to restructure the academic unit. During buyout negotiations with tenured faculty members, University Officials normally try to cap the amount of the buyout incentive paid at no more than 120 percent of the individual's annual salary. Each tenure buyout agreement is considered a unique and customized transaction. When a Dean of a college/school or the department chairperson of an academic unit initiates a buyout agreement, they will approach the tenured faculty member and begin negotiations.

Once a suitable agreement has been reached between the Dean and the faculty member, an attorney from the General Counsel's Office will draw up a written agreement and present it to the tenured faculty member. The faculty member is given some time to consider the agreement and consult with an attorney. If the agreement is accepted, the faculty member must submit a letter of resignation indicating the agreed upon resignation date. The letter of resignation becomes a part of the buyout agreement. The agreement does not become a legally binding document until the System President approves it.

It is common to have the tenure buyout agreement completed well before the individual's actual date of retirement since faculty members can only retire on March 1 or September 1. Most faculty members are on a 9-month academic appointment and the campuses require that the

eligible retirees give at least 3 months notice of their intent to retire. To earn service credit toward retirement, a faculty member must teach an entire semester. By retiring on March 1 or September 1, faculty members are able to earn service credit toward retirement for the semester. Faculty members that are on an 11 or 12-month appointment, which are typically administrative appointments, can retire on any date.

Faculty were allowed to participate in tenure buyouts and the early retirement incentive program

The early retirement incentive program provisions were silent regarding the eligibility of faculty who had already signed tenure buyout agreements. In response to employee inquiries, the University System General Counsel determined that the early retirement incentive program did not contain any provisions that prevented individuals from participating in the early retirement incentive program. Any individual who met the eligibility guidelines and whose retirement date fell within the participation window of the program was allowed to participate, regardless of any prior agreements. A select few individuals were overcompensated because they were allowed to participate in both programs.

The State Auditor's Office received a complaint suggesting that certain individuals on the St. Louis campus received these dual incentives. We confirmed that this did occur at the St. Louis campus as well as at all other campuses as shown below.

Auditors
received
complaints
about fairness

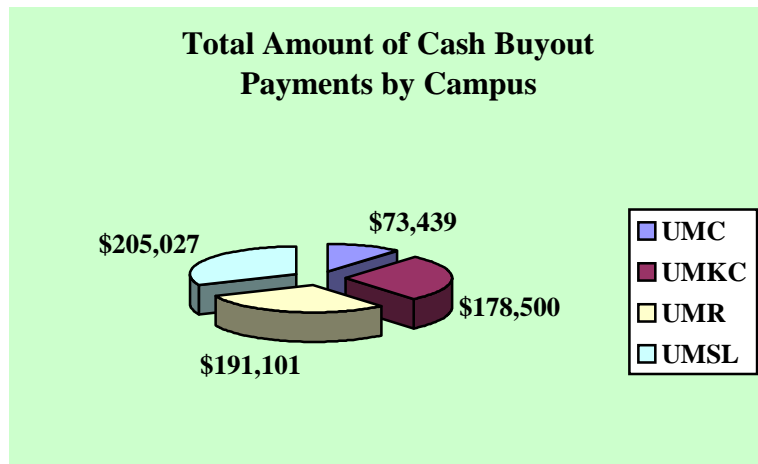
<i>Campus</i>	<i>Number receiving dual incentives</i>
St. Louis	3
Rolla	3
Columbia	2
Kansas City	1

The retirement dates of these individuals under the tenure buyout agreements came during the participation window for the early retirement incentive program.

When discussing this situation with the Deputy to the Chancellor on the St. Louis campus, he stated "...the window of opportunity opened up by the early retirement incentive program created a windfall for these individuals..." This "windfall" prompted a faculty member to express written gratitude to St. Louis administrators for allowing her to participate in both the early retirement incentive program and the tenure buyout agreement.

Individuals
received two
incentives to
retire.

Most of the tenure buyout agreements were entered into prior to the announcement of the early retirement incentive program; however, at the Kansas City campus a tenure buyout agreement was entered into after the Board of Curators approved the early retirement incentive program. The following chart shows the amount of cash buyouts by campus.



Some faculty members were overcompensated upon retirement

The following chart presents the additional retirement benefits and buyout amounts for each of the 9 faculty members who received buyouts and the early retirement incentive. As the chart shows, we estimate that over \$624,000 in extra pension benefits will be paid to the 9 faculty members who had already signed tenure buyout agreements.

<u>Pension Benefit</u>						
<u>Faculty</u>	<u>Under Normal Retirement</u>	<u>Annual Increase Due to VERIP¹</u>	<u>Age at Retirement</u>	<u>Average Remaining Life Expectancy</u>	<u>Early Retirement Benefit²</u>	<u>Buyout Amount</u>
A	\$18,775	\$2,446.52	68	19.1094	\$ 46,752	46,636
B	\$53,108	\$6,122.56	64	17.5718	\$107,584	122,727
C	\$19,394	\$1,845.88	63	18.3345	\$ 33,843	35,664
D	\$30,447	\$4,436.04	65	16.8215	\$ 74,621	178,500
E	\$34,437	\$2,949.96	61	19.8965	\$ 58,694	83,650
F	\$19,257	\$3,114.00	62	19.1094	\$ 59,507	90,709
G	\$18,757	\$5,439.92	58	22.3213	\$121,426	16,742
H	\$21,466	\$2,678.96	61	19.8965	\$ 53,302	31,704
I	\$31,225	\$3,603.44	62	19.1094	\$ 68,860	41,735
Total					\$624,589	\$648,067

¹ The early retirement incentive program

² Col. 3 X Col. 5

University Officials should have ensured the individuals who had previously agreed to retire as a part of their buyout agreements were not allowed to also receive the additional incentives offered by the early retirement incentive program. Or, the officials should have provided the opportunity for these individuals to choose which incentive program they would participate in, but not both.

Although the early retirement incentive program provisions did not address this situation, that did not prevent managers from making equitable and reasonable decisions about prior agreements—agreements that were contracts.

Conclusion

The audit question was whether the early retirement incentive program was implemented fairly and equitably for all employees. We concluded, based on Result 1 that the retirement program was reasonably fair and equitable. However, the nine faculty members addressed in this Result gained advantages that others could not. Consequently, with respect to these individuals, the program was not fairly and equitably implemented. In addition, over \$624,000 in additional and unnecessary retirement benefits will be paid from the University System's retirement funds as a result of this situation. University officials missed the opportunity to prevent this problem by not having clear guidance that would exclude agreed upon tenure buyouts from the early retirement incentive program.

Recommendation

Since this program is closed to further participation, there are no specific recommendations to be made. However, in the future if such a program is again considered, we suggest that the concerns identified in this report be considered in the program guidance.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of the audit was to gain an understanding of the Voluntary Early Retirement Incentive Program-2000 and determine if University officials implemented the program equitably, whether rehire practices were applied consistently, and in compliance with program restrictions, and to determine if the early retirement program was cost effective or beneficial to the University System.

Scope and Methodology

Audit fieldwork began in August 2000 and continued through February 2001. Our audit included gaining an understanding of the Voluntary Early Retirement Incentive Program and reviewing retirement and rehire documentation prepared between December 1999 and September 1, 2000. Any retiree rehired after September 1, 2000, was not included in our review. The audit staff:

- ❑ Reviewed the Voluntary Early Retirement Incentive Program approved by the University of Missouri Board of Curators on December 2, 1999.
- ❑ Interviewed University System officials to gain a general understanding of the program and to determine how the program was to be administered on the various campuses.
- ❑ Visited each campus/division to determine how the early retirement program was administered and to determine whether it was administered equitably and in accordance with established guidelines.
- ❑ Determined the rehire practices and procedures used by each campus/division of the University System and determined whether they complied with program restrictions.
- ❑ Reviewed rehire documentation to ensure early retirement program provisions were applied consistently and fairly to all eligible participants.
- ❑ Reviewed any cost analyses prepared by the various campuses/divisions for completeness and accuracy.

The audit was made in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States and included such tests of the procedures and records as were considered appropriate under the circumstances.

The scope of the audit was impaired. The General Counsel invoked attorney/client privilege, which is his right, concerning certain correspondence between the General Counsel's Office and the Chancellors of the various campuses regarding the early retirement program and withheld the

APPENDIX I

documentation from the State Auditor's Office. Since the auditors were not allowed access to these documents, we cannot attest to the impact they would have had on the audit results.

APPENDIX II

BACKGROUND

The University of Missouri System includes four campuses; at Columbia, Kansas City, Rolla, and St. Louis. The Columbia campus includes the University Hospital and Clinics. The University System currently employs 24,472 faculty and staff and has 54,336 students enrolled at the various campuses.

On December 2, 1999, the University of Missouri Board of Curators approved the Voluntary Early Retirement Incentive Program-2000. This was the second early retirement incentive program of this type implemented by the University of Missouri System. Previously, University System officials had implemented a similar early retirement incentive program in 1992.

The objective of the early retirement program was to free up general operating dollars and redirect them to mission enhanced areas, in accordance with the University of Missouri's strategic plan. The early retirement program offered incentives to employees that were at least age 55 and had at least 10 years of service with the University. The incentives included either adding 3 years of additional service credit or eliminating the annuity reduction factor based on age, whichever was most beneficial to the participant. The early retirement program also offered the opportunity for reemployment of faculty and staff, in non-benefit positions, for transitional purposes based upon operational necessity where it was in the best interest of the University.

Approximately 814 individuals elected to participate in the early retirement incentive program. Upon retirement, the University reemployed approximately 300 of the retired individuals in part-time non-benefit eligible positions.

Mission Statement of the University of Missouri System

"The mission of the University of Missouri, as a land-grant university and Missouri's only public research and doctoral-level institution, is to discover, disseminate, apply, and preserve knowledge. It thereby stimulates learning by its students, and lifelong learning by Missouri citizens, and advances the health and well-being and the intellectual, cultural, social, and economic interests of the people of Missouri, the nation, and the world."

Structure

The University of Missouri System has four separate campuses in the state: the University of Missouri-Columbia, the University of Missouri-Kansas City, the University of Missouri-Rolla, and the University of Missouri-St. Louis. Within the University of Missouri-Columbia is the Health Sciences Center, which encompasses the University Hospital and the Ellis Fischel Cancer Center. Each campus has a Chancellor who serves as the Chief Operating Officer of their respective campus. Each Chancellor reports directly to the System President. The System President reports directly to the University's Board of Curators, which is responsible for the general control and management of the University System. According to the Missouri Revised Statutes and Constitution, the Board of Curators has the power to appoint and remove the

APPENDIX II

President and other employees of the University, assign their powers and duties, and fix their compensation.



May 25, 2001

The Honorable Claire McCaskill
State Auditor
224 State Capitol
Jefferson City, MO 65101

Dear State Auditor McCaskill

The state auditor's office has concluded that the University's recent voluntary early retirement incentive program (VERIP) is meeting the goals set for it by the University's president and the Board of Curators. The University agrees wholeheartedly with this assessment

The University's retirement program is comparable with the best University-based retirement plans in the nation. Moreover, the University's plan is prudently and conservatively administered at substantially lower cost than other state plans such as MOSERS, as well as plans of other universities.

Although the state audit team generally gave the University good marks for its early retirement incentive program, the University takes issue with some of the audit team's conclusions having to do with administrative procedures. In this context, the University's brief response to the audit report contains additional perspective that may prove useful in understanding the issues raised by the audit team.

Audit Report, Section 1

The state audit team concluded that the University's voluntary early retirement incentive program, or VERIP, accomplished its objective. VERIP provided eligible University employees with favorable inducements to take early retirement. University planners used VERIP as a management tool that enabled the University to respond more quickly to changing conditions in higher education. Prior to 2000, the last time the University offered an early retirement option was 1992, with excellent results.

Chancellors of the University System's four campuses have been given wide discretion to use funds generated by VERIP to restructure personnel positions on their campuses to meet the University's most important priorities. This restructuring process is essential if the University is to reposition academic programs to meet the changing demands of the economy for highly qualified graduates in a host of newly emerging or evolving fields.

The success of VERIP can be measured by looking at the numbers. Of the 1,938 employees who were eligible to take early retirement, 814 employees, representing about 42 percent of eligible individuals, actually exercised their option to retire. This result is very close to the University's original estimate of 45 percent and affirms that the original estimates of retirement rates and salary recoupment were accurate.

In its report, the audit team expressed concern that the University did not provide documentation to support its estimate that VERIP would generate a minimum of \$10 million in payroll savings for reinvestment in high priority appointments and programs. Early in the audit process, University officials were given to understand that the audit would focus on whether the University followed Board of Curators and internal guidelines, and not on financial matters. The requested information was provided once it became clear that the audit would consider financial issues.

Projections of retirements and payroll savings were conservative by design. University officials have stressed that the estimate of the number of employees who would elect to take VERIP was considered conservative, as was the estimate of payroll savings. The two major elements of VERIP – the number of VERIP retirees and the amount of savings – are, of course, inextricably linked and form the basis for the University's projections. This point of logic is missing in the report. The University is pleased to note that the audit team's own cost analysis led it to conclude that the program could yield more than \$10 million for strategic reinvestment.

VERIP marked the beginning of a process, not the end of one. The University currently is in the two-year transitional phase following completion of VERIP on September 1, 2000. During the transition phase, campus leaders are reviewing position requirements, redesigning some positions and establishing new ones, and recruiting new faculty and staff. This process takes time, and it is not unusual that final numbers are not yet available.

Audit Report, Section 2

Section 2 of the state audit report pertains to reemployment policies. In particular, the audit team was concerned that rehire provisions of VERIP were not applied uniformly throughout the University of Missouri System.

The voluntary early retirement incentive program was just that – a voluntary program to encourage eligible employees to retire. *VERIP was not, nor was it ever intended to be, a rehire program.*

The University has always had provisions in place for rehire of retired individuals with essential skills on a part-time, non-benefit eligible basis to assist the University in achieving its academic and support functions. The decision whether to rehire an individual upon his or her retirement is based on the needs of the University. This guiding management principle was applied in all cases involving rehire decisions arising from VERIP.

The audit team suggested that University officials could have employed tighter administrative controls to ensure that rehire practices were strictly and uniformly followed throughout the process. This highly centralized approach is inconsistent with the management philosophy that guides University governance. Some context may be useful in understanding the University's position on the point raised by the audit team.

The UM System is comprised of four campuses located in Columbia, Kansas City, Rolla and St. Louis. In 1986, a report prepared under the leadership of Charles F. Knight, then-chairman of Emerson Electric, strongly encouraged the UM System president to delegate authority for certain operational decisions to the chancellors of the four campuses. Based in part on the recommendations contained in the Knight report, the UM System has rejected a management style that requires lengthy and time-consuming approval chains. In its place, the University's leadership has favored a broadly defined and decentralized management style that affords chancellors the opportunity to operate their respective campuses consistent with local needs. This broad-based philosophy of management makes better use of available resources to support the academic enterprise on four very distinctive campuses and has served the University well.

Viewed within the context of personnel issues, the University president traditionally has delegated to the chancellors considerable authority to approve the vast majority of personnel actions involving both academic and nonacademic appointments. In this particular instance, the UM System issued clear and unambiguous guidance to the chancellors for the conduct of VERIP and the selective rehire of employees whose skills or knowledge were required during the post-retirement transition period. System approvals, when required, were provided if the recommendation seemed consistent with the overall program objectives. System officials did not attempt to unnecessarily second-guess the chancellors.

As the audit report acknowledges, the chancellors were given substantial discretion with regard to individual rehire decisions on the premise that they know best the needs of their individual campuses. *Upon the completion of the two-year transition period, the payroll costs associated with these temporary, part-time rehires will be available to the University for reinvestment.*

The "transition provisions" in a program of this nature are critical. Individuals taking early retirement could be rehired by chancellors under these provisions, for varying periods not to exceed two years, provided the guidelines were observed. *Rehire decisions were based on the chancellors' assessments of needs on their respective campuses, and not on the preferences of the individuals in question.*

The University agrees with the audit team's assessment that the rehire standard for establishing "compelling academic or business need" may have been interpreted too liberally in some instances. The University contends, however, that differences in implementation procedures on the campuses did not rise to the level of deliberate violations of the guidelines, as the audit report seems to suggest..

The audit team expressed concern that top administrators were being rehired in their original positions. The Board of Curators did not delegate to the president the authority to approve exceptions concerning executive rehires. The guidance to chancellors regarding the rehiring of top level administrators was clear: Responsibilities of rehired administrators could not remain the same, line authority had to be relinquished, and approval of such rehire cases was subject to the same two-year transition rules as for other employees. When it became apparent that the guidelines were being interpreted too liberally in some instances, University officials acted with dispatch to ensure that the guidelines were followed.

University audits of rehire actions were occurring simultaneously with the state field audit. It would have been unreasonable for the University to suspend its own audit process simply because the state audit team was conducting an audit at the same time. *UM System officials believe that the University's own review of rehire cases during the spring and summer of 2000 detected and corrected discrepancies as they were identified.*

Administrative discrepancies were identified in both audits; however, the number of cases was quite small when we consider that nearly 300 persons were rehired for periods not to exceed two years. In cases that were highlighted in the report as major infractions, one individual worked in the same position for 1½ months before University officials detected the rehire error. In another case, the person became ineligible for the retirement annuity based upon benefit eligible reemployment. The individual postponed retirement at the request of campus officials.

Given the overall success of the program and the objective to give chancellors the latitude to lead their campuses, perhaps it is a small price to pay to have less than 100 percent uniformity in reemployment procedures. The rationale of University leaders was, and is, clear. Every dollar the University spends on bureaucratic or redundant activities is one less dollar that can be spent on academic programs, effective teaching, research and service.

The audit report also suggests that employees were hired at levels that made them ineligible for retirement benefits. The field auditor's understanding of this process was incorrect, perhaps because the University's eligibility rules differ from state rules. Since the inception of the University's retirement plan, service credit is earned if any nonexempt employee works 1500 hours. At the University of Missouri, only nonexempt employees (consistent with the Fair Labor Standards Act) maintain official payroll records based on hours worked. Exempt employees are not paid by the hour, and their retirement service credit eligibility is determined solely on FTE (75 percent or greater) and duration of employment. Not once in the history of the retirement program has the University given service credit to an exempt employee whose FTE is greater than .7212 percent FTE but less than 75 percent FTE. While this has not been an issue for the last 42 years, the University will recommend modification of applicable policies to reflect that the "hours worked provision" applies only to those individuals who are classified as nonexempt employees and who are required, by law, to maintain hours worked.

Salary adjustments, other than those impacted by the 2 percent reduction in FTE, are based upon market, merit and business needs of a unit. Generally, increases would not be appropriate the first year unless wage schedules changed or special market conditions existed, or job responsibilities were increased. For subsequent year(s) the increases should be consistent with increases for similarly situated part-time employees.

Audit Report, Section 3

The University respectfully disagrees with the audit team's conclusion that the University should not have abided by its contractual understanding with nine employees who had entered into "tenured buyout agreements." It was and remains the opinion of the University's General Counsel and his staff that the contracts entered into by these individuals afforded them the retirement program provisions that were available to other faculty and staff. To unilaterally change these agreements subsequent to the contractual understanding or to create a provision in the retirement program that would purport to negate these agreements would have been wrong and would have created an unwarranted risk of litigation.

In conclusion, the University has made two adjustments in practice or policy. First, the University has revised the standard contract language for tenured buyouts, which will preclude a person from simultaneously receiving the benefits of a tenure buyout and a VERIP styled program. In the future, VERIP policy also will specifically address the treatment of those who signed such agreements. Second, The University has clarified the 1500-hour provision for retirement eligibility. The concerns identified in the report, when applicable, will be fully considered in guiding future VERIP programs.

Sincerely,



Manuel T. Pacheco
President

/clc



**VILLAGE OF CLYDE, MISSOURI
YEAR ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-48
June 27, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Village of Clyde, Missouri.

The village has not prepared an annual budget. State statute provides that no expenditure of public monies shall be made unless it is authorized in the budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist in setting tax levies and informing the public about the village's operations and current finances.

The village's property tax rate exceeds the maximum authorized by state law and public hearings on the proposed property tax rates have not been held for at least the past several years.

Board minutes did not always include sufficient detail of matters discussed and actions taken and were not signed by the clerk. In April 2000, the appointment of Trustee Joe Stoll to fill a vacant position was not documented in the minutes. In addition, board minutes do not always include a record of votes taken.

The village does not have a formal bidding policy. Board minutes do not identify the disbursements approved by the board at its regular meetings and the village did not enter into formal written agreements for engineering or legal services. Adequate documentation was not always maintained to fully support some expenditures and the village did not obtain an appraisal of the land and building it acquired.

The minutes for the May 1999 Board of Trustees meeting indicated Trustee McCrary voted in favor of the reappointment of his wife to the position of Village Clerk. The appointment or hiring of a relative by a public official is prohibited by the Missouri Constitution. In addition, Trustee McCrary voted in favor of an ordinance granting an easement of village property to one of his sons.

The Missouri Constitution provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office. However, Trustee McCrary has been reelected to the board in April 2000, subsequent to the appointment in question.

(over)

YELLOW SHEET

Because of the serious consequences which result by hiring a relative, the board should ensure its members abstain from any decision to hire a relative and ensure that action is fully documented in the board minutes. Discussions and decisions concerning situations where potential nepotism or conflicts of interest exist should be completely documented so that the public has assurance that no village official has benefited improperly. In addition, the board should consider establishing a policy which addresses these types of situations and provides a code of conduct for village officials.

The Board of Trustees has not appointed separate individuals to serve as Village Clerk or Village Treasurer. The Village Clerk also serves as the Village Treasurer, and until 2000, also served as Village Collector. The Village Clerk is responsible for all record keeping duties of the village, including receiving and depositing monies, preparing invoices for payment, signing checks, performing bank reconciliations, and preparing financial reports. Neither the board nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the Village Clerk. The current procedures jeopardize the system of independent checks and balances intended by state law. In addition, the village clerk is not bonded as required by state law.

During the year ended December 31, 2000, the village received approximately \$3,000 in motor vehicle-related revenues from the state which were deposited in the General Revenue Fund. The Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets.

The Village Clerk, who also served as Village Collector, collected property taxes for 1999 and prior tax years for the village. The Village Collector did not prepare a delinquent tax list and turn it over to the County Collector as required by state law. The County and Township Collectors began collecting taxes for the village in 2000.

State law requires the Board of Trustees to annually turn over to the county collector a delinquent tax list and certified copies of all tax bills included in the delinquent list. The County Collector is then responsible for collecting the amounts due, including any interest and penalty charges. An Attorney General's Opinion concluded that the delinquent taxes of a village should be in the hands of the county collector by the first Monday in March of each year.

The village has not established a formal policy regarding public access to village records. Currently, the village charges residents \$1 per page for copies of village records. Written policies would establish procedures for the residents to follow and the cost for the requested information. In addition, written policies would help avoid misunderstandings regarding the availability of village records.

Village elections held prior to April 1999 were held at the home of the Village Clerk and her husband, Trustee McCrary. This does not appear proper, particularly since Trustee McCrary was running for the board during the election held at this home. In addition, while the village minute indicate who won the elections, adequate documentation, including the abstract of votes, was not maintained. Village elections are now conducted by the County Clerk.

An annual maintenance plan for village streets has not been prepared.

VILLAGE OF CLYDE, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of Clyde
Clyde, Missouri 64432

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Clyde, Missouri. Our audit of the village included, but was not limited to, the year ended December 31, 2000. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, village policies and ordinances, and various village financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the village and was not subjected to the auditing procedures applied in the audit of the village.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Village of Clyde, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 21, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Tiffany Blew

HISTORY AND ORGANIZATION

VILLAGE OF CLYDE, MISSOURI HISTORY AND ORGANIZATION

The village of Clyde was incorporated in 1879 and is located in Nodaway County. The population in 2000 was 71.

The village government consists of a five-member Board of Trustees. The trustees are elected in staggered elections for two-year terms. The chairperson is appointed by the board from the members. The village officials at December 31, 2000, were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for the Year Ended December 31, 2000</u>
Gerald Eckstein, Chairperson(1)	April 2001	\$ 0
Joseph Stoll, Trustee (2)	April 2001	0
Bill Spire, Trustee	April 2002	0
Bill McCrary, Trustee	April 2002	0
Leonard Untiedt, Trustee (3)	April 2002	0

Other Principal Officials

Sue McCrary, Village Clerk/Treasurer	\$100
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- (1) Re-elected in April 2001 and continues to serve as Board Chairperson.
- (2) Appointed in April 2000 to fill the unexpired term of Joe Eckstein. Elected in April 2001.
- (3) Resigned in November 2000. This seat was vacant until April 2001 when James Bliley was elected.

Assessed valuation and tax rate information for 2000 is as follows:

ASSESSED VALUATION

Real Estate	\$153,259
Personal Property	<u>103,253</u>
Total	<u>\$256,512</u>

TAX RATE PER \$100 OF ASSESSED VALUATION

General Fund	\$ 0.53
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A summary of the financial activity for the village of Clyde for the year ended December 31, 2000, is presented on the next page.

RECEIPTS

Motor fuel and motor vehicle fees	\$	2,914
Grant		2,000
Property taxes		1,646
Franchise fees		1,113
Interest		330
Miscellaneous		1
Total Receipts		<u>8,004</u>

DISBURSEMENTS

Engineering	2,590
Building	2,203
Building remodeling	2,000
Streetlights	1,282
Attorney fees	919
Labor	585
Insurance	314
Gravel and tubes	204
Utilities	167
Mowing and equipment	135
Elections	116
Salaries	100
Miscellaneous	50
Total Disbursements	<u>10,665</u>

Receipts Over (Under) Disbursements (2,661)

Cash Balance, January 1, 2000 14,134

Cash Balance, December 31, 2000 \$ 11,473

MANAGEMENT ADVISORY REPORT

VILLAGE OF CLYDE, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 9-11)

The village does not have a formal bidding policy. Board minutes do not identify the disbursements approved by the board at its regular meetings and the village did not enter into formal written agreements for engineering or legal services. Adequate documentation was not always maintained to fully support some expenditures and the village did not obtain an appraisal of the land and building it acquired.

2. Conflicts of Interest (pages 11-12)

A board member was involved in the appointment of his wife as Village Clerk and the approval of an ordinance which appeared to benefit his son. Several current and former board members were compensated for performing services for the village, contrary to state law.

3. Budgets, Minutes, and Financial Statements (pages 12-13)

The village does not adopt an annual budget. Board minutes are not signed by the Village Clerk and do not always include sufficient detail of matters discussed and actions taken. Semiannual financial statements are not prepared.

4. Property Tax Procedures (pages 13-14)

The Village Collector did not prepare a delinquent tax list and penalties were not assessed correctly on delinquent taxes. The village's property tax rate exceeds the maximum authorized by state law and public hearings on the village's proposed property tax rates have not been held for at least the past several years.

5. Accounting Controls (pages 15-16)

The board has not appointed separate individuals to serve as Village Clerk and Village Treasurer. The village has not established a separate accounting for motor vehicle-related revenues. The Village Clerk is not bonded and checks do not require two signatures. Bank reconciliations are either not performed or not documented for some months.

6. Ordinances and Policies (pages 16-17)

Improvement is needed in the organization of the village ordinances and the village has not established a policy regarding public access to village records.

7. Elections (pages 17-18)

Village elections prior to 1999 were held at the home of a Trustee and adequate documentation of elections was not maintained.

8. Street Maintenance Plan (page 18)

An annual maintenance plan for village streets has not been prepared.

VILLAGE OF CLYDE, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Expenditures
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- A. The village does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were not solicited in 2000 for engineering services (\$2,590) and roofing, paint, and lumber materials for the museum building (\$1,280).

Formal bidding procedures for major purchases would provide a framework for economical management of village resources and help ensure the village receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the village's business. Not only can bids be handled by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected, including documenting circumstances regarding sole source procurement of goods or services.

- B. The board's review and approval of expenditures is not adequately documented. Although the board minutes occasionally document approval of specific payments, board approval is generally not documented. Invoices are generally not signed or initialed by the trustees, and a listing of all disbursements approved for payment by the board is not prepared to accompany the minutes.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the trustees to denote their approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the village.

- C. The village has not entered into written contracts for various services obtained. For example, the village has not entered into a formal written contract for its engineering or legal services.

Section 432.070, RSMo 2000, requires contracts of political subdivisions be in writing. The village should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- D. Supporting documentation was not maintained or was not adequate for some disbursements made by the village. Several payments to current and former board members were not adequately supported. The board indicated these were for mowing, street work, and reimbursements of expenses; however, there was no documentation to support these payments. In addition, other invoices were not adequately detailed to support the work performed.

All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds. The village should require detailed invoices for all services which include the number of hours worked each day, the work performed, and the hourly rate charged.

- E. The village did not obtain an appraisal of the value of the land and building it purchased, for \$1,950, to serve as a museum and meeting hall. To ensure the village received the best value, a professional appraisal should have been obtained.

WE RECOMMEND the Board of Trustees:

- A. Establish formal bidding policies and procedures, with provisions for documentation of the justification for selecting and rejecting bids. If sole source procurement is necessary, the village should retain documentation of these circumstances.
- B. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.
- C. Enter into written contracts for all services which define the duties and responsibilities of both parties.
- D. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods or services received.
- E. Obtain professional appraisals before acquiring real estate.

AUDITEE'S RESPONSE

- A. *The Board agrees and plans to establish a formal bidding policy.*
- B. *The Board agrees and will ensure the monthly report detailing all expenditures, reviewed and approved by the Board, is included in the minutes.*
- C. *We agree and will ensure contracts are obtained for services in the future.*
- D. *We agree and will ensure adequate documentation for expenditures in the future.*

E. *The Board will take this recommendation under advisement.*

2. Conflicts of Interests

- A. The minutes for the May 1999 Board of Trustees meeting indicated Trustee McCrary voted in favor of the reappointment of his wife to the position of Village Clerk. The appointment or hiring of a relative by a public official is prohibited by the Missouri Constitution. In addition, Trustee McCrary voted in favor of an ordinance granting an easement of village property to one of his sons.

Article VII, Section 6 of the Missouri Constitution provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office. However, Trustee McCrary has been reelected to the board in April 2000, subsequent to the appointment in question.

Because of the serious consequences which result by hiring a relative, the board should ensure its members abstain from any decision to hire a relative and ensure that action is fully documented in the board minutes. Discussions and decisions concerning situations where potential nepotism or conflicts of interest exist should be completely documented so that the public has assurance that no village official has benefited improperly. In addition, the board should consider establishing a policy which addresses these types of situations and provides a code of conduct for village officials.

- B. Several current and former board members were compensated for performing services for the village in 1999 and 1998. One board member received \$60 for mowing services in 1999 and the same board member, and four others, were compensated for performing street maintenance services in 1998 and received a total of \$600.

Section 105.458, RSMo 2000, states "no member of any legislative or governing body of any political subdivision of the state shall: (1) Perform any service for such political subdivision or any agency of the political subdivision for any consideration other than the compensation provided for the performance of his official duties".

WE RECOMMEND the Board of Trustees:

- A. Avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest and ensure all appointments of individuals to village positions comply with the restrictions of Article VII, Section 6, of the Missouri Constitution, in regard to the appointment of relatives. If a relative of a village official is considered for appointment, that official should abstain from voting on the appointment and that action should be adequately documented in the minutes.

In addition, the board should consider adopting a code of conduct for village officials.

- B. Comply with state statutes relating to the compensation of village officials.

AUDITEE'S RESPONSE

- A. *The Board has already addressed this issue and made any necessary changes.*
- B. *The Board agrees and will continue to do so.*

3. Budgets, Minutes, and Financial Statements
--

- A. The village has not prepared an annual budget. Section 67.080, RSMo 2000, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

Sections 67.010 to 67.080, RSMo 2000, set specific guidelines for the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist in setting tax levies and informing the public about the village's operations and current finances. A complete budget should include separate receipt and disbursement estimations by fund, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

- B. The board meeting minutes are prepared by the Village Clerk but are only signed by the Chairman. The board minutes should be signed by the Village Clerk as preparer and by the Chairman to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- C. Board minutes did not always include sufficient detail of matters discussed and actions taken. In April 2000, the appointment of Trustee Joe Stoll to fill a vacant position was not documented in the minutes. In addition, board minutes do not always include a record of votes taken.

Section 610.020, RSMo 2000, states that "the minutes shall include the date, time, place, members present, members absent, and a record of votes taken". Complete and accurate minutes provide an official record of board actions and decisions.

- D. Semiannual financial statements are not prepared and published or posted as required by law. Section 80.210, RSMo 2000, provides that the Board of Trustees in March and September is to prepare and publish semiannual financial statements in a local newspaper or to post semiannual financial statements in six public places within the town.

WE RECOMMEND the Board of Trustees:

- A. Prepare complete and accurate annual budget documents that contain all information required by state law and/or necessary to provide a complete financial plan for the village.
- B. Ensure board meeting minutes are signed by the Chairman and the Village Clerk to attest to their completeness and accuracy.
- C. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.
- D. Publish or post semiannual financial statements in accordance with state law.

AUDITEE'S RESPONSE

- A. *We agree and will prepare a budget for 2002 as recommended.*
- B. *We agree and will begin doing this at the next meeting.*
- C. *We agree and will ensure the minutes are in adequate detail as required by state law.*
- D. *We plan to do this beginning with September 2001, as requested.*

4. Property Tax Procedures

- A. The Village Clerk, who also served as Village Collector, collected property taxes for 1999 and prior tax years for the village. The Village Collector did not prepare a delinquent tax list and turn it over to the County Collector as required by state law. The County and Township Collectors began collecting taxes for the village in 2000.

Section 80.480, RSMo 2000, requires the Board of Trustees to annually turn over to the county collector a delinquent tax list and certified copies of all tax bills included in the delinquent list. The County Collector is then responsible for collecting the amounts due, including any interest and penalty charges. Attorney General's Opinion No. 31, 1950 to Frank, concluded that the delinquent taxes of a village should be in the hands of the county collector by the first Monday in March of each year.

B. The Village Clerk did not assess penalties correctly on delinquent taxes. The Village Clerk charged \$3.50 per year for each year the tax was delinquent. Section 140.100.1, RSMo 2000, provides a penalty of two percent per month up to a maximum of 18 percent per year for each delinquent tax bill.

C. The village's property tax rate exceeds the maximum authorized by state statutes.

Section 80.460, RSMo 2000, provides that a village's tax levy shall not exceed 50 cents for general municipal purposes except by a two-thirds vote, and only for a period of four years at a time. The village's tax rate for 2000 is 53 cents. There is no documentation the additional levy (above 50 cents) has ever been approved by a vote of the people. The village should review this situation and set its tax rate in compliance with state law.

D. The Board of Trustees has not held public hearings on the village's proposed property tax rates for at least the past several years. The approved 2000 tax rate was discussed at the September 2000 board meeting, but the tax rate had already been approved by the Board. Section 67.110, RSMo 2000, requires each governing body to hold at least one public hearing, at which citizens may be heard, prior to approval of the proposed tax rates. This section also provides guidance on what information is to be included at the public hearing.

In addition, the Board of Trustees has not prepared an ordinance establishing the approved tax levy each year as required by Section 80.460, RSMo 2000.

WE RECOMMEND the Board of Trustees:

- A. Ensure a delinquent property tax list is turned over to the County Collector annually as required by state law, if the village collects its own taxes.
- B. Ensure the penalty for the collection of delinquent property taxes is charged in accordance with state law, if the village collects delinquent taxes in the future.
- C. Comply with state statutes when setting future tax levies.
- D. Hold a public hearing on proposed property tax rates as required by state law and establish the annual tax rates by ordinance.

AUDITEE'S RESPONSE

A&B. The County Collector is now in charge of collecting the delinquent taxes.

C. We will take this under advisement after consulting our attorney and the County Clerk.

D. We will comply with State Law and annually pass an ordinance establishing the tax rate for that year.

- A. The Board of Trustees has not appointed separate individuals to serve as Village Clerk or Village Treasurer. Presently, the Village Clerk also serves as the Village Treasurer, and until 2000, also served as Village Collector. The Village Clerk is responsible for all record keeping duties of the village, including receiving and depositing monies, preparing invoices for payment, signing checks, performing bank reconciliations, and preparing financial reports. Neither the board or other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the Village Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. The statutes pertaining to villages are similar to those cited in this opinion; therefore, the opinion's conclusion appears applicable to villages also. Holding all three of these offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions.

The current procedures jeopardize the system of independent checks and balances intended by state law. If the duties cannot be adequately segregated, the board should ensure an independent review of the activities performed by the Village Clerk is performed on a periodic basis.

- B. During the year ended December 31, 2000, the village received approximately \$3,000 in motor vehicle-related revenues from the state which were deposited in the General Revenue Fund. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related revenues apportioned by the state of Missouri be expended for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The village has not established a separate accounting for these receipts and the related disbursements to ensure compliance with the Constitutional restriction.
- C. The Village Clerk is authorized to sign checks; however, the village does not have bond coverage for the clerk. Section 80.250, RSMo 2000, requires the Village Clerk to be bonded in a sum not less than one thousand dollars. Failure to properly bond all persons with access to assets exposes the village to risk of loss. Currently, dual signatures on checks are not required. Requiring two signatures on all checks would also provide additional controls over the use of the funds.
- D. Bank reconciliations are either not performed or not documented for some months. Monthly bank reconciliations should be prepared to ensure that all accounting records balance and transactions have been properly recorded and any errors or discrepancies are detected on a timely basis. Complete documentation

of the reconciliations should be retained to support conclusions and any corrections made and to facilitate independent reviews.

WE RECOMMEND the Board of Trustees:

- A. Consider appointing separate individuals to the positions of Village Clerk, Village Collector, and Village Treasurer. If this is not possible, at a minimum, procedures for an adequate independent review of the record keeping functions should be established.
- B. Establish a mechanism to track and account for the restricted receipts to ensure funds are spent in accordance with applicable laws and regulations.
- C. Obtain adequate bond coverage for all persons handling village monies and require two signatures on all checks.
- D. Ensure bank reconciliations are performed and documented on a monthly basis.

AUDITEE'S RESPONSE

- A. *The Board will ensure a review of the Village Clerk's work, and said review will be documented.*
- B. *We agree to establish a plan and procedure to do so.*
- C. *The Board is taking this under advisement and we will require two signatures on all checks.*
- D. *The Board agrees and will implement this immediately.*

6. Ordinances and Policies

- A. Improvement is needed in the organization of the village's ordinances. The village updated its ordinance book in 1998; however, some ordinances were not included and the village has not adopted ordinances for certain items as required by state law. The ordinance authorizing a franchise fee on residents' utility bills was not included in the 1998 update and the village has not adopted ordinances to address such items as duties and compensation of village officials and employees. In addition, the ordinances have not been codified, thus hindering the village's ability to locate specific ordinances.

Since ordinances represent legislation which has been passed by the Board of Trustees to govern the village and its residents, it is important that the village's ordinances be maintained in a complete and up-to-date manner. Such items as duties and compensation of village officials and employees should be set forth in

the ordinances to give the taxpayers information on how the village is to be governed. Codification of the village's ordinances would assist the village in locating specific ordinances and in keeping track of additions and changes made to the village's ordinances.

- B. The village has not established a formal policy regarding public access to village records. Currently, the village charges residents \$1 per page for copies of village records. Section 610.026, RSMo 2000, allows the village to prescribe reasonable fees for providing access to or furnishing copies of public records, not to exceed the actual cost of document search and duplication. Section 610.023, RSMo 2000, lists requirements of making village records available to the public.

Written policies would establish procedures for the residents to follow and the cost for the requested information. In addition, written policies would help avoid misunderstandings regarding the availability of village records.

WE RECOMMEND the Board of Trustees:

- A. Ensure a complete set of ordinances is maintained and consider codifying the ordinances. In addition, the village should adopt ordinances to address items such as duties and compensation of village officials.
- B. Develop written policies regarding procedures to obtain access to, or copies of, public village records.

AUDITEE'S RESPONSE

- A. *We will maintain a set of ordinances and will take the rest of the recommendations under advisement.*
- B. *We will discuss an appropriate written procedure for making copies available.*

7. Elections

Village elections held prior to April 1999 were held at the home of the Village Clerk and her husband, Trustee McCrary. This does not appear proper, particularly since Trustee McCrary was running for the board during the election held at his home. In addition, while the village minutes indicate who won the elections, adequate documentation, including the abstract of votes, was not maintained. Village elections are now conducted by the County Clerk.

The Secretary of State has established record retention guidelines for local government officials. An abstract of votes should be maintained permanently from every election, which indicates votes received by each candidate..

WE RECOMMEND the Board of Trustees continue having the County Clerk conduct elections for the village. In addition, election records should be retained in accordance with the Secretary of State's guidelines.

AUDITEE'S RESPONSE

This issue has already been resolved and is not relevant to this audit period.

8. Street Maintenance Plan

An annual maintenance plan for village streets has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the village residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Trustees prepare a formal maintenance plan for village streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

The Board currently does this, but in the future will ensure these plans are documented so they are more readily available.

This report is intended for the information of the village's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



**USE OF
HIGHWAY FUNDS BY OTHER STATE AGENCIES**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-47
June 19, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2001

www.auditor.state.mo.us

The following conditions were reported related to an audit conducted by our office of the Use of Highway Funds by State Agencies other than the Missouri Department of Transportation.

For many years, the General Assembly has appropriated monies to various state agencies other than the Missouri Department of Transportation (MoDOT) to fund activities it considers highway-related. The expenditures total in excess of \$200 million annually. A narrow interpretation of the constitutional and statutory provisions governing the use of these monies would suggest that their use is limited to very specific purposes; however, it appears the legislature has taken a broader interpretation of the law when appropriating monies to these other state agencies.

At some of these other agencies, the auditors questioned whether some of the highway expenditures incurred met the legal criteria regarding their proper use and/or whether they were highway-related. The extent of such expenditures could not be fully determined without a more detailed study of the functions and activities being funded from highway appropriations. In addition, some agencies have not been required to adequately justify and support their level of highway funding.

The auditors found that the expenditures incurred from highway funds at the Department of Revenue, Office of Administration, and Department of Natural Resources met the legal criteria regarding the use of these funds and/or that the expenditures were highway-related.

The Governor and General Assembly should review the constitutional and statutory provisions governing the proper uses of highway funds and ensure any appropriations awarded to state agencies other than the MoDOT are set at an appropriate level. The applicable agencies should be required to justify and support their level of highway funding.

- In fiscal year 2000, the Missouri State Highway Patrol's (MSHP) expenditures from highway appropriations totaled over \$105 million. Of this amount, approximately \$65 million represented personal service costs, \$17 million represented employee fringe benefit costs, and \$23 million represented expense and equipment costs. In recent years, all personal service costs of the administration section (approximately \$3.3 million in fiscal year 2000) have been funded by highway appropriations, even though this section involves activities/functions affecting the entire organization.

In addition, the auditors noted that in April 2000, approximately 40 employees in the Patrol's Drug and Crime Control Division were paid from highway funds. It appears employees of this division do not generally work on highway activities. The auditors were informed that when monies have been depleted from state general revenue appropriations, personnel are paid from highway funds.

While it appears some expenditures paid from highway appropriations by the MSHP do not appear to meet the statutory and/or constitutional criteria cited and are not highway-related, it was not possible to quantify the extent of such expenditures without a more detailed study. Considering the extent of highway funding received by the MSHP, the amount of questioned, or non highway-related, expenditures could be substantial.

(over)

YELLOW SHEET

- In fiscal year 2000, the Division of Highway Safety's expenditures from highway funds totaled over \$392,000. Of this amount, approximately \$302,000 represented personal service costs and \$90,000 represented expense and equipment costs.

This division administers three federal highway-related programs involving enforcement, education, and engineering. The enforcement program primarily involves funding overtime and equipment costs for enforcement activities. The education program involves making the public aware of safety issues related to highway travel. The engineering program involves the purchase of safety signs for local governments in the state and paying for consulting firms to aid cities and counties with their road and bridge assessments. This program also pays the cost of an annual traffic conference which is held to inform public officials of current highway safety topics. Some of these activities may not be highway-related or meet the legal criteria regarding the use of highway funds.

- In fiscal year 2000, the Division of Motor Carrier and Railroad Safety's expenditures from highway appropriations totaled approximately \$2.5 million. Of this amount, approximately \$1.7 million represented personal service costs and \$800,000 represented expense and equipment costs. This division receives an appropriation from highway funds for either personal service and/or expense/equipment costs related to its regulatory duties over motor carriers.

Although the division's functions and activities that are funded from highway appropriations help ensure the proper oversight and safety of motor carriers, it appears some of the activities funded with these monies may not be highway-related or meet the specific criteria in state statute or the Missouri Constitution. These activities include those related to its oversight of the rates and fares of motor carriers and education assistance to new motor carriers.

- In fiscal year 2000, the State Auditor's Office (SAO) expenditures from highway appropriations totaled over \$628,000. Of this amount, approximately \$604,000 represented personal service costs and \$24,000 represented expense and equipment costs.

It appears the SAO's level of highway funding was originally established as early as 1947 based upon the ratio of highway funds to total state funds, and that funding has been increased incrementally by the legislature since that time. State law requires the SAO to audit the MoDOT and provides that the cost of the audit is to be paid from highway funds. Appropriations from highway funds have been used to fund audit work related to MoDOT, audits of highway funds expended by other state agencies and counties (pursuant to the federal off-system bridge replacement program), and audit work related to County Aid Road Trust (CART) monies received by counties. The costs incurred to audit CART monies may not meet a strict interpretation of the legal provisions; however, the General Assembly through the appropriation process, has expressed its intent that highway funds be used for this purpose.

Funding levels for audit work related to MoDOT and agencies funded by highway appropriations could vary considerably from year to year depending on the agencies audited or issues which might arise needing audit attention.

- In fiscal year 2000, the State Treasurer's Office expenditures from highway appropriations totaled over \$424,000, and were used to pay only personal service costs. It appears the State Treasurer's Office has received this highway funding because of its responsibilities related to the handling and investing of highway funds, and the amount has been increased incrementally by the legislature over the years. The State Treasurer's Office does not invest highway monies separately. Rather, these monies are pooled with other state funds for investment purposes. It appears the expenditures paid from highway appropriations significantly exceed the costs incurred to administer those funds.

USE OF
HIGHWAY FUNDS BY OTHER STATE AGENCIES

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Missouri Highway and Transportation Commission
Jefferson City, MO 65102

We have audited the use of highway funds by state agencies other than the Missouri Department of Transportation. The scope of the audit included, but was not necessarily limited to, policies, practices, and transactions for fiscal years 1999 and 2000. The objectives of this audit were to:


1. Determine the amount of monies expended by other state agencies from the State Highway Department Fund.
2. Determine if the monies expended by other state agencies were spent on highway-related activities and if those agencies could support their level of highway funding.
3. Review the related financial activity for compliance with applicable statutory and constitutional provisions.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed appropriations, expenditure and payroll records, relevant studies, and interviewed personnel at the various agencies.

As part of our audit, we assessed the state agencies' management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on these controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the use of highway funds by other state agencies.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

February 22, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Toni Crabtree, CPA
Audit Staff:	Tara Shah, CPA
	Stacy Wright

EXECUTIVE SUMMARY

USE OF HIGHWAY FUNDS BY OTHER STATE AGENCIES EXECUTIVE SUMMARY

The General Assembly appropriates monies from the State Highway Department Fund (SHDF) to various state agencies other than the Missouri Department of Transportation (MoDOT) to fund activities which it apparently considers highway-related. The expenditures from these appropriations and related fringe benefit transfers total in excess of \$200 million annually.

Certain statutory and constitutional provisions limit the use of these highway funds. A narrow interpretation of these legal provisions would suggest that other than expenditures incurred directly by the MoDOT and the Missouri Highway and Transportation Commission, other costs to be incurred from these funds are limited to certain very specific purposes.

It appears the legislature has taken a broader interpretation of the law when appropriating monies from the SHDF to other state agencies. This has resulted in appropriations being granted to other state agencies that appear to fall outside these specific legal provisions. Although expenditures charged to these appropriations are for activities that are necessary for state government operations, some expenditures have been paid by these agencies that do not appear to be highway-related. The extent of expenditures incurred by these and other agencies which do not meet the statutory criteria or are not highway-related could not be fully determined because some agencies have not been required to adequately justify and support their level of highway funding.

The Governor and the General Assembly should review the applicable statutory and constitutional provisions which apply to the use of highway funds and make a determination of the proper uses of highways funds by state agencies other than MoDOT. After this determination is made, the Governor and General Assembly should ensure any highway appropriations awarded to those agencies are set at an appropriate level. It may ultimately be determined that the current level of highway funding to these other agencies should be reduced and the costs of these necessary operations be shifted to the state's General Revenue Fund or some other funding source.

MANAGEMENT ADVISORY REPORT

USE OF
HIGHWAY FUNDS BY OTHER STATE AGENCIES
MANAGEMENT ADVISORY REPORT

Expenditure of Highway Funds by Other State Agencies

For many years, the General Assembly has appropriated monies from the State Highway Department Fund (SHDF) to state agencies other than the Missouri Department of Transportation (MoDOT) to fund activities which it considered to be highway-related. In recent years, these appropriations were made to the Department of Public Safety, Department of Revenue, Department of Economic Development, Office of Administration, State Auditor's Office, State Treasurer's Office, and Department of Natural Resources. The amounts expended from these appropriations by these agencies and transfers for employee fringe benefits for the four years ended June 30, 2000, were as follows:

	Year Ended June 30,			
	2000	1999	1998	1997
Department of Public Safety	\$ 106,060,682	102,047,882	100,160,917	102,694,449
Department of Revenue *	87,274,632	84,332,223	93,020,010	88,850,107
Department of Economic Development	2,539,555	2,213,205	2,308,841	2,254,972
Office of Administration	325,282	1,967,445	1,057,261	1,027,686
State Auditor's Office	628,859	600,089	571,831	544,923
State Treasurer's Office	424,124	403,926	388,779	371,740
Department of Natural Resources	59,442	42,444	70	33,504
Employee fringe benefit transfers **	<u>13,684,499</u>	<u>12,257,849</u>	<u>11,464,462</u>	<u>11,883,709</u>
Total	\$ <u>210,997,075</u>	<u>203,865,063</u>	<u>208,972,171</u>	<u>207,661,090</u>

* The Department of Revenue amounts include motor fuel tax refunds totaling \$42,062,832, \$42,068,605, \$45,989,671, and \$38,540,872 in fiscal years 2000, 1999, 1998, and 1997, respectively.

** These amounts represent employee fringe benefit transfers made by the Office of Administration from the SHDF for the above agencies.

Legal Criteria Regarding the Use of Highway Funds

Revenues of the SHDF represent highway user fees, which include motor fuel taxes, driver license fees and permits, motor vehicle fees and permits, motor vehicle sales and use taxes and highway use taxes, and miscellaneous revenues, including interest income. Section 226.200, RSMo 2000, provides that state revenue derived from highway user fees be credited to the SHDF, and that fund pay or be credited the cost of:

- ❑ Collection of state revenue derived from the highway user fees;
- ❑ Maintaining the state highways and transportation commission;
- ❑ Maintaining the state transportation department;
- ❑ Any workers' compensation for state transportation department employees;
- ❑ The share of the state transportation department in any retirement program for employees; and
- ❑ Administering and enforcing any state motor vehicle laws or traffic regulations.

In addition, pursuant to Article IV, Section 30(b), of the Missouri Constitution, all state revenue derived from highway users less 1) the cost of collection; 2) the cost of maintaining the highway-related activities of the highways and transportation commission and department, including any workers' compensation and retirement programs; 3) the cost of administering and enforcing motor vehicle laws or traffic regulations, and 4) the refund of motor fuel taxes and that portion of motor fuel taxes allocated to local governments through the County Aid Road Trust (CART) Fund, shall be credited to the State Road Fund and be used for the construction and maintenance of state highways.

In practice, most highway user fees are credited to the SHDF. After payment of the department's administrative expenses, appropriations exercised by other state agencies, and the retention of a set amount to remain in the fund, the remaining monies in the SHDF are transferred to the State Road Fund on a monthly basis.

A narrow interpretation of the constitutional and statutory provisions cited above would suggest that other than expenditures incurred directly by MoDOT and the Missouri Highway and Transportation Commission, disbursements from the SHDF are limited to the costs related to the collection of highway user revenues, the costs of administering and enforcing state motor vehicle laws and regulations, and the refund of motor fuel taxes. However, it appears the legislature has historically taken a broader interpretation of the law when appropriating monies from the SHDF to other agencies. While it appears the intent of these appropriations was to provide funding for highway-related purposes, some of the expenditures made from these appropriations (although necessary costs of state government operations) were not for the specific purposes authorized in the applicable constitutional and statutory provisions regarding highway user fees. This situation is discussed further in the next section.

Use of Highway Funds by Other State Agencies

We reviewed the use of highway funds by the other state agencies and whether the expenditures were highway-related. We defined highway-related as providing necessary services or some other direct benefit to MoDOT or the Missouri Highway and Transportation Commission. We also considered whether the expenditures were for the specific purposes authorized in the applicable constitutional and statutory provisions. Our audit disclosed the following:

Department of Public Safety (DPS)

1. In fiscal year 2000, the Missouri State Highway Patrol's (MSHP) expenditures from highway appropriations totaled over \$105 million. Of this amount,

approximately \$65 million represented personal service costs, \$17 million represented employee fringe benefit costs, and \$23 million represented expense and equipment costs.

The MSHP receives highway appropriations for personal service and expense/equipment costs for its primary operating sections, including administration, enforcement, the academy, the crime lab, vehicle and driver safety, and technical services. Although it appears most activities of the MSHP are directly related to administering and enforcing motor vehicle laws or traffic regulations, the MSHP performs other functions unrelated to these activities, such as some drug and crime control activities, the governor's security, gaming activities, criminal records and identification activities, and some technical services. Although the MSHP makes an effort to match available funding to the appropriate activities, the MSHP has not performed a comprehensive, agency-wide study to ensure the personal service and expense/equipment costs for highway-related activities justifies the current level of appropriations from highway funds.

In recent years, all personal service costs of the administration section have been funded by highway appropriations and that section has not received any personal service appropriations other than from the SHDF. The administration section includes various divisions, including budget and procurement, human resources, research and development, construction and maintenance, and motor equipment. In fiscal year 2000, personal service costs of these divisions totaled approximately \$3.3 million. Since the administration section involves activities/functions affecting the entire organization, it does not appear proper for all personal service costs of this section to be paid entirely from highway funds.

In addition, according to MSHP personnel, employees of the Drug and Crime Control Division (within the enforcement section) do not generally work on highway-related activities and are not paid from highway funds. However, a review of the April 2000 payroll disclosed that approximately forty employees of this division were paid from highway appropriations. A review of the timesheets of several of these individuals indicated that none of the time recorded appeared to be related to administering and enforcing motor vehicle laws or traffic regulations. When we asked about this, we were informed that when monies have been depleted from available General Revenue Fund appropriations, personnel are paid from highway funds. It appears this is not an uncommon practice for other divisions of the MSHP also.

Except for possibly the Division of Vehicle and Driver Safety, all divisions appear to have functions which include both highway and non highway-related activities. In addition, we noted some purchases, including thirteen microcomputers and DNA proficiency tests for the crime lab; paper for enforcement operations (includes gaming, governor's security, and crime and drug control); and equipment for the department's mainframe were paid entirely from

highway appropriations; however, it appears that these supplies/equipment could be used by non highway-related personnel and/or for non highway-related activities. Also, the insurance for the MSHP's airplanes is paid from highway funds. It is unlikely that the use of the MSHP's airplanes is entirely related to administering and enforcing motor vehicle laws or traffic regulations.

It appears that most activities/functions of the MSHP that are funded from highway appropriations are highway-related and involve expenditures which meet the specific criteria in Section 226.200, RSMo 2000, and/or Article IV, Section 30(b), of the Missouri Constitution. However, it appears some costs which do not meet the statutory criteria and pertain to activities that are not highway-related are being funded from highway appropriations.

2. In fiscal year 2000, the Division of Highway Safety's expenditures from highway funds totaled over \$392,000. Of this amount, approximately \$302,000 represented personal service costs and \$90,000 represented expense and equipment costs. The highway appropriations for personal service and most of the expense/equipment costs are used as a match for federal funds. The expense and equipment appropriations included \$35,000 which the division spent for accident report forms provided through the MSHP to police and sheriff's departments pursuant to Section 43.251, RSMo 2000.

The Division of Highway Safety administers three federal highway-related programs involving enforcement, education, and engineering. The enforcement program primarily involves funding overtime and equipment costs for enforcement activities. The education program involves making the public aware of safety issues related to highway travel. The engineering program involves the purchase of safety signs (i.e. stop signs, yield signs, etc.) for local governments in the state and paying for consulting firms to aid cities and counties with their road and bridge assessments. This program also pays the cost of an annual traffic conference which is held to inform public officials of current highway safety topics.

Although the division's activities that are funded from highway appropriations help promote the safety of the motoring public, it appears some of the activities funded with these monies may not be highway-related and may not meet the specific criteria in Section 226.200, RSMo 2000, and/or Article IV, Section 30(b), of the Missouri Constitution.

While it appears some expenditures paid from highway appropriations by agencies within the DPS do not appear to meet the statutory and/or constitutional criteria cited and are not highway-related, it was not possible to quantify the extent of such expenditures without a more detailed study and comparison of the DPS's functions and activities and the funding levels from highway appropriations. Considering the extent of highway funding received by the DPS, the amount of questioned, or nonhighway-related, expenditures at this department could be substantial.

Department of Revenue

In fiscal year 2000, the Department of Revenue's (DOR) expenditures from highway appropriations totaled over \$45 million (not including motor fuel tax refunds). Of this amount, approximately \$24 million represented personal service costs and \$21 million represented expense and equipment costs. In that year, motor fuel tax refunds totaled about \$42 million. Many of the activities/functions of the department are directly related to the collection, allocation, and distribution of highway user revenues, including making motor fuel tax refunds, and involved various divisions of that department.

During our audit, we noted that the DOR has periodically reviewed its level of highway funding to ensure that level of funding is appropriate. In 1995, the department performed a comprehensive study to determine the appropriate level of funding between general revenue and highway funds, based on fiscal year 1996 activity. This study concluded the department was over-funded from highway funds by approximately \$2.2 million, and the department reduced its core budget requests from highway funds by that amount in fiscal year 1997. Since that initial study, the department has performed follow-up studies every two years. In those follow-up studies, the department has concluded that its level of highway funding is appropriate. We reviewed the initial study, follow-up studies, and current personal service and expense/equipment costs, and noted no problems with the department's rationale and methodology used in those studies or the manner in which the department justifies its appropriation levels from highway funds.

It appears the activities/functions of the DOR that are funded from highway appropriations are highway related and involve expenditures which meet the specific criteria in Section 226.200, RSMo 2000, and/or Article IV, Section 30(b), of the Missouri Constitution.

Department of Economic Development

In fiscal year 2000, the Division of Motor Carrier and Railroad Safety's expenditures from highway appropriations totaled approximately \$2.5 million. Of this amount, approximately \$1.7 million represented personal service costs and \$800,000 represented expense and equipment costs.

The Division of Motor Carrier and Railroad Safety is responsible for the general regulatory oversight of motor carriers, railroads, and light rail within Missouri, and receives an appropriation from highway funds for either personal service and/or expense/equipment costs related to its regulatory duties over motor carriers. The division also receives federal funds related to motor carrier safety and uses highway funds as a match. Funding related to the railroad safety activities comes from assessments to the railroad and light rail industries. The division collects motor carrier permit and other revenues which are deposited in the SHDF, and in fiscal year 2000, over \$3.2 million was deposited to the SHDF by the division.

Although the division's functions and activities that are funded from highway appropriations help ensure the proper oversight and safety of motor carriers, it appears some of the activities funded with these monies may not be highway-related or meet the specific criteria in Section 226.200, RSMo 2000, and/or Article IV, Section 30(b), of the Missouri Constitution. For example, the division's activities related to its oversight of the rates and fares of motor carriers, as well as the education assistance provided to new motor carriers may not be highway-related or meet the specific legal criteria cited. It was not possible to quantify the extent of questioned, or nonhighway-related, expenditures without a more detailed study and comparison of the division's functions and activities and the funding levels from highway appropriations.

Office of Administration

The Office of Administration (OA) handles employee fringe benefit transfers for all agencies. In fiscal year 2000, these transfers from the SHDF for agencies other than MoDOT totaled over \$13.6 million.

In addition to the fringe benefit transfers, the OA receives appropriations from highway funds to pay specific expenditures for other state agencies (including MoDOT). In fiscal year 2000, the OA expended approximately \$325,000 from highway appropriations to pay reimbursements to the Department of Labor and Industrial Relations, Division of Employment Security for unemployment claims related to former state employees paid from highway funds. The expenditures paid by the OA from highway funds for other state agencies were even higher in prior years and besides the cost of employment claims, involved the payment of real property leases and the payment for building design and construction costs. Funds to pay these costs were not appropriated to the OA in fiscal year 2000. In addition, the OA handles the transfers made from the SHDF to the State Legal Expense Fund for aircraft insurance and motor vehicle claims for the MSHP.

We reviewed several certifications to the OA from various agencies regarding unemployment benefits, and determined that the former employees were paid from highway funds. We also reviewed the lease costs paid prior to fiscal year 2000 and determined that the leases were for agencies receiving highway funds. In addition, we determined the transfer to the State Legal Expense Fund for the MSHP appears reasonable and proper, except for the allocation of all insurance costs for the patrol's aircraft to highway funds.

The payments made by the OA on behalf of the various state agencies receiving highway funds appeared appropriate based on the expenditures charged against SHDF appropriations by those agencies. To the extent those other agencies' expenditures from highway funds meet the specific criteria in Section 226.200, RSMo 2000, and/or Article IV, Section 30(b), of the Missouri Constitution and are highway-related, so are the expenditures and transfers the OA makes from the SHDF. If expenditures incurred from highway funds by other state agencies were to be reduced, the expenditures and transfers the OA made from highway funds would also be reduced accordingly.

State Auditor's Office

In fiscal year 2000, the State Auditor's Office (SAO) expenditures from highway appropriations totaled over \$628,000. Of this amount, approximately \$604,000 represented personal service costs and \$24,000 represented expense and equipment costs.

It appears the SAO's level of highway funding was established as early as 1947 based upon the ratio of highway funds to total state funds, and that funding has been increased incrementally by the legislature since that time. It should be noted that Section 29.210, RSMo 2000, requires the SAO to audit the MoDOT and provides that the cost of the audit is to be paid from highway funds. While that statute indicates the audit costs are to be paid from appropriations to MoDOT, in practice the legislature has historically granted the appropriations to pay these costs directly to the SAO. These appropriations have been used to fund audit work related to MoDOT, audits of highway funds expended by other state agencies and counties (pursuant to the federal off-system bridge replacement (BRO) program), and audit work related to County Aid Road Trust (CART) monies received by counties.

Based on past internal studies prepared by the SAO in 1984, 1987, and 1990, the amount of highway funds used to audit CART monies in counties has ranged from 46 to 60 percent of the total monies appropriated to the SAO from highway funds. This information has been shared with MoDOT and the legislature during the appropriation process. A recent study which reviewed the costs of audits conducted in the calendar year 2000 provided results similar to the past studies. Based on the recent study, we estimate that costs equal to approximately 50 percent of the highway appropriations were incurred by the SAO for audit work related to MoDOT, audits of highway funds expended by other state agencies, or audit work related to BRO Program monies spent in counties. We estimate the remaining 50 percent (approximately \$314,000) of the highway funds were used to perform audit work related to CART monies.

The costs of audit work related to MoDOT, highway funds expended by other state agencies, and BRO Program monies in counties appear to be highway-related. In addition, while these costs do not appear to meet the specific criteria in Section 226.200, RSMo 2000, or Article IV, Section 30(b), of the Missouri Constitution, Section 29.210, RSMo 2000, provides statutory authority for using highway funds in this manner. Even though the costs incurred to audit CART monies in counties may not meet a strict interpretation of the statutory and constitutional provisions cited, it appears the General Assembly, through the appropriation process, has expressed its intent that highway funds be used for this purpose.

It should be noted that funding levels for audit work related to MoDOT and agencies funded by highway appropriations could vary considerably from year to year depending on the agencies audited or issues which might arise needing audit attention.

State Treasurer's Office

In fiscal year 2000, the State Treasurer's Office (STO) expenditures from highway appropriations totaled over \$424,000, and were used to pay only personal service costs. It appears the STO has received this highway funding because of its responsibilities related to the handling and investing of highway funds, and the amount has been increased incrementally by the legislature over the years. The STO does not invest SHDF monies separately. Rather, these monies are pooled with other state funds for investment purposes.

The STO's practice has been to spend monies from its highway appropriations without attempting to match salaries and other costs with the specific activities/functions. To support its appropriations, in fiscal years 1999 and 2000 the STO prepared a schedule estimating a management fee, representing what it would cost if the highway funds were managed by an external party. While this fee schedule and methodology approximates the STO expenditures from highway funds, it appears expenditures paid from highway funds should be based on costs incurred by the STO related to the handling and investing of highway funds.

In fiscal year 2000, approximately 23 percent of the total personal service costs of the STO (approximately \$1.8 million) were paid from highway funds. In contrast, at June 30, 2000, only about 5 percent of all monies in the custody of the STO represented highway funds. Accordingly, it appears the expenditures paid from highway appropriations significantly exceed the costs incurred by the STO to administer those funds.

Although some of the activities/functions that are funded from the highway appropriations appear to be highway-related, those activities/functions do not appear to meet the specific criteria in Section 226.200, RSMo 2000, and/or in Article IV, Section 30(b), of the Missouri Constitution. Therefore, it may not be appropriate for any of the costs of the State Treasurer's Office (STO) to be paid from highway funds. At a minimum, it appears approximately \$334,000 annually in costs paid by the STO from highway funds may not be highway-related (based on fiscal year 2000 expenditures and the June 30, 2000, balances of funds in the custody of that office) and should be funded by the state's General Revenue Fund. However, it should be noted that the STO will be responsible for the handling and investment of proceeds from bonds issued by the MoDOT recently and in the future. These bond monies will likely increase the level of highway funds in the custody of the STO and, therefore, may justify a higher level of highway funding being provided to that agency than indicated above.

Department of Natural Resources

In fiscal year 2000, the Department of Natural Resources' (DNR) expenditures from highway appropriations totaled approximately \$59,000. Of this amount, approximately \$57,000 represented personal service costs and \$2,000 represented expense and equipment costs. The DNR receives appropriations from the SHDF for personal service

and expense/equipment costs. The expenditures from these appropriations relate to an agreement, whereby the DNR performs environmental analyses for the MoDOT. These expenditures represent reimbursements for costs incurred by DNR in performing this work.

The department maintains timesheets and prepares quarterly reports supporting these expenditures. During our review of these records, we noted no problems in accounting for personal service and expense/equipment costs incurred from highway funds.

The appropriations to the DNR from highway funds appear reasonable and proper. The costs are for work performed by the DNR for the MoDOT, and DNR maintains adequate documentation to support its use of highway funds.

Conclusion and Recommendation

Based on our audit, it appears some state agencies have expended highway funds for purposes that do not meet the applicable legal provisions and/or do not appear to be highway-related. The extent of these expenditures could not be fully determined because some agencies have not been required to adequately justify and support their level of highway funding.

The Governor and the General Assembly should review the provisions of Section 226.200, RSMo 2000, and Article IV, Section 30(b), of the Missouri Constitution and make a determination of the proper uses of highway funds by state agencies other than MoDOT. After this determination is made, the Governor and the General Assembly should ensure any appropriations awarded to those agencies from the SHDF are set at an appropriate level.

To accomplish this, it may be necessary for detailed base reviews of the applicable agencies' budgets be conducted pursuant to Sections 33.800 to 33.810, RSMo 2000. Such a review is required with a majority concurrence of the Chairman of the House Budget Committee, the Chairman of the Senate Appropriations Committee, and the Director of the Division of Budget and Planning. The team assigned to perform a detailed base review is to begin the review no sooner than the final approval of the appropriation bills by the Governor and complete the review no later than October 1 of the same year. As part of this process, consideration should be given to requiring the applicable state agencies to justify and support their level of funding from the SHDF.

The Governor and General Assembly may ultimately determine that the current level of highway funding to the various other agencies should be reduced. If funding levels to the agencies from highway funds are reduced, the funding for these necessary functions and activities will have to be shifted to the state's General Revenue Fund or some other funding source.

It should be noted that legislation passed in the 2000 legislative session will limit the monies appropriated from the SHDF to other state agencies in the future. Section 226.200.3, RSMo 2000, provides that in future years the total amount of appropriations from the SHDF for other state agencies will not exceed the total amount appropriated for those agencies for fiscal year 2001.

AGENCY RESPONSES:

Missouri State Highway Patrol

The criticism concerning alleged improper use of transportation moneys is misplaced. Article IV, Section 30(b) of the Missouri Constitution states that the costs of administering and enforcing any state motor vehicle laws or traffic regulations shall be paid from revenue derived from highway users. The Constitution, and also the statutes, fail to give additional guidance as to what the terms “administering” or “enforcing” mean in the context regarding appropriate uses of funds. Likewise, there is an absence of caselaw on the subject. A sole Missouri Attorney General’s Opinion from 1976 states that highway funds cannot be used when conducting criminal investigations. However, even this opinion, which was issued in letter form, apparently does not take into account the fact that there may be investigations based on violations of traffic laws or regulations committed on the highways of this state. Arguably, investigations such as leaving the scene of a motor vehicle accident where an innocent motorist is killed could come under the funding mandate espoused in the Constitution. Due to the enormity of the Patrol’s mission, the enforcement and administration of the state’s traffic laws and regulations often overlaps with other missions of the Patrol that at first glance would not necessarily seem to have a clear-cut nexus with traffic enforcement. To argue or attempt to create a bright line standard where there is no legally clear set of guidelines or criteria for the Patrol to follow, necessarily entails the use of subjective interpretations that could differ among reasonable persons. The impracticality is compounded when those persons lack a general understanding of the Patrol’s intertwining missions. The Patrol, in the past, has sought, and been granted highway funds necessary to carry out missions and functions now being questioned, including costs regarding the administration of motor vehicle and traffic laws. Some of the Patrol’s funding was first sought through general revenue, however, later appropriated out of highway funds by the legislature.

Specifically, the report had four major findings, to which we have responded below:

- *The Patrol has not performed a comprehensive agency-wide study to ensure it is using highway money properly.*

While the Patrol has never performed a “comprehensive agency-wide study,” it has always done its best to ensure that all funding is properly spent. Budget Division personnel routinely check with the divisions that receive a variety of personal service funding, to determine which of their employees’ salaries would best be paid from highway funds vs. which would best be paid from other funds. Budget Division personnel also work in conjunction with the divisions that receive a variety of expense and equipment funding, to ensure that invoices are properly coded and charged against the most appropriate available funding. Likewise, the Patrol has always done its best to properly request funding of new decision items through the state’s budget process. However, even though we may initially request an item to be funded from general revenue, for instance, that does not prevent that funding from being switched to highway by Budget and Planning or at some other stage of the appropriation process. Each division of the Patrol has an operating budget, developed

internally, with its funding determined by the functions of the division and the appropriations by the state legislature.

- *The entire payroll for the administration program is paid from highway funds, even though the administration program involves functions that affect the entire organization.*

The Patrol agrees with the auditors' observation that our administration program involves activities and functions that affect the entire organization, not just those that are highway-related. However, personal service appropriations for this program have always been provided solely through highway funds by the state legislature, and as noted above, mission overlap does not always allow clear-cut distinctions to be made.

- *In April 2000, 40 employees in Drug and Crime were paid from highway funds, even though they did not work on highway related activities.*

While the majority of the Patrol's enforcement program is highway-related, there are certain areas that would probably be better suited for other funding (i.e., Drug and Crime Control, Criminal Records, and Governor's Security). Traditionally, however, we have never received adequate funding from other sources, such as general revenue, to entirely pay the personal service costs of these areas. As a result, we pay as much of their salaries as possible from the other funding sources that we have been provided, but may need to use highway funding as well to be able to pay them for the entire year. And while it is true that a lot of the work of our Drug and Crime Control Division is not necessarily highway-related, these employees do spend a significant amount of time engaged in support work for the enforcement of highway laws and could therefore legitimately be paid from highway funds.

- *There were some expense and equipment purchases (computers and DNA tests for the Crime Lab, paper for the Gaming Division/Governor's Security/Drug and Crime Control, mainframe equipment for the Information Systems Division, and insurance for the Patrol's airplane) that were paid from highway funds, even though it appears they would have been used for non-highway functions.*

As explained above in relation to our administration program, some of the Patrol's funding, such as the money appropriated for our supply warehouse, is provided solely through highway funds by the state legislature. The same applies to computer mainframe equipment; since its use supports road enforcement officers, the money has been appropriated through highway funds.

Division of Motor Carrier and Railroad Safety

The audit report states that "educational assistance provided to new motor carriers may not be highway-related or meet the specific legal criteria cited." The Missouri Constitution Article IV, Section 30(b) and Section 226.200 RSMo both state that the Highway Fund shall be used for "administering and enforcing any state motor vehicle laws or traffic regulations." The education assistance program is one component of the Division's enforcement section. The information provided to motor carriers is the "administering" of knowledge to assist carriers to

comply with state and federal motor carrier regulations. Helping a motor carrier comply with the law is an effective and efficient method of “enforcement”. The Division of Motor Carrier and Railroad Safety uses education as the first component of the safety enforcement program. Other components include vehicle and carrier inspections, case investigations, and prosecution of violations.

State Auditor's Office

Although the audit work related to the MoDOT and agencies funded by highway appropriations could vary considerably from year to year, the SAO intends to reduce its expenditures of Highway Funds by 10% for FY 2001. Recognizing that CART funds are subject to statutory interpretation, the SAO will support legislation to reduce or eliminate a portion of highway funding related to CART audits with a corresponding replacement of those funds by general revenue.

The SAO will reduce expenditures of Highway Funds by 10% each year for the next 5 years if the General Assembly appropriates general revenue funds to replace the Highway Funds.

State Treasurer's Office

The STO agrees with the audit findings and supports the implication of the audit report: The use of monies from the Highway Fund by the STO should be scaled back, if not completely phased out. However, the STO would be unable to perform its Constitutional and statutory responsibilities if the monies from the Highway Fund were eliminated from the STO's personal service budget without a funding replacement.

Since 1985, the STO has received nearly 25 percent of its total personal service appropriation from the Highway Fund. At that time, the justification for the STO to receive monies from the Highway Fund was to cover the cost of performing the banking and investment operations for the Highway Department (now MoDOT). The justification created a unique situation since no other state agency has this agreement with the STO.

During years of very tight budgets, Highway Fund monies were used to supplement declining state revenues. Although revenues grew and Missouri experienced a very healthy economy during most of the 1990s, the practice of appropriating Highway Funds for use by other agencies was never changed.

The STO has a history of proposing plans to phase out the use of monies from the Highway Fund in its personal service appropriation. In 1995, the STO formally proposed to the Committee on Legislative Research, Oversight Division, to phase out the use of Highway Fund monies in the STO's appropriation. One of the most popular plans would have phased out monies from the Highway Fund and replaced the funds with General Revenue over five years. None of the proposals were ever successfully passed through the General Assembly.

The STO continues in its desire to work with the Governor and members of the General Assembly to phase out the use of monies from the Highway Fund.

Other Agencies

The information in this report was also shared with the Division of Highway Safety, Department of Revenue, Office of Administration, and Department of Natural Resources. Those agencies did not provide a response to the report.

This report is intended for the information of the Governor and General Assembly and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *



**CITY OF WOOD HEIGHTS, MISSOURI
YEAR ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-46
June 7, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the City of Wood Heights, Missouri.

Inadequate oversight and monitoring by the Board of Aldermen, inadequate records and procedures, and improper uses of restricted monies have all contributed to a serious financial situation for the city.

On January 31, 2001, the city had a deficit of \$112,000 in its operating funds. The city had \$22,621 in the general bank account and \$35,677 in unpaid bills. The city owes \$4,069 to the U.S. Department of Justice for excess grant reimbursements and owes approximately \$78,000 in debt service property taxes to the city's debt service fund, and the city should be holding approximately \$10,000 in refundable water and trash deposits on behalf of its customers. In addition, the city needs to incur approximately \$7,000 in net expenses to finish some flood damage projects.

For the year ended June 30, 2000, the city combined all of its operating revenues and expenditures into one fund. Revenues for water, sewer, and trash fees are restricted for providing the related services. The city may be using some of these restricted revenues to pay for general city operating expenses.

The city prepares annual budgets. However, the budgets have not projected the estimated balances of the city's general and operating funds, and the Board of Aldermen has not periodically compared budgeted and actual revenues and expenditures.

The city has not completed some FEMA projects to repair 1997 flood damage to the city. It appears the city made more repairs and spent more money than required on some of the projects that have been completed. The city needs to complete the projects by November 2001 at an estimated cost of \$19,000 and obtain an additional \$12,000 in state funding available to them upon completion of the projects.

The city has levied and collected excessive amounts of debt service property taxes, and the city has spent approximately \$78,000 in debt service taxes on city operations. State law requires debt service taxes be used only to pay principal and interest on general obligation bonds, and the city needs to transfer \$78,000 from the general operating fund to the debt service fund.

(over)

YELLOW SHEET

The city has not adequately documented its water, sewer, and trash rates to ensure these user fees are established to cover the costs of providing these services. In March 2000, the board voted to lower water rates based on an analysis that indicated revenues exceeded expenditures. However, the analysis apparently did not include depreciation and replacement expenses, and indicated that two water pumps needed to be replaced at a cost of \$35,000. Additionally, because the city does not track fund balances, it is unknown if there was a positive balance in the water fund at the time that the analysis was completed. The city has apparently not reviewed the adequacy of sewer and trash rates for several years.

During the time period April 1998 through January 2001, the mayor received at least \$5,936 from the city for mileage, meals, and equipment reimbursements, and compensation in addition to his official compensation. In addition, the mayor's wife and son received a total of \$425 for services provided, and a company owned by the mayor received \$4,602 for services provided. Supporting documentation could not be located for several of these payments, and bids for services provided by the mayor's business could not be located. The Board of Aldermen needs to ensure that it documents its approval prior to making payments to related parties, and that adequate documentation of all expense reimbursements is obtained. In addition, the board should review the payments to ensure they represent legitimate city expenditures and determine if any amounts should be reimbursed to the city.

During the year ended June 30, 2000, city employees purchased items for personal use with city monies. These items cost approximately \$860 and included chairs, paper products, printer stand, tool chest, and various office products. These expenditures were reimbursed to the city through payroll deductions over several weeks, resulting in the city providing its employees with interest-free loans on the personal purchases. In addition, some of the invoices for these purchases did not include sales tax. State law requires sales taxes to be paid on personal purchases. The city should discontinue the practice of allowing employees to purchase personal items with city funds.

Vendor invoices or other supporting documentation were not retained for some expenditures. Some of these expenditures included \$25,000 for street repair, \$3,200 for water system maintenance, \$1,715 for the purchase of radar equipment, \$1,548 for repairs to the city's backhoe, \$700 for repairing water leaks, and \$500 for the purchase of police uniforms and supplies. Documentation for the majority of these expenditures has subsequently been located by the city. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and the expenditures represent appropriate uses of public funds.

CITY OF WOOD HEIGHTS, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Wood Heights
Wood Heights, Missouri 64024

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Wood Heights, Missouri. Our audit of the city included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the city.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the City of Wood Heights, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

April 13, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Susan Beeler
Audit Staff:	Tiffany Blew

HISTORY AND ORGANIZATION

CITY OF WOOD HEIGHTS, MISSOURI HISTORY AND ORGANIZATION

The City of Wood Heights was incorporated in 1959 and is currently a fourth-class city. The city is located in western Ray County. The population in 1990 was 708. The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms, one from each of the two wards each year. The mayor is elected for four years, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officers at June 30, 2000, were:

Elected Officials	Term Expires	Compensation Paid For the Year Ended June 30, 2000	Amount of Bond
Autry Williams, Mayor	April 2002	\$ 564	\$ 15,000
Hiram Jones, Alderman (1)	April 2001	0	15,000
Ruth Pettegrew, Alderwoman (2)	April 2001	138	15,000
Myron Jones, Alderman	April 2002	138	15,000
David Wright, Alderman	April 2002	125	15,000
<u>Other Principal Officials</u>			
Vacant, City Administrator (3)		N/A	15,000
Ann Roach, Court Clerk		11,166	15,000
P. Brian LaFavor, Police Chief (4)		26,068	15,000
Thomas McGiffin, City Attorney/Prosecutor (5)		6,811	0
Sandra Ferguson, Municipal Judge		2,400	0

(1) Gene Lavine resigned in September 1999, and Curtis Magruder was appointed to fill the position until the next election. Hiram Jones was elected in April 2000 to fill the unexpired term and was re-elected in April 2001.

(2) Melvin Carmichael was elected in April 2001.

(3) Lisa Vassar resigned in June 2000, and a new City Administrator was not hired. In October 2000, Eileen McRory was hired as City Clerk.

(4) P. Brian LaFavor resigned in January 2001, and Jacqueline Springer was appointed acting Police Chief.

(5) Thomas McGiffin resigned in January 2001. Michael Gunn was appointed City Attorney and Kurt Eylar was appointed City Prosecutor in January 2001.

The city also employs approximately 3 full-time and 9 part-time employees. In March 2001, the city laid-off all employees except for the city clerk, a part-time accounting clerk, and a part time maintenance worker.

Assessed valuation and tax rate information for tax years 2000 and 1999 are as follows:

ASSESSED VALUATION	2000	1999
Real estate	\$ 4,075,000	3,609,850
Personal property	1,364,266	1,731,371
Total	\$ 5,439,266	5,341,221

TAX RATES PER \$100 ASSESSED VALUATION

General	\$ 0.39	0.39
Debt service	1.48	1.16

The city has a general sales tax of one percent of retail sales within the city.

A summary of the financial activity of the city of Wood Heights for the past few years is presented on the next page.

	Year Ended June 30,				July 1, 2000, to January 31,
	1997	1998	1999	2000	2001
RECEIPTS:					
Property taxes	\$ 16,891	16,361	19,857	21,596	21,407
Debt service property taxes	52,686	53,864	45,113	60,526	68,945
Motor fuel and motor vehicle fees	25,382	27,606	28,399	29,096	17,487
Water/sewer/trash	160,847	180,486	177,256	180,220	103,992
COPS grant	0	16,782	10,293	32,294	30,638
FEMA grant	0	0	120,797	0	0
Utility franchise fees	21,483	21,984	23,656	22,180	18,099
Sales and use tax	16,694	21,483	20,199	30,236	16,596
Fines and court costs	75,935	67,257	41,526	56,697	22,640
Interest and other	45,174	14,083	7,533	19,285	12,093
Total Receipts	415,092	419,906	494,629	452,130	311,897
DISBURSEMENTS:					
General	127,234	150,320	123,163	139,866	107,449
Water	82,758	99,278	152,700	87,351	52,509
Sewer	46,360	56,021	48,174	31,595	11,399
Trash	21,888	21,666	22,272	23,832	7,424
Police	71,178	66,583	64,173	108,891	62,427
Streets	9,217	4,358	25,951	57,891	1,000
Bond principal and interest	37,701	32,890	32,310	32,086	10,765
FEMA projects	0	0	83,008	30,613	7,699
Total Disbursements	396,336	431,116	551,751	512,125	260,672
Receipts Over (Under) Disbursements	18,756	(11,210)	(57,122)	(59,995)	51,225
Cash Balance, Beginning of Period	140,386	159,142	147,932	90,810	30,815
Cash Balance, End of Period	\$ 159,142	147,932	90,810	30,815	82,040

MANAGEMENT ADVISORY REPORT

CITY OF WOOD HEIGHTS, MISSOURI
SUMMARY OF FINDINGS

1. Financial Condition (pages 10-11)

Due to lack of financial oversight and monitoring, inadequate records and procedures, and improper use of restricted monies, the city is in very poor financial condition. Expenditures have exceeded revenues for the past three completed fiscal years, and at January 31, 2001, the city had a deficit balance of approximately \$112,000 in its operating funds.

2. Federal Emergency Management Act (FEMA) Projects (pages 11-12)

The city has not completed some FEMA projects to repair 1997 flood damage to the city. It appears the city made more repairs and spent more money than required on some of the projects that have been completed. The city needs to complete the projects by November 2001 at an estimated cost of \$19,000 and obtain an additional \$12,000 in state funding available to them upon completion of the projects.

3. Debt Service Fund (pages 12-13)

Over the past four years, the city spent approximately \$78,000 of debt service property tax receipts on general city operations. In addition, the city has set its debt service levy higher than allowed by law and collected more debt service property taxes than needed.

4. Community Oriented Policing Services (COPS) Grant (pages 13-14)

The city has received \$103,439 in COPS grant reimbursements since 1996. Documentation of the amounts claimed for reimbursement was not retained as required by the grant, and \$4,069 was reimbursed to the city in excess of that allowed.

5. Related-Party Transactions (pages 14-16)

From April 1998 to January 2001, the city paid the mayor \$5,936, the mayor's wife and son \$425, and a business owned by the mayor \$4,602 in expense reimbursements, additional compensation, and for services provided. The Board of Aldermen needs to ensure that it documents its approval prior to making these payments, and that adequate documentation of all expense reimbursements is obtained. In addition, bids should be obtained for services provided by businesses owned by city officials, as required by state law, and city officials should not be paid compensation in addition to the official compensation allowed.

6. Utility Funds (pages 16-18)

The city does not maintain separate funds to account for water, sewer, and trash receipts and expenditures. The city should perform an analysis of the costs of providing these services and ensure rates are set to cover all operating costs. The city should determine

whether it must continue to maintain the sewer depreciation and replacement fund. The city needs to maintain records of water and trash deposits held for its customers.

7. Expenditure Procedures (pages 18-20)

Forms 1099-MISC are not filed as required. Vendor invoices or other supporting documentation were not always retained. Reimbursements made to employees and officials were not always supported by adequate documentation. The city does not have a formal bidding policy.

8. Receipt Procedures (pages 20-21)

Pre-numbered receipt slips are not issued for some monies received by the city. Checks and money orders are not restively endorsed immediately upon receipt and the method of payment received is not always recorded.

9. Petty Cash Procedures (pages 21-22)

Payments from the petty cash fund are not always supported by invoices. Daily collections of property tax receipts and utility receipts were used to replenish the petty cash fund.

10. Personnel Related Issues (pages 22-23)

The city paid for some personal items for employees and made payroll deductions to reimburse the city. In 1999 and 2000, performance awards and gift certificates totaling \$1,100 were given to city employees. The city does not withhold payroll taxes and issue W-2 forms for compensation paid to city officials.

11. Budgets, Ordinances, and Financial Reporting (pages 23-25)

The city's budgets did not include some information required by state law, and budget amendments were not prepared when needed. The published financial statements do not include the city's indebtedness and should provide a more detailed account of city receipts and expenditures. The city's ordinance book is not complete. The city has not obtained annual audits of its combined waterworks and sewage system as required by state law.

12. General Fixed Asset Records and Procedures (pages 26-27)

The city does not maintain records to account for city-owned property and does not keep usage and maintenance logs for city-owned vehicles and equipment.

CITY OF WOOD HEIGHTS, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Financial Condition
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Inadequate oversight and monitoring by the Board of Aldermen, inadequate records and procedures, and improper uses of restricted monies have all contributed to a serious financial situation for the city.

At January 31, 2001, the city had a deficit of approximately \$112,000 in its operating funds. The city had \$22,621 in the general bank account and \$35,677 in unpaid bills. The city owes \$4,069 to the U.S. Department of Justice for excess grant reimbursements, owes approximately \$78,000 in debt service property taxes to the city's debt service fund, and should be holding approximately \$10,000 in water and trash deposits for its customers. In addition, the city needs to incur approximately \$7,000 in net expenses to finish some flood damage projects.

For the year ended June 30, 2000, the city combined all of its general and operating revenues and expenditures into one fund. Revenues for water, sewer, and trash fees are restricted for providing the related services. The city may be using some of these restricted revenues to pay for general city operating expenses.

The city prepares annual budgets. However, the budgets have not projected the estimated balance of the city's general and operating funds, and the Board of Aldermen has not periodically compared budgeted and actual revenues and expenditures. In addition, the monthly financial reports prepared for the board's review have not been accurate and do not include some checks issued.

The general and operating expenditures of the city have increased significantly over the past few years and increases in revenues have not kept up with the increases in expenditures as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues Over</u> <u>(Under) Expenditures</u>
1997	\$ 415,092	396,336	18,756
1998	419,906	431,116	(11,210)
1999	494,629	551,751	(57,122)
2000	452,130	512,125	(59,995)

The city has hired an attorney to work with the Board of Aldermen and other city officials to reduce the city's deficit balance. In March 2001, the city laid off all of its compensated police officers and some other city employees, and suspended the operation of its municipal court. While this action will not totally eliminate the operating deficit by the end of the current fiscal year, this action will significantly improve the financial

condition of the city. The board must continue to monitor the financial condition of the city and develop a long-range plan which will allow the city to reduce its expenditures and/or increase its revenues to operate the city with available resources. Additionally, the board needs to segregate the water, sewer, and trash funds and ensure that these revenues are only used to pay expenditures for providing these services. The recommendations contained in the remaining MARs, if implemented, will help the city establish procedures to operate within its available resources.

WE RECOMMEND the Board of Aldermen continue to work to develop a long-term plan to operate within its available resources. In addition, the board must closely monitor the financial condition of the city by preparing detailed operating budgets which project the anticipated balance of each city fund and by periodically comparing budgeted and actual revenues and expenditures.

AUDITEE'S RESPONSE

With the assistance of the city attorney, we are developing a long-term plan to operate within the city's available resources and we plan to work toward paying off the deficit as timely as possible. Our long-term plan will be completed as soon as possible. We are currently working on next fiscal year's budget and plan to have it completed by July 1, 2001. We have been receiving monthly financial statements from the city clerk to better monitor the city's financial condition, and we have already started separate accounting for the various city funds. A city treasurer has been appointed to assist in this area.

2. Federal Emergency Management Act (FEMA) Projects
--

During the year ended June 30, 1999, the city received a total of \$120,797 in Federal Emergency Management Act (FEMA) grant monies for 24 projects to repair flood damage which occurred during 1997. The federal grant award represents 75 percent of the total estimated project costs. When all the projects are completed, the city will receive 10 percent of the original estimated project costs in matching state funds. The city is responsible for providing funding for the remaining project costs. As of March 1, 2001, fourteen projects are completed, four are mostly complete, and six have not been started.

The State Emergency Management Agency (SEMA) oversees the FEMA grants. In September 2000, the SEMA performed a site inspection of the projects and noted that many of the project files were missing sufficient documentation to support the project costs claimed by the city. Most of this documentation has subsequently been located. SEMA also noted that two of the projects had been completed with 24-inch pipe instead of the required 30-inch pipe. Therefore, SEMA reduced the grant award by a total of \$3,150 (\$1,575 for each project).

In February 1999, the city opened a separate bank account for the payment of FEMA project expenditures. At January 31, 2001, the FEMA bank account had a balance of

only \$875, which will not cover the cost to complete the 10 unfinished projects. SEMA officials indicated that the city performed more repair work than required on some of the finished projects. For example, the city elected to chip and seal some parts of damaged roads instead of just filling potholes. Therefore, it appears the city spent more money than required on some projects and the city has no grant money left to complete the unfinished projects.

If the city does not complete the 10 unfinished projects, the city will need to reimburse SEMA \$27,214 for the unfinished projects and for using the incorrect pipe size for the two projects described above. If the city completes the projects, the city will be eligible for \$12,093 in net state matching funds (which includes the \$3,150 reduction for using the wrong sized pipe). SEMA has currently set a deadline of November 1, 2001, to complete the unfinished projects. The city is working on a project completion plan which will be submitted to SEMA. While the city has not yet finished this plan, the city plans to use its own employees to complete some of the projects, which apparently will save money compared to paying a contractor to complete all the unfinished projects. Although there is disagreement between some board members regarding the estimated costs to finish the projects, estimates prepared by the City Clerk indicate the city will incur approximately \$19,000 in additional expenses to finish these projects. If the city completes the projects and receives the state matching funds, it appears the city will incur \$7,000 in net additional expenses.

WE RECOMMEND the Board of Aldermen work with the SEMA to complete the projects and obtain the state matching funds. In addition, the board should ensure invoices or other documentation are located or obtained to support all FEMA project expenditures.

AUDITEE'S RESPONSE

There is a difference of opinion among the aldermen as to how much additional expense is needed to complete the projects. However, we intend to finish all FEMA projects and include these expenses in the budget for the year ended June 30, 2002. Most of the invoices for project expenses have now been located and we will try to locate or obtain the remaining invoices.

3. Debt Service Fund

The city levies a property tax to pay the principal and interest on its general obligation bonds. The city issued \$110,000 in general obligation bonds for constructing a sewer system in 1982 which were paid off in 1997. In 1995 and 1996, the city issued \$385,000 in general obligation bonds for water system improvements which will be paid off in 2016.

The city has spent debt service tax revenues on general city operations, and as a result, \$78,000 is due from the general fund to the debt service fund. The balance of the debt service fund at January 31, 2001, was \$57,008; however, based on estimated collections

and debt service principal and interest payments, the debt service fund should have a balance of approximately \$135,000. State law requires debt service taxes be used only to pay bond principal, interest, and related fees.

In addition, the city has significantly over-calculated its required debt service tax levy for the past four years, as follows:

	<u>Tax Rate</u>	<u>Estimated Collections</u>	<u>Debt Payments</u>	<u>Excess Taxes Levied</u>
1997	\$ 1.10	\$ 53,765	\$ 32,600	\$ 21,165
1998	0.96	45,113	32,020	13,093
1999	1.16	55,762	31,440	24,322
2000	1.48	72,519	35,715	36,804

The city's property tax calculations underestimated the balance which should have been in the debt service fund each year. This increased the city's estimate of taxes needed to pay current debt obligations plus a reasonable reserve, as allowed by state law.

The city deposits all property taxes into the general fund, but prior to the collection of 2000 taxes, the city did not transfer some debt service tax collections to the debt service fund. In addition, the city has not transferred any debt service taxes collected by the county on utility property into the debt service fund. State law requires debt service taxes be deposited into a separate fund. The city should continue to deposit all debt service taxes into and make all bond principal, interest, and fee payments from the debt service fund.

WE RECOMMEND the Board of Aldermen transfer \$78,000 from the general fund to the debt service fund, and ensure future debt service tax levies are calculated in accordance with state law. In addition, the board should ensure that all debt service related revenues and expenditures are accounted for in the debt service fund.

AUDITEE'S RESPONSE

The city does not currently have funds available to make the recommended transfer. With the assistance of the city attorney, we will consider all applicable legal considerations and take appropriate action. Currently, all debt service revenues and expenses are accounted for in the debt service fund and this will continue.

4. Community Oriented Policing Services (COPS) Grant

In 1996, the city began receiving federal assistance from the U.S. Department of Justice under the COPS Universal Hiring program to hire additional law enforcement officers. Prior to receiving the grant, the city employed a police chief and various reserve officers. The original grant provided for one additional full-time officer and one additional part-

time officer over a three-year period. An extension was given on this grant until May 2001. In 2000, the city entered into another three-year COPS grant to receive assistance for three additional officers (one full-time and two part-time).

Our review of these grants noted the following concerns:

- A. The city is required to prepare quarterly reports of eligible grant expenditures. The city does not maintain adequate documentation to support the amounts presented on the quarterly reports. The city only maintains a listing of percentages to calculate eligible medical insurance, unemployment insurance, workers' compensation insurance, and retirement costs. There is no documentation of the individual officers' salaries which make up the total amount of salary expense claimed against the grant.

Based on our review of police salaries paid by the city, it appears the city has claimed reimbursement for salary expenses for only eligible officers. However, documentation to support the salaries claimed for reimbursement is required by the grant agreement and is necessary to ensure the propriety of all reimbursement claims.

- B. The city is required to provide 25 percent matching funds for this grant. For the quarter ended September 30, 2000, the city was reimbursed for 100 percent of the total costs claimed for the quarter, which was \$4,069 more than entitled. City officials indicated the grant reimbursement requests are made by phone upon completion of the quarterly financial status report. The applicable financial status report appeared accurate; therefore, it appears the city telephoned an incorrect reimbursement amount.

The city has received a total of \$103,439 in COPS grant reimbursements. Because of the poor financial condition of the city, all of the city's police officers were laid off in March 2001 and the city no longer is participating in the COPS Grant Program.

WE RECOMMEND the Board of Aldermen prepare adequate documentation to support all grant reimbursement claims and repay the \$4,069 in excess reimbursements received for the quarter ended September 30, 2000.

AUDITEE'S RESPONSE

We plan to fully disclose these matters immediately and take whatever action is required by the Department of Justice.

5. Related-Party Transactions

During the time period April 1998 through January 2001, the mayor received at least \$5,936 from the city for mileage, meals, and equipment reimbursements, and

compensation in addition to his official compensation. In addition, the mayor's wife and son were paid a total of \$425 for services provided, and a company owned by the mayor received \$4,602 for services provided. We noted the following concerns with these payments:

- A. The city paid a company owned by the mayor to do miscellaneous work for the city (such as debris cleanup, extermination of city hall, etc.) totaling \$4,602. Of this amount, \$2,882 was paid during the year ended June 30, 1999, and \$1,645 was paid during the year ended June 30, 2000. While the mayor indicated that bids were solicited for the \$2,882 expenditures, no bidding documentation could be located.

Section 105.458.2, RSMo 2000, states "No sole proprietorship, partnership, joint venture, or corporation...in which any member of any political subdivision...is the partner...or owner...shall: (1) Perform any service for the political subdivision or any agency of the political subdivision for any consideration in excess of five hundred dollars per transaction or one thousand five hundred dollars per annum unless the transaction is made pursuant to an award on a contract let after public notice and competitive bidding, provided that the bid or offer accepted is the lowest received." The city should obtain bids and retain bid documentation for all purchases, exceeding \$500 per transaction and \$1,500 annually, from businesses owned by city officials in order to ensure and adequately document compliance with this statute.

- B. In September 1998, the city paid the mayor \$40 for mowing the city water tower lot. Additionally, in March 2000, the city paid \$250 to the mayor for passing out city newsletters. Section 105.458.1, RSMo 2000, states: "no member of any legislative or governing body of any political subdivision of the state shall: (1) Perform any service for such political subdivision or any agency of the political subdivision for any consideration other than the compensation provided for the performance of his official duties."
- C. In October 1998, the city purchased a lawn mower from the mayor for \$400. Although the city indicated that this expenditure was informally discussed by the Board of Aldermen, there is no documentation in the board meeting minutes of this expenditure being approved prior to purchase.
- D. During the year ended June 30, 2000, the city paid the mayor's wife \$200 for passing out city flyers. Additionally, the city paid a lawn mowing service owned by the mayor's wife and son a total of \$225 for mowing the city hall lot. These expenditures were not approved by the board prior to incurring the costs.
- E. During the fiscal year ended June 30, 2000, there were at least 28 instances in which the mayor received reimbursement through petty cash or expense checks for meals that included at least one guest. The total cost of these meals totaled \$722. Additionally, some expense reports could not be located. The expense

reports that were located did not indicate the business purpose of the meals. Additionally, the city does not have a formal policy regarding city funds being used to pay for meals of non-city employees. The city should develop a formal policy regarding this issue, including when such reimbursements are allowed and the business purpose of each meal that includes a guest.

Transactions between the city and city officials and parties related to city officials represent potential conflicts of interest. Therefore, the city should ensure there is adequate documentation to support all related party transactions, bids are obtained for all applicable transactions, and board approval is documented prior to paying any related party transaction. The board should review all transactions between the city and the mayor and the mayor's relatives and determine if any amounts should be reimbursed to the city.

WE RECOMMEND the Board of Aldermen ensure adequate supporting documentation is maintained for all related party transactions. Bids should be obtained for all applicable related party transactions, and board approval should be maintained prior to the payment of all related-party transactions. The board should review all payments made to the mayor and his relatives to ensure all payments represented legitimate city expenditures and determine if any amounts should be reimbursed to the city.

In addition, the board should adopt a policy regarding the payment of meal expenses for guests and ensure these expenses are for legitimate city purposes.

AUDITEE'S RESPONSE

We will start an immediate review of the propriety of these transactions and take appropriate action. We will closely monitor future related-party transactions and develop a formal policy regarding travel and meal reimbursements.

6. Utility Funds

- A. The city does not maintain separate funds to account for its water, sewer, and trash revenues and expenditures. During the year ended June 30, 2000, all city revenues, including water and sewer revenues previously accounted for separately, were deposited into one savings account. Because of this process, revenues restricted for water, sewer, and trash services may have been used to pay for general operating expenses. The city has not maintained adequate records to track the expenditure of these restricted revenues.

To ensure user fee revenues for water, sewer, and trash are used only for providing these related services, the city should maintain separate funds or separate accounting of water, sewer, and trash revenues and expenditures. These revenues should be used only for the allowable purposes, and the unspent balance of these revenues should be accounted for separately along with future receipts.

- B. The city has not adequately documented its water, sewer, and trash rates to ensure these user fees are established to cover the costs of providing these services. In March 2000, the board voted to lower water rates from \$8.05 to \$7.80 per thousand gallons of usage. An analysis of water revenues compared to water expenditures was performed by the city and indicated that revenues exceeded expenditures. However, the analysis indicated that two water pumps needed to be replaced at a cost of \$35,000. Additionally, because the city does not track fund balances, it is unknown if there was a positive balance in the water fund at the time that the analysis was completed. The city has apparently not reviewed the adequacy of sewer and trash rates for several years.

Water, sewer, and trash fees are user charges which should cover the cost of providing the related services, including depreciation costs. The city needs to perform a thorough review of the costs of providing these services and set rates appropriately.

- C. The city issued general obligation bonds in 1982 for construction of the city's sewer system. The bond covenants required the city to establish and maintain a sewer depreciation and replacement fund with monthly transfers from sewer operating revenues. These general obligation bonds were paid off in 1997.

In the past few years, the city has borrowed approximately \$34,000 from the sewer depreciation and replacement fund to pay for laying new water lines and other water system improvements. Although the city operates a combined water and sewer system, the use of sewer funds for water system improvements may be an inappropriate use of city funds. The current balance of the sewer depreciation and replacement fund is only approximately \$1,300.

The city ordinance establishing the sewer depreciation and replacement fund is still in effect. However, because the sewer bonds have been paid off, it is uncertain if the sewer depreciation and replacement fund needs to be maintained by the city. The city should consult with legal counsel to determine if this fund needs to be maintained and if the city needs to transfer the \$34,000 back to the fund, or whether this fund may be closed and the proper disposition of the monies remaining in this fund.

- D. City residents are required to pay a refundable \$65 water deposit and \$25 trash deposit before receiving water and trash service; however, the city does not maintain records of total customer deposits held. City officials indicated that the deposit amounts were increased about seven years ago, and prior to that, some residents' deposits were refunded to them. The city currently estimates that it should be holding approximately \$10,000 in water and trash deposits for its customers. To ensure all city residents have paid a proper deposit and the city only refunds deposits to residents that have actually paid, adequate records of water and trash deposits are necessary.

WE RECOMMEND the Board of Aldermen:

- A. Establish separate funds or separate accountings of water, sewer, and trash revenues and expenditures to ensure these user fees are used only for providing these related services.
- B. Prepare a formal analysis of water, sewer, and trash rates and ensure the rates are set to cover all costs of providing these services.
- C. Consult with legal counsel to determine if the sewer depreciation and replacement fund needs to be maintained and the proper disposition of these monies.
- D. Identify all water and trash deposits held by the city.

AUDITEE'S RESPONSE

- A. *This has already been implemented.*
- B. *We agree and plan to complete a formal analysis of water, sewer, and trash rates by the end of 2001.*
- C. *An ordinance is in place that requires \$200 per month be deposited to the Sewer Fund. This will be done.*
- D. *We agree and will implement this recommendation.*

7. Expenditure Procedures

- A. Other than payments to the city attorney, the city does not file Forms 1099 with the Internal Revenue Service, as required. The Internal Revenue Code requires payments of \$600 or more for services by nonemployees (other than corporations) be reported to the federal government on Forms 1099.
- B. Vendor invoices or other supporting documentation were not retained for some expenditures. Some of these expenditures included \$25,000 for street repair, \$3,200 for water system maintenance, \$1,715 for the purchase of radar equipment, \$1,548 for repairs to the city's backhoe, \$700 for repairing water leaks, and \$500 for the purchase of police uniforms and supplies. Documentation for the majority of these expenditures has subsequently been located by the city. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligation was actually incurred and the expenditures represent appropriate uses of public funds.
- C. Reimbursements made to employees and officials were not always supported by adequate documentation of actual expenses incurred. Some employee expense

reports did not always contain sufficient information such as the date of trip, trip origin, destination, and purpose. On some occasions, expense reports were not retained by the city. As a result, it was not always possible to determine if mileage charged was reasonable. Without a detailed travel expense report, the city cannot adequately review and ensure the propriety of payments made for travel expenses.

In addition, the city reimbursed the mayor for meal expenses through petty cash reimbursements. Petty cash should only be used for emergency and non-recurring expenditures, and all meal expenses should be reimbursed to employees only upon the filing of detailed expense reimbursement reports.

- D. The ordinance that sets forth the City Administrator's duties indicates the City Administrator may authorize purchases of less than \$500. However, the city purchased new water meters in March 2000 for approximately \$1,900 without prior approval of the Board of Aldermen.

As of June 2000, the city no longer has a City Administrator. Therefore, the purchasing ordinance is currently inactive.

- E. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although city officials indicated that bids were taken for some of the FEMA project expenditures, no bid documentation could be located for any of the FEMA expenditures.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- F. Two signatures are required for all disbursements. Checks from the general fund and the Federal Emergency Management Agency (FEMA) fund are sometimes signed in advance. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.

WE RECOMMEND the Board of Aldermen:

- A. Ensure that IRS Forms 1099 are filed as required.
- B. Require adequate supporting documentation for all expenditures.
- C. Require detailed travel expense reports be submitted. These reports should include information such as trip date, origin, destination, and purpose. In addition, the city should discontinue reimbursing meal expenses from petty cash.
- D. Ensure all expenditures have prior approval of the board or develop a purchasing ordinance to allow for some expenditures without prior approval.
- E. Adopt formal bidding policies and procedures.
- F. Discontinue the practice of signing checks in advance.

AUDITEE'S RESPONSE

- A. *We will implement this recommendation.*
- B. *We believe we are currently doing a better job in this area and invoices are currently being maintained for all expenses.*
- C. *We have already developed new mileage and expense reimbursement reports which include all of this information.*
- D. *At this time, the board would like to retain control over all expenditures due to the city's poor financial condition. In the future, we may explore the possibility of adopting a purchasing ordinance which allows small purchases without board approval.*
- E. *We agree and plan to adopt a formal bidding policy by July 15, 2001.*
- F. *We have already implemented this recommendation.*

8. Receipt Procedures

- A. The city collects various types of receipts, such as property taxes, utility payments, city stickers, dog tags, and building permits. Property tax bills and utility payment stubs are marked paid and serve as the receipt slips. Manual receipt slips are issued for other monies received only if a receipt slip is requested. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received, other than property tax and utility receipts, and the numerical sequence should be accounted for properly.

- B. Checks and money orders received are not restrictively endorsed immediately upon receipt. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- C. The city's tax computer system records all receipts as checks, even though cash is received for some tax payments. To ensure all receipts have been recorded properly and deposited intact, the method of payment received should be recorded in the city's receipt records and the composition of receipt records should be reconciled to the composition of bank deposits.

WE RECOMMEND the Board of Aldermen:

- A. Require prenumbered receipt slips to be issued for all monies received, other than property tax and utility receipts, and ensure the numerical sequence of receipt slips is accounted for properly.
- B. Ensure checks and money orders are restrictively endorsed immediately upon receipt.
- C. Ensure the method of payment is recorded in the receipt records and the composition of receipt records is reconciled to the composition of bank deposits.

AUDITEE'S RESPONSE

- A. *We will implement this recommendation immediately.*
- B&C. *We have already implemented these recommendations.*

9.	Petty Cash Procedures
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The city maintains a \$200 petty cash fund on an imprest basis. We noted the following concerns with the city's petty cash procedures:

- A. Payments from the petty cash fund were not always supported by invoices or supporting documentation. Our review of 25 petty cash expenditures noted six payments totaling \$63 were made out of the petty cash fund without invoices or supporting documentation. Invoices should be retained to support the propriety of all petty cash payments.
- B. Prior to October 2000, property tax receipts and utility receipts were used to replenish the petty cash fund. This practice was discontinued in October 2000. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact, and the petty cash fund should be replenished only by checks approved by the Board of Aldermen.

WE RECOMMEND the Board of Aldermen:

- A. Ensure invoices are maintained for all petty cash expenditures.
- B. Continue to ensure daily collections are deposited intact and the petty cash fund is replenished only by checks approved by the Board of Aldermen.

AUDITEE'S RESPONSE

- A. *We believe we have been doing a better job in this area and invoices are currently being maintained for all petty cash expenditures.*
- B. *We will continue to replenish the petty cash fund by checks approved by the board.*

10. Personnel Related Issues

- A. During the year ended June 30, 2000, city employees purchased items for personal use with city monies. These items cost approximately \$860 and included chairs, paper products, printer stand, tool chest, and various office products. These expenditures were reimbursed to the city through payroll deductions over several weeks, resulting in the city providing its employees with interest-free loans on the personal purchases. In addition, some of the invoices for these purchases did not include sales tax. State law requires sales taxes to be paid on personal purchases. The city should discontinue the practice of allowing employees to purchase personal items with city funds.
- B. The Board of Aldermen approved yearly performance awards totaling \$800 for city employees in November 1999 and gift certificates totaling \$300 for city employees in December 2000. These payments were not budgeted as part of the employees' official salaries. Performance awards and gift certificates given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution. In addition, Attorney General's Opinion No. 72, 1955 to Pray, states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."
- C. The city does not report, withhold payroll taxes, and pay the employer's share of social security for compensation paid to the mayor or board of aldermen. Additionally, the city reports the municipal judge's compensation on Form 1099, but does not withhold payroll taxes or pay the employer's share of social security. IRS regulations require employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 2000, includes requirements for reporting wages and withholding state income taxes. State and federal laws

require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300, RSMo 2000, defines an elective or appointive officer or employee of a political subdivision as an employee for social security tax purposes.

WE RECOMMEND the Board of Aldermen:

- A. Prohibit the purchase of personal items with city funds.
- B. Discontinue paying performance awards and gift certificates to employees.
- C. Ensure all compensation paid to city officials is properly reported and appropriate payroll taxes are withheld and paid. In addition, the city should file amended W-2 forms for the unreported employee compensation.

AUDITEE'S RESPONSE

- A. *The board allowed this practice for police officers to purchase items related to their official city duties. We were not aware that other city employees were doing this and it will be discontinued immediately.*
- B. *We do not plan to give any more performance awards or gift certificates.*
- C. *We will implement this recommendation immediately.*

11. Budgets, Ordinances, and Financial Reporting

- A. The city's budgets do not include some information required by state law. In addition, the city's budgets do not provide for a separate accounting of funds restricted for specific purposes, including water, sewer, and trash funds, debt service funds, motor vehicle-related funds restricted for street purposes, and court fees restricted for law enforcement training.

The budgets do not include beginning available resources or projected ending fund balances, a budget message describing the important features of the budget and major changes from the preceding years, comparative revenues and expenditures for the two years preceding the budget year, interest, amortization, or redemption charges on general obligation bonds, and a general budget summary.

Section 67.010, RSMo 2000, requires each political subdivision of the state to prepare annual budgets with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by

classification, and include the beginning available resources and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message, comparative revenues and expenditures for the two years preceding the budget year, all expenses related to general obligation bonds, and a general budget summary. In addition, the budgets should provide for a separate accounting of funds restricted for specific purposes.

- B. In July 2000, the city entered into a lease-purchase agreement for a bobcat and made a \$2,700 down payment, along with an obligation for monthly payments of \$343. This purchase was not included in the city's year ended June 30, 2001 budget, and a budget amendment was not prepared and approved by the board to include this additional expenditure. In addition, the city did not prepare a budget amendment for the year ended June 30, 1999, for FEMA project monies received (\$121,000) and disbursed (\$74,000). Section 67.040, RSMo 2000, requires board approval for any increase in budgeted expenditures after the initial budget is approved.
- C. The city's semi-annual published financial statements do not include sufficient information to inform readers of the financial condition of the city. The financial statements include receipts and expenditures but do not include beginning and ending cash balances. Some major classifications of receipts and expenditures, such as sales tax receipts, motor vehicle-related receipts, and street-related expenditures, are not shown separately, and receipts and expenditures are not classified separately by fund categories, such as the debt service fund. In addition, the financial statements do not include the city's indebtedness, including bonds payable, capital lease obligations, or unpaid bills of the city.

Section 79.160, RSMo 2000, requires the Board of Aldermen to publish semi-annually a full and detailed account of the receipts, expenditures, and indebtedness of the city. The publication of such financial statements are intended to provide information to citizens regarding the financial activity and condition of the city.
- D. The city's ordinance book is not complete. Several ordinances are not included in the book, and in some instances, out-dated versions of ordinances are in the book even though these ordinances have been revised. Since ordinances represent legislation which has been passed by the Board of Aldermen to govern the city and its residents, it is important that the ordinances be maintained in a complete, well organized, and up-to-date manner.
- E. The city has not obtained annual audits of its combined waterworks and sewage system as required by state law. Section 250.150, RSMo 2000, requires the city to obtain annual audits, and the cost of the audits is to be paid from the revenues received from the system. Besides being required by state law, regular audits of the water and sewer system (and other city funds) would better enable the city to:

1. Ascertain the stewardship of the public officials who handle and are responsible for the financial resources of the city.
2. Determine the propriety and accuracy of its financial transactions.
3. Ensure the revenues of the sewer system are adequate to meet the expenses of providing this service.

WE RECOMMEND the Board of Aldermen:

- A. Ensure annual budgets include all relevant information, as required by state law. In addition, the budgets should provide for a separate accounting of funds restricted for specific purposes.
- B. Keep expenditures within the amounts budgeted. If additional revenues will be received and/or additional expenditures are necessary, the extenuating circumstances should be fully documented and the budgets properly amended.
- C. Ensure the published financial statements provide the citizens a detailed account of the financial activity and indebtedness of the city.
- D. Ensure a complete and up-to-date set of ordinances is maintained.
- E. Obtain annual audits of the combined waterworks and sewage system as required by state law.

AUDITEE'S RESPONSE

- A. *We are currently working on the year ended June 30, 2002 budget and we will include all relevant information as required by state law.*
- B. *Due to the city's poor financial condition, we plan to closely monitor the budget and keep expenditures within the budgeted amounts. Budget amendments will be prepared as needed in the future.*
- C. *We will implement this recommendation for the next required published financial statement.*
- D. *We are currently updating the city's ordinance book and plan to have this completed as soon as possible.*
- E. *We plan to obtain annual audits and have included the cost of an audit in next fiscal year's budget.*

- A. The city does not maintain records to account for all property owned by the city. City officials indicated an inventory count was conducted during the year ended June 30, 2000; however, documentation of this inventory count could not be located. The city has an inventory of tools on file and an inventory of employee-owned fixed assets located in City Hall. However, the tools inventory is not dated to indicate when the inventory was taken, and both inventory listings only include descriptions of the fixed assets. Information such as make or model number and physical location of the assets was not included to properly identify the fixed assets.

Property records of city assets should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers and asset identification number, physical location of the assets, and date and method of disposition of the assets. All property items should be identified with a tag or other similar device, and the city should conduct annual inventories. Additionally, all property owned by city employees should also be properly tagged.

Adequate general fixed asset records are necessary to secure better internal control and safeguard city assets which are susceptible to loss, theft, or misuse, and provide a basis for determining proper insurance coverage required on city property.

- B. The city has two police cars, one pickup truck, one dump truck, and one backhoe. Usage and maintenance logs are not maintained for the city vehicles or equipment.

Vehicle logs should be maintained indicating the employee using the vehicle, purpose of the trip and destination, and beginning and ending odometer readings. Equipment logs should include the employee using the equipment, purpose, and readings of hours used. All logs should include operation and maintenance costs. The logs should be reviewed by the board to help ensure there is no inappropriate personal use of the city's vehicles or equipment, verify the propriety of fuel and maintenance costs, and identify the need to replace vehicles or equipment which incur excessive maintenance costs.

WE RECOMMEND the Board of Aldermen:

- A. Ensure property records are maintained which include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. Additionally, the city should properly tag, number, or

otherwise identify all applicable city and employee-owned property and conduct annual inventories of city property.

- B. Require daily usage and maintenance logs be maintained for the city vehicles and equipment, and periodically review the logs.

AUDITEE'S RESPONSE

- A. *We will implement this recommendation by the end of 2001.*
- B. *This recommendation has already been implemented.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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**MISSOURI STATE EMPLOYEES'
RETIREMENT SYSTEM
THREE YEARS ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-45
June 5, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2001

www.auditor.state.mo.us

The following report is our review of the Missouri State Employees Retirement System.

The Missouri State Employees' Retirement System Board of Trustees has not formally solicited proposals for the actuarial consulting service or the investment consulting service contracts in recent years. The Board spends approximately \$150,000 and \$200,000, respectively, for these services annually. The Board has not solicited proposals for the actuarial consulting services since 1992 and the investment consulting services since 1993. Without requesting proposals for such services periodically, the Board of Trustees has not ensured it will receive these services at a fair price.

In its response to the finding, the Executive Director of the retirement system, on behalf of the Board, indicated that soliciting proposals was not applicable to these types of professional services and might, instead, work against the best interest of the plan and its participants. The response also indicated that the Board had documented the steps it had taken, including the use of independent firms to review the work of the consultants, to ensure that the services provided by the two firms were of high quality and were obtained at a fair price. The full response is included in the audit report.

The Missouri State Employees Retirement System was created September 1, 1957, under an act of the General Assembly to provide retirement benefits to most full-time state employees not covered under other retirement plans of the state, including members of the Water Patrol, members of the General Assembly, elected state officials, administrative law judges and legal advisors, and judges. The system provides retirement, survivor and disability benefits, and life insurance to its members. The Missouri State Employees' Retirement System administers three retirement plans and an insurance plan: Missouri State Employees' Plan, Administrative Law Judges and Legal Advisors' Plan, Judicial Plan, and Missouri State Insurance Plan.

All three retirement plans administered by the Missouri State Employees' Retirement System are non-contributory, with the entire cost paid by the State of Missouri. Service retirement benefits, retirement ages and service requirements, and payment options vary for the different employee classes within the three plans. Details regarding each plan are discussed in the Statistical Section of the report.

YELLOW SHEET

MISSOURI STATE EMPLOYEES'
RETIREMENT SYSTEM

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Board of Trustees
and
Gary Findlay, Executive Director
Missouri State Employees' Retirement System
Jefferson City, MO 65102

The State Auditor is required by Section 104.480.4, RSMo 2000, to review the audits of the Missouri State Employees' Retirement System. The Board had engaged KPMG, LLP, Certified Public Accountants (CPA) to perform the annual financial audits of the system for the years ended June 30, 2000, 1999, and 1998. We reviewed the reports and the substantiating workpapers of the CPA firm. The scope of this review included, but was not necessarily limited to, the period of July 1, 1997 to June 30, 2000. The objectives of this review were to:

1. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions.
2. Examine certain management practices.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the system's board minutes, various contracts, and other pertinent policies, and discussed various system procedures with applicable personnel.

As a part of our review, we assessed the system's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention, which would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This background information was obtained from the system's management and was not subjected to the procedures applied in our review of the Missouri State Employees' Retirement System.

The accompanying Management Advisory Report presents our finding arising from our review of the Missouri State Employees' Retirement System.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 26, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Heather M. Thompson

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

In addition to our review of the reports and substantiating working papers of KPMG, LLP, we included those procedures which we considered necessary in the circumstances.

We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions, as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. Nevertheless, our review disclosed no conditions that represent violations.

During our review, we identified a certain management practice which we believe could be improved. Our review was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the finding presented in our report should not be considered as all-inclusive of areas where improvements may be needed.

Professional Services Contracts
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The Missouri State Employees' Retirement System (MOSERS) Board of Trustees has not formally solicited proposals for the actuarial consulting service or the investment consulting service contracts in recent years. The Board spends approximately \$150,000 and \$200,000, respectively, for these services annually. The Board has not solicited proposals for the actuarial consulting services since 1992 and the investment consulting services since 1993. Without requesting proposals for such services periodically, the MOSERS Board of Trustees has not ensured it will receive these services at a fair price.

WE RECOMMEND the MOSERS Board of Trustees periodically solicit proposals for all professional services.

AUDITEE'S RESPONSE

The Executive Director provided the following response on behalf of the Board of Trustees:

This is actually the type of recommendation I anticipated, given that similar recommendations were made for the other Missouri public retirement systems your office also reviewed. While this recommendation appears to have theoretical merit, I do not believe it is applicable to these types of services.

First, with regard to the recommendation, the statement is made that “. . .the MOSERS Board of Trustees has not ensured it will receive these services at a fair price.” (That is clearly a matter of opinion but it has been characterized in your report as being a matter of fact.) Your opinion appears to be predicated on the assumption that the only method for ensuring fair pricing is through the bid process. We agree with you as to the necessity of ensuring fair pricing but do

not agree that the Request for Proposal process is the best approach in all cases. As will be described later, the MOSERS Board of Trustees HAS gone to considerable lengths to assure that it is receiving these services at fair prices by using methods which we believe are superior to the RFP process. The implication to the contrary misrepresents the exceptional diligence the members of the MOSERS Board of Trustees have exercised in these matters.

The second part of the recommendation is that “. . .the MOSERS Board of Trustees periodically request proposals for all professional services.” (Emphasis added.) There are clearly cases where it does make sense to periodically go out to bid for services, such as for the work of the external auditor. There are other cases, such as for services provided by money managers, the custodian bank, the outside legal counsel, the investment consultant, and the actuary, that bidding services periodically, ostensibly to ensure fairness in fees, can actually be counterproductive, resulting in fees that are higher than would otherwise have been the case. One reason for this is the cost service providers incur in preparing proposals – a cost which they must be positioned to recover over the life of the contract and which typically includes a risk component not seen by the purchaser. The risk is that the cost of proposal preparation will not result in any revenue for the unsuccessful bidders and thus an amount must be built into the proposed fee structure to cover unsuccessful attempts. In an open bidding situation, where the criteria for selection is “lowest and best bid,” the incumbent typically has the inside track with regard to submitting the “best bid” because of experience with the purchaser. Consequently, a bid process actually gives an incumbent service provider an opportunity to increase fees more than would have been the case had an open ended contract simply been continued with some type of adjustment for inflation. (Service providers who are good at the bidding game typically have a very good sense for what the traffic will bear and, when bidding for business where they are the incumbent, will take the chance of ratcheting fees up to cover their bidding costs and the risk element mentioned earlier.)

The trustees have a fiduciary obligation to administer the system in the best interest of the participants and must have the flexibility to exercise sound judgement regarding how to best carry out that legal fiduciary obligation. That includes judgements regarding the best methods for assuring that services are being received at fair prices. In some cases that will involve a bid process for the acquisition of services and in other cases it will not.

Regarding the specific service providers you mentioned, a good deal of the value they add stems from their institutional memory and in-depth knowledge of the complexities of MOSERS. A fee-related focus on acquisition of these services would, in my opinion, not be in the best interest of the plan or its participants. An example of the type of problem which can result from lack of in-depth knowledge is discussed later. (In brief, an actuarial firm with a good national reputation but limited knowledge of another retirement system here in Missouri made a billion dollar error in the calculation of that plan's liabilities.)

Bidding out the investment consulting work is particularly problematic because many of the service providers in that industry have multiple lines of business that result in blatant conflicts of interest. By having those other conflicting lines of business and multiple sources of revenue, they are able to low-ball the fees charged to systems such as MOSERS and make it appear that

our present fees are high. With all of this being said, however, it does not mean that systems like MOSERS can simply ignore fees for the sake of eliminating turnover in service providers.

How the Fee Issue Has Been Addressed at MOSERS

Investment Consultant:

Last year, the Board retained the services of Cooper Consultants, a firm which specializes in the review and evaluation of investment consultants, to examine all aspects of the services being provided the system by Summit Strategies (the system's investment consultant). A copy of the Cooper report was provided to the In-Charge Auditor from your office. The following is a quote from that report:

"We find the annual fees currently paid to Summit Strategies are low for the services provided to a system the size and sophistication of the Missouri State Employees' Retirement System."

In all respects, the observations and findings in the Cooper report with respect to the services being provided MOSERS by Summit Strategies were very favorable.

Actuarial Consultant:

In 1997, the Board retained the services of Milliman & Robertson (M&R), a nationally recognized actuarial consulting firm, to review all aspects of the services being provided by the system's retained actuary, Gabriel, Roeder, Smith & Company (GRS). In the report issued by M&R as a result of their review, the work of GRS was given very high marks. (A copy of that report was also provided to the In-Charge Auditor.) While not specifically addressed in their report, I did discuss fees with M&R personnel and they indicated that the fees were not out of line with what they would expect to see for a system of our size and complexity.

Beyond that, it is worth noting that shortly after the M&R review was completed, it was discovered that an actuary for another major retirement system in Missouri had made an error which understated their liabilities by over \$1 billion. By being proactive in this area we are confident that the work of our system's actuary is accurate and reliable – for the most part, this confidence stems from the reputation of GRS in the public fund universe and the extensive experience GRS has with MOSERS. (It's probably worth noting that the other statewide retirement systems in Missouri also presently use GRS for actuarial consulting services.)

Based upon these independent reviews by reputable third parties, I believe the MOSERS Board of Trustees has, contrary to the opinion expressed in your report, ensured that the services of these firms are being provided at a fair price.

Fiduciary Responsibility

As mentioned earlier, the Board members (and senior staff) at MOSERS have a legal obligation to assure that the system is being administered in the best interest of the plan participants. In

light of this obligation, we constantly challenge our own practices internally to determine whether or not there are things we should be doing differently. The end result of these challenges is either documented defense of present practice or a change in practice. I believe we have adequately examined and defended the present practices, which your report calls into question, and justified their continuation.

This report is intended for the information of the system's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM HISTORY, ORGANIZATION, AND STATISTICAL SECTION

The Missouri State Employees' Retirement System (MOSERS) was created September 1, 1957, under an act of the General Assembly to provide retirement benefits to most full-time state employees not covered under other retirement plans of the state, including members of the Water Patrol, members of the General Assembly, elected state officials, administrative law judges and legal advisors, and judges. The system provides retirement, survivor and disability benefits, and life insurance to its members. MOSERS administers three retirement plans and an insurance plan: Missouri State Employees' Plan, Administrative Law Judges and Legal Advisors' Plan, Judicial Plan, and Missouri State Insurance Plan.

The Missouri State Employees' Plan (MSEP) is a single employer, public employee, defined benefit retirement plan administered in accordance with Chapter 104, RSMo 2000. As of June 30, 2000, there were 57,774 active, 11,774 terminated vested, and 18,196 retired members and beneficiaries of the Missouri State Employees' Plan.

The Administrative Law Judges and Legal Advisors' Plan (ALJLAP) is a single employer, public employee, defined benefit retirement plan administered in accordance with Chapter 287, RSMo 2000. As of June 30, 2000, there were 52 active, 20 terminated vested, and 23 retired members and beneficiaries of the ALJLAP.

The Judicial Plan is a single-employer, public employee, defined benefit retirement benefit plan administered in accordance with Chapter 476, RSMo 2000. As of June 30, 2000, there were 375 active, 64 terminated vested, and 363 retired members and beneficiaries of the Judicial Plan.

The Missouri State Insurance Plan is accounted for as an internal service fund of the State of Missouri and is administered by MOSERS. It provides basic life insurance for eligible members of the MSEP (except employees of the Missouri Department of Conservation, and the state colleges and universities), members of the Judicial Plan, members of the ALJLAP, and certain members of the Public School Retirement System; a duty-related death benefit, optional life insurance for active employees and retirees who are eligible for basic coverage; and a long-term disability plan for certain eligible members.

MOSERS has been a noncontributory plan since September 1, 1972, except for members of the General Assembly and elected state officials who became noncontributory effective September 1, 1976.

The responsibility for the operation and administration of the retirement system is vested in an eleven-member Board of Trustees. This Board consists of the State Treasurer, the Commissioner of Administration, two members of the Senate appointed by the President Pro Tem, two members of the House of Representatives appointed by the Speaker of the House, two members appointed by the Governor, and three members of the retirement system, one of whom must be retired, who are elected by a plurality vote of the membership to four-year terms. The members of the Board of Trustees as of June 30, 2000, were as follows:

Name	Position	Membership	Term Expires
Thomas Hodges	Chairman	Elected Member	December 2002
Jacquelyn White	Vice-Chairman	Governor's Appointee	***
Richard Hanson	Ex-Officio Member	Commissioner of Administration	*
Richard Franklin	Member	Representative	**
Joseph Bednar	Member	Governor's Appointee	***
Bill Skaggs	Member	Representative	**
John Russell	Member	Senator	*****
John Scott	Member	Senator	*****
Bob Holden	Ex-Officio Member	State Treasurer	*
Ben Russell	Member	Elected Member	December 2002
Steve Price	Member	Elected Member	December 2002

* Term expires with expiration of office held. Richard Hanson retired in January 2001, and the position is now filled by Michael Hartmann. Bob Holden was replaced by Nancy Farmer as State Treasurer in January 2001.

** Appointed by the Speaker of the House.

*** Appointed by the Governor, appointed for the term of the Governor. Joe Bednar was replaced by Carol Gilstrap in January 2001.

***** Appointed by the President Pro Tem of the Senate.

Gary Findlay has served as the Executive Director since his appointment on August 1, 1994. The Executive Director is responsible for employment of the retirement staff, routine operation of the system, and advising the board on all matters pertaining to the system.

The Board of Trustees has appointed Gabriel, Roeder, Smith & Co., of Southfield, Michigan as actuarial consultants. As of June 30, 2000, the following firms managed external investments for the MOSERS: AmeriCap Advisors, of New York, New York; Capital Guardian Trust, of Los Angeles, California; Dimensional Fund Advisors, of Santa Monica, California; Mastholm Asset Management, of Bellevue, Washington; Merrill Lynch Asset Management Group, of New York, New York; Oak Associates, Ltd., of Akron, Ohio; Silchester International Advisors, of London, England; Zak Capital, Inc., of Minneapolis, Minnesota; BlackRock Financial Management, Inc., of New York, New York; Hoisington Investment Management Company, of Austin, Texas; and NISA Investment Advisors, of St. Louis, Missouri. A portion of MOSERS investment portfolio is managed in-house by MOSERS staff. Credit Suisse First Boston Corporation, of New York, New York; and Goldman Sachs & Co., of New York, New York serve as securities lending program advisors. Deutsche Bank Bankers Trust Company of the Southwest, of Dallas, Texas serves as the system's master trustee/custodian. Summit Strategies, Inc. of St. Louis, Missouri serves as the system's investment consultant. Charlesworth & Associates, of Overland Park,

Kansas serves as the system's risk management consultant. Thompson Coburn, of St. Louis, Missouri serves as the system's external general counsel.

Membership, required contributions, and benefits provided under the MSEP, ALJLAP, and the Judicial Plan are generally as follows:

Missouri State Employees' Plan

Eligibility

All employees of the state whose position normally requires at least one thousand hours of work per year and who are not simultaneously accumulating creditable service under another retirement program supported by state contributions (other than social security) are eligible and required to participate in the MSEP.

Contributions

MOSERS is a non-contributory plan, with the entire cost paid by the State of Missouri. The contribution rate paid by the State for fiscal years 2000, 1999, and 1998 was 11.91, 12.58, and 10.40 percent, respectively, of the MSEP membership payroll. Prior to September 1, 1972, contributions by members were required.

Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements. All service retirement benefits for members in the general employee plan are the greater of an amount based on a formula which multiplies the average monthly pay of the highest thirty-six consecutive months of salary, by the applicable formula factor, by the years of creditable service, and in the case of early retirement, an age reduction factor, or \$15 times the full years of creditable service. General Assembly members receive \$150 times the number of biennial assemblies (three or more).

Elected officials with less than twelve years of service as an elected official receive a benefit based on a formula which multiplies the average monthly pay of their highest thirty-six consecutive months of salary, by the applicable formula factor, by the years of creditable service. Elected officials with twelve or more years of service receive 50 percent of the current statutory salary paid to the elected official in the highest position which the retiree previously held.

Creditable service is a combination of the creditable prior service a member has accrued before becoming a member of MOSERS and the years and full months of service the member has as a member of MOSERS. A regular member is fully vested upon completion of five years of service; a General Assembly member is fully vested upon completion of three full biennial assemblies; and a Statewide Elected Official member is fully vested upon completion of four years of service.

NORMAL RETIREMENT

A member may retire under the standard (.016) formula factor with full benefits at age sixty-five with five years of service (four years if he/she is retiring directly from active employment), or at age sixty with fifteen years of service. A member may retire at age fifty or later with full benefits if their combined age and service equal eighty (Rule of 80).

A uniformed Water Patrol member may retire at age fifty five with five years of service (four years of service if he/she is retiring directly from active employment). A uniformed Water Patrol member may also retire at age fifty or later with full benefits under the Rule of 80. A Water Patrol member's base benefit is calculated under the standard (.016) formula factor and this amount is then increased by 33-1/3 percent to determine their normal retirement annuity.

EARLY RETIREMENT

A member may retire with reduced benefits at age fifty five with ten years of service. There are no early retirement provisions for General Assembly members and uniformed members of the Water Patrol.

PAYMENT OPTIONS

General Employees, Uniformed Members of the Water Patrol, Elected Officials (less than twelve years of service):

A retiring member may elect to receive an unreduced benefit with a life income annuity or a 50 percent joint-and-survivor option, or the member may elect to receive a reduced benefit with a 100 percent joint-and-survivor option. The survivor options provide survivor benefit coverage in varying degrees after the retiree's death.

Under the Joint & 100 Percent Survivor Option, if the designated surviving spouse dies before the retiree, the retiree's benefit will "pop-up" or revert to the life income annuity amount effective the first of the month following the spouse's death.

These members may also choose an annuity with either 60 or 120 guaranteed monthly payments. The member receives a reduced monthly benefit for life and if the member dies before receiving the designated number of payments, the beneficiary receives the remaining payments.

General Assembly Members:

A retiring member of the General Assembly may elect to receive a life income annuity with no survivor option or an unreduced joint benefit with a 50 percent survivor option or may elect to distribute 50 percent of the member's life income annuity to eligible children, provided there is no surviving spouse.

Elected State Officials (more than twelve years of service):

A retiring state official with more than twelve years of service may elect to receive a life income annuity with no survivor option or an unreduced joint benefit with a 50 percent survivor option.

Cost-of-Living Adjustments (COLA)

For members hired prior to August 28, 1997, a COLA to the benefit amount is provided annually based on 80 percent of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4 percent and a maximum of 5 percent until the total of such COLA increases reaches a cap of 65 percent of the member's base benefit. After reaching this 65 percent cap, those members' annual COLA will be the same as for members who were hired after August 28, 1997, as discussed below.

For a member hired after August 28, 1997, a COLA is based strictly on 80 percent of the increase in the CPI, with no cumulative cap, no annual minimum, and a 5 percent annual maximum.

For elected state officials with 12 or more years of service, the COLA is equal to the increase in the current pay of an active elected state official in the highest position held.

Termination Benefit

If a member ceases to be a state employee, or if the membership is otherwise terminated, after vesting in the system, an accrued pension will commence upon application at the date first eligible for full accrual benefit. Under certain conditions, qualified terminated vested members may make a one time election to receive the present value of their benefit in a lump sum payment. A member terminating state employment on or after August 27, 1997, will not be eligible for the lump sum option if the present value of the benefit exceeds \$10,000 on the date of application.

Death and Survivor Benefits

If a member is fully vested, dies prior to retirement, and the death is nonduty-related, a joint-and-100 percent survivor benefit, based on the member's accrued benefit, will be paid to the eligible surviving spouse (except for general assembly members for whom the benefit would be based on the joint-and-50 percent survivor benefit). With no surviving spouse, the member's minor children will receive 50 percent of the fully vested member's accrued benefit. Survivors are eligible to receive COLAs.

If the death is duty-related, the eligible surviving spouse or children receive a benefit equal to 50 percent of the member's current pay.

Administrative Law Judges' and Legal Advisors' Plan (ALJLAP)

Eligibility

Individuals appointed or employed as administrative law judges or legal advisors of the Division of Workers' Compensation or Office of Administration, members of the Labor and Industrial Relations Commission and their attorney or legal counsel, the chairperson of the State Board of Mediation, and administrative hearing commissioners are eligible for membership.

Contributions

ALJLAP is a non-contributory plan, with the entire cost paid by the State of Missouri. The benefits provided to ALJLAP members are actuarially funded by the state. The contribution rate paid by the State for fiscal years 2000, 1999, and 1998 was 20.1, 18.7, and 19.66 percent, respectively, of the ALJLAP membership payroll.

Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements. ALJLAP members at least age sixty-two with twelve or more years of creditable service, at least age sixty with fifteen years of creditable service, or at least age fifty-five with twenty or more years of creditable service receive a monthly benefit of one-half of their average monthly salary based on their highest twelve consecutive months salary. ALJLAP members age sixty-five with less than twelve years of service receive a reduced benefit based upon the years of service relative to twelve years.

Creditable service is a combination of the creditable prior service accrued before becoming a member and the years and full months of service ALJLAP members have as a member of the retirement plan.

Cost-of Living Adjustments

For members hired prior to August 28, 1997, a COLA to the benefit amount is provided annually based on 80 percent of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4 percent and a maximum of 5 percent until the total of such COLA increases reaches a cap of 65 percent of the member's base benefit. After reaching this 65 percent cap, those members' annual COLA will be the same as for members who were hired after August 28, 1997, as discussed below.

For a member hired after August 28, 1997, a COLA is based strictly on 80 percent of the increase in the CPI, with no cumulative cap, no annual minimum, and a 5 percent annual maximum.

Termination Benefit

An employee who terminates employment with twelve or more years of creditable service can receive his accrued benefit at age sixty-five. As of August 28, 1997, qualified vested members of the ALJLAP who have terminated all employment with the State for a period of six months or longer may make a one time election to receive the present value of their benefit in a lump sum payment, provided the value is less than \$10,000.

Death and Survivor Benefits

The surviving spouse of an ALJLAP member who dies before retirement receives up to 50 percent of the benefit the member would have received based on service relative to twelve years. The benefit payable to the surviving spouse of a retired ALJLAP member who dies is 50 percent of the member's accrued benefit. Survivors are eligible to receive COLAs.

Judicial Plan

Eligibility

Individuals appointed or elected as a judge or commissioner of the supreme court or of the court of appeals; a judge of any circuit court, probate court, magistrate court, court of common pleas, or court of criminal corrections; a justice of the peace; or a commissioner or deputy commissioner of the circuit court after February 29, 1972 are eligible for membership.

Contributions

The Judicial Plan is a non-contributory plan, with the entire cost paid by the State of Missouri. The benefits provided to the Judicial Plan members are actuarially funded by the state. The contribution rate paid by the State for fiscal years 2000, and 1999, was 53.92, and 51.81 percent, respectively, of the Judicial Plan membership payroll. Prior to the Judicial Plan becoming funded on an actuarial basis in fiscal year 1999, the plan was funded on a pay-as-you-go basis.

Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements. Judicial Plan members at least age sixty-two with twelve or more years of creditable service, at least age sixty with fifteen years of creditable service, or at least age fifty-five with twenty or more years of creditable service receive a monthly benefit of one-half of their average monthly salary based on the compensation from the highest court served. Judicial Plan members at least age sixty-two with less than twelve years of creditable service or at least age sixty with less than fifteen years of creditable service may retire early and receive a reduced benefit based upon the years of service relative to twelve or fifteen years, respectively.

Creditable service is a combination of the creditable prior service accrued before becoming a member and the years and full months of service the Judicial Plan members have as a member of the retirement plan.

Cost-of-Living Adjustments

For members hired prior to August 28, 1997, a COLA to the benefit amount is provided annually based on 80 percent of the previous year's change in the Consumer Price Index (CPI) with a minimum of 4 percent and a maximum of 5 percent until the total of such COLA increases reaches a cap of 65 percent of the member's base benefit. After reaching this 65 percent cap, those members' annual COLA will be the same as for members who were hired after August 28, 1997, as discussed below.

For a member hired after August 28, 1997, a COLA is based strictly on 80 percent of the increase in the CPI, with no cumulative cap, no annual minimum, and a 5 percent annual maximum.

Death and Survivor Benefits

The surviving spouse of a Judicial Plan member who dies before retirement receives up to 50 percent of the benefit the member would have received based on service to age 70. The benefit payable to the surviving spouse of a retired Judicial Plan member who dies is 50 percent of the member's accrued benefit. Survivors are eligible to receive COLAs.

Insurance Plans

Long-Term Disability

Members of MOSERS in a position normally requiring one thousand hours of work a year are covered under the Long-Term Disability Plan, unless they work for a state agency which has its own long-term disability plan. Eligible participants receive 60 percent of their compensation minus primary Social Security, Worker's Compensation, and any employer-provided income. The benefit commences after 90 days of disability or after sick leave expires, whichever occurs last. Long-term disability benefits cease when the disability ends, when retirement benefits begin, when the member returns to work, or upon the member's death.

Uniformed Water Patrol members who are eligible for statutory occupational disability receive benefits equal to 50 percent of compensation at the time of disability. For nonoccupational disabilities, eligible participants receive the same benefit as general employees.

Judges who become disabled receive one-half of their salary on the date of disability. This is a constitutionally-provided disability benefit paid until his/her term expires. Judges are also eligible for the above noted Long-Term Disability Plan.

Basic Life Insurance

All active employees covered under the MOSERS life insurance plan receive \$15,000 of Basic Life Insurance on the first month coinciding with or following the date of employment. The cost of the Basic Life Insurance is paid by the State. Eligible members, who immediately retire from active employment, are provided \$5,000 of Basic Life Insurance by the State at no cost to the member. Terminating employees may convert Basic Life Insurance to an individual policy, subject to certain restrictions.

Duty-Related Death Benefit

Active employees covered under the MOSERS' life insurance plan receive an amount equal to three times the basic life insurance amount payable to the beneficiaries of the members whose death is determined to be duty related.

Optional Life Insurance

Members working for an agency covered under MOSERS' life insurance plan are eligible for Optional Life Insurance on the first of the month coinciding with or following their date of employment. Members are responsible for paying the entire cost of their Optional Life Insurance.

The maximum amount of Optional Life Insurance coverage available to active employees is six times annual salary, up to a maximum of \$800,000. The law also enables MOSERS to make dependent spouse and children coverage available to eligible members.

MSEP members who immediately retire from active employment may retain up to the lesser of \$60,000 or the amount of Optional Life Insurance coverage held at the time of retirement at the group rate, and may convert any remaining Optional Life Insurance at individual rates. Terminating employees may convert Optional Life Insurance and Dependent Insurance to an individual policy, subject to certain restrictions.

Subsequent Events

The MOSERS adopted the "Year 2000" Plan pursuant to Sections 104.1006 to 104.1093, RSMo 2000 on August 28, 1999. The Year 2000 Plan affects all people hired on or after July 1, 2000, as well as MOSERS active members, vested former members, and retirees and survivors who elect to transfer to the MSEP 2000 Plan within established guidelines. The Year 2000 Plan is available to all state employees excluding members of the ALJLAP and Judicial Plan; therefore, the plan has been commonly referred to as the Missouri State Employees' Plan 2000 (MSEP 2000). Under the MSEP 2000 Plan, each general state employee and Water Patrol member's life annuity is equal to one and seven tenths percent of the final average pay of the member multiplied by the member's years of credited service. Under the MSEP 2000 Plan, members of the General Assembly receive a benefit equal to the member's monthly base pay divided by twenty-four and multiplied by the member's years of credited service. The benefit for members of the General Assembly is capped at 100 percent of the member's final salary. Under the MSEP

2000, elected state officials receive a benefit equal to the member's monthly base pay divided by twenty-four and multiplied by the member's years of credited service. The benefit for elected state officials is capped at twelve years of service or 50 percent of the member's final salary. The MSEP 2000 Plan also changes the eligibility for normal and early retirement for most member classes, changes some survivor options, and establishes an additional temporary benefit until eligibility for Social Security benefits for general state employee and Water Patrol members retiring under the Rule of 80 provision.

Effective January 1, 2001, the basic life insurance benefit increased from \$15,000 to one-times the employee's annual salary with a minimum of \$15,000.

* * * * *



**MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN**

YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-44
May 29, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2001

www.auditor.state.mo.us

The following report is our review of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan.

As similarly noted in our prior report, the financial condition of the Missouri Department of Transportation and the Missouri State Highway Patrol Medical and Life Insurance Plan (plan) has continued to deteriorate over the past two years. While annual revenues have increased approximately 43% since June 30, 1998, rising from \$34.4 million to \$49.4 million, expenditures have continued to exceed revenues by approximately \$10 million and \$3 million, respectively, in the two years ended June 30, 1999 and 2000. Annual plan expenditures increased approximately 26% during that time, rising from \$41.5 million to \$52.4 million. As a result, retained earnings have declined significantly, from \$4.9 million at June 30, 1998, to negative \$8.3 million at June 30, 2000. This trend has slowed slightly during the current fiscal period and, as of November 30, 2000, the plan's retained earnings was approximately negative \$7.7 million.

The significant increase in plan expenditures can again be attributed primarily to increasing medical claim costs. To control costs, the board has made various benefit changes including raising medical claim deductibles, out-of-pocket maximums, service co-pays, and changing allowable services. The board has also implemented a \$50 prescription deductible and increased prescription co-pays to 30% of cost.

Revenues have risen due to several increases to the state and member contribution rates. Effective January 1, 2001, the board again implemented an 11% rate increase for most insurance plan groups. In addition, a 10% rate increase is projected for 2002, according to the plan's actuary.

As a result of these rate increases and benefit changes, the actuary is projecting the plan will achieve positive retained earnings again by the end of calendar year 2002. While projections appear positive, actual results could be better or worse than projections and actuarial estimates.

Our report also noted that the plan does not adequately monitor the prescription claims administrator's contract compliance. The plan has performed no testing of prescription claims processed and paid by the prescription claims administrator nor has it required an independent analysis of the adequacy or implementation of the administrator's internal control policies and procedures relevant to the processing and payment of the plan's prescription claims. The prescription claims administrator processed and paid approximately \$8.6 million and \$8.5 million in prescription claims for the years ended June 30, 2000 and 1999, respectively.

(over)

YELLOW SHEET

This Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan was organized by the Missouri Highway and Transportation Commission on July 1, 1977, under the provisions of Section 104.270, RSMo. The plan was established to provide medical coverage on a self-insured basis, and death benefits on an insured basis. Beginning May 1, 1982, additional life insurance was made available as an option.

Copies of this audit are available upon request.

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Missouri Highway and Transportation Commission
and
Board of Trustees
Missouri Department of Transportation and Missouri
State Highway Patrol Medical and Life Insurance Plan
Jefferson City, MO 65102

We have conducted a review of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan (plan). The Board had engaged KPMG LLP, Certified Public Accountants (CPA), to perform a financial audit of the plan for the year ended June 30, 2000. We reviewed the report and substantiating workpapers of the CPA firm. The scope of our review included, but was not necessarily limited to, the fiscal year ended June 30, 2000. The objectives of this review were to:

1. Review certain management practices, financial activity, and related procedures for compliance with applicable statutes, attorney general's opinions, and board policies.
2. Review the efficiency and effectiveness of certain management practices and operations.
3. Follow-up on the status of recommendations made in our previous report.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed board minutes, plan records and contracts, and made inquiries of plan personnel.

As part of our review, we assessed the plan's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed

additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the plan's management and was not subjected to the procedures applied in our review of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan.

The accompanying Management Advisory Report presents our findings arising from our review of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 9, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Robert McArthur
Audit Staff:	Anissa Falconer
	Jerry Lamprecht, CPA

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
SUMMARY OF FINDINGS

1. Financial Condition (pages 7-8)

The Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan's (plan) financial condition has continued the significant deterioration noted in our prior report. Although the board has implemented changes to increase revenues and control costs, the expenditures continued to exceed revenues during fiscal years 1999 and 2000.

2. Monitoring of Prescription Claims Administrator (pages 8-9)

The plan has hired an independent consultant to assist with monitoring the prescription claims administrator. However, additional steps are necessary to reduce risks inherent in the service organization's agreements.

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition
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As similarly noted in our prior report, the financial condition of the Missouri Department of Transportation and the Missouri State Highway Patrol Medical and Life Insurance Plan (plan) has continued to deteriorate over the past two years. While annual revenues have increased approximately 43% since June 30, 1998, rising from \$34.4 million to \$49.4 million, expenditures have continued to exceed revenues by approximately \$10 million and \$3 million, respectively, in the two years ended June 30, 1999 and 2000. Annual plan expenditures increased approximately 26% during that time, rising from \$41.5 million to \$52.4 million. As a result, retained earnings have declined significantly, from \$4.9 million at June 30, 1998, to negative \$8.3 million at June 30, 2000. This trend has slowed slightly during the current fiscal period and, as of November 30, 2000, the plan's retained earnings was approximately negative \$7.7 million.

The significant increase in plan expenditures can again be attributed primarily to increasing medical claim costs. In addition, the liability for "incurred but not yet reported" claims also increased significantly after being re-evaluated by the plan's new actuary. To control costs, the board has made various benefit changes including raising medical claim deductibles, out-of-pocket maximums, service co-pays, and changing allowable services. The board has also implemented a \$50 prescription deductible and increased prescription co-pays to 30% of cost.

Revenues have risen due to several increases to the state and member contribution rates, as well as additional state drawdowns approved by the Highway Commission. Effective January 1, 2001, the board again implemented an 11% rate increase for most insurance plan groups. In addition, a 10% rate increase is projected for 2002, according to the plan actuary.

As a result of these rate increases and benefit changes, the actuary is projecting the plan will achieve positive retained earnings again by the end of calendar year 2002. While projections appear positive, actual results could be better or worse than projections and actuarial estimates.

WE AGAIN RECOMMEND the Board of Trustees continue to closely monitor the financial condition of the plan and continue to take any additional actions needed to maintain the solvency of the plan.

AUDITEE'S RESPONSE

The financial condition of the MoDOT/MSHP Medical and Life Insurance Plan (Plan) is of primary concern for the Plan Board of Trustees. As indicated in the report, significant measures have been implemented that are designed to control costs and increase revenue to the Plan. Beyond the parameters of this audit, current financial reports are included for review that are indicative of the success of these measures. The Board of Trustees for the Plan will continue to monitor the financial condition of the Plan with ongoing input from the Plan actuary. The Board, as needed, will review modifications to current benefit and rate schedules.

2. Monitoring of Prescription Claims Administrator

The plan does not adequately monitor the prescription claims administrator's (PCA) contract compliance. To provide additional assurance that the PCA is acting in accordance with contract provisions, the plan should consider both performing a periodic review of processed claims and requiring the PCA to obtain a service organization audit in accordance with the Statement on Auditing Standards No. 70 (SAS 70).

The plan contracts with the PCA to process and pay employees' prescription claims submitted through participating pharmacies. The PCA determines whether the claims are for eligible members and conform to plan benefit guidelines, calculates required co-pays and deductibles, and calculates and pays the fees due the pharmacies. The plan's contract with the PCA includes several performance measurement standards regarding timeliness and accuracy of claims processing, etc, as well as penalties for not meeting the standards. The PCA processed and paid approximately \$8.63 million and \$8.45 million in prescription claims for the years ended June 30, 2000 and 1999, respectively.

In June 1999, to more adequately monitor the PCA, a pharmaceutical consultant was hired by the plan to review the performance of the PCA, provide support services, analyze prescription claims data, and suggest plans of action for managing prescription costs. While the reviews done by the plan's consultant provide some monitoring of the PCA's activities, the consultant has not been asked to perform a claims test. A test of claims processed and paid by the PCA would provide independent assurance that only eligible participants' claims were paid, only approved drugs were authorized, reimbursement rates and rebates were appropriately applied, generic drugs were used when available, applicable deductibles and co-pays were met, and no duplicate payments had been made. Such a test would also support the PCA's self-review of performance measurement goals as provided for in the contract.

In addition, the board has not required the PCA to obtain a SAS 70 audit or requested the consultant to perform such a review. This type of audit of the PCA would identify its policies and procedures relevant to the processing and paying of the plan's prescription claims, whether these policies and procedures were suitably designed to achieve control objectives, had actually been placed in operation, and were complied with satisfactorily.

These additional reviews could be put in place to decrease the risks inherent in this type of service organization agreement.

WE RECOMMEND the Board of Trustees consider additional reviews of the prescription claims administrator to ensure appropriate controls are in place at the administrator, claims are processed timely and accurately, and applicable performance standards have been accurately measured.

AUDITEE'S RESPONSE

Plan prescription drug claims are administered by Eckerd Health Services (EHS). EHS has informed the Board of Trustees that they will be obtaining a SAS 70 audit per client request. EHS expects to name a vendor to provide the SAS 70 audit in late April, 2001. In addition, the Board of Trustees will consider conducting periodic third-party reviews of the Plan prescription claims administrator.

This report is intended for the information of the system's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan (plan) on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended June 30, 1998. The prior recommendation which has not been fully implemented, has been repeated in the current MAR.

1. Monitoring of Performance Standards

- A. The various medical claims administrators performed quarterly internal audits of a sample of claims to measure the percentage of compliance with performance standards applicable to their contracts as a basis for calculating penalties due. The board did not review the documentation supporting how the penalties were determined to assure themselves that the penalties were accurately calculated and in accordance with the contract.
- B. The plan's contract with the prescription claims administrator included provisions for performance standards and for the submission of reports and data showing compliance with the performance standards. The board did not ensure such information was received and reviewed for compliance with the manager's contract in a timely manner.

Recommendation:

The Board of Trustees:

- A. Ensure a review of supporting documentation for performance standards audits is conducted.
- B. Ensure contract compliance relating to performance standards is reviewed in a timely manner.

Status:

- A. Implemented. The board entered into a contract with the plan's actuary to audit claims received by the medical claims administrator during calendar year 1999. This audit was conducted for the purpose of measuring the claims administrator's performance and their conformance with contractual guarantees. As a result, identified issues were investigated and corrective actions have either been implemented by the claims administrator or are currently being negotiated with the plan.

- B. Implemented. Effective June 15, 1999, the board contracted with a pharmaceutical consultant to monitor the prescription program. The consultant monitored the monthly and quarterly performance reports and reported variances to both the board and the prescription claims administrator. Additionally, the consultant worked with the prescription claims administrator to initiate corrective actions when required.

2. Contracts and Special Projects

The board did not have a formal procedure to provide for periodic reports on the status of special projects being performed by the actuary to ensure hours and/or costs were approved or denied prior to being incurred. At the request of the board, the plan's actuary agreed to perform an audit of contractual savings guarantees relating to the Preferred Provider Network (PPO) in effect during 1993 and 1994. Upon completion of the audit, the actuary had incurred approximately 276 extra hours, resulting in \$31,740 in costs over their original estimates.

Recommendation:

The Board of Trustees establish a formal procedure, through an amendment to the actuarial contract, to ensure periodic reports are given on the status of special projects so extra hours and/or costs can be approved or denied prior to being incurred.

Status:

Implemented. Effective May 18, 1999, the board entered into a new actuarial contract that included a clause which specifies that if consulting fees exceed the pre-authorized amount by \$5,000 there is to be written confirmation before the actuary proceeds. In addition, the actuary provides monthly billings to the board which includes itemized statements showing costs incurred to date for each particular project.

3. Financial Condition

The financial condition of the plan rapidly deteriorated from June 30, 1996 to November 30, 1998. While the board took some steps to address this issue by making changes to increase plan revenues, additional actions were likely to be needed.

Recommendation:

The Board of Trustees continue to closely monitor the financial condition of the plan and take any additional actions needed to maintain the solvency of the plan.

Status:

Partially implemented. The board has made several benefit changes and increased premiums in an attempt to stabilize the financial condition of the plan. However, at the current time, the financial condition has not been stabilized. See MAR finding number 1.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

This Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan was organized by the Missouri Highway and Transportation Commission on July 1, 1977, under the provisions of Section 104.270, RSMo. The plan was established to provide medical coverage on a self-insured basis, and death benefits on an insured basis. Beginning May 1, 1982, additional life insurance was made available as an option.

The responsibility for the proper administration of the plan and the direction of its policies is vested in a seven-member Board of Trustees. The board consists of four Missouri Department of Transportation (MoDOT) employees appointed by the chief engineer, two Missouri State Highway Patrol (MSHP) employees appointed by the superintendent, and one member who is retired from the MoDOT or MSHP who is appointed by the chief engineer and the superintendent, all of whom are subject to approval by the commission. The Board of Trustees as of June 30, 2000, were as follows:

Name	Department/Division	Term Expires
C. F. Barnes, Chairman*	MoDOT/Business and Benefits	November 2005
Captain Terry Moore, Vice-chairman	MSHP/Human Resources	May 2004
Pam Otto, Secretary/ Treasurer	MoDOT/Business and Benefits	November 2002
Captain Steve Johnson	MSHP/Traffic	November 2000**
Al Laffoon	MoDOT/Bridge	January 2002
Roy Bergman	Retiree Member	November 1999***
Teresa White	MoDOT/District 5	November 2004
Dan Pritchard	Ex-Officio Member	November 1998 ****

* C. F. Barnes was replaced as Chairman in August 2000, with the hiring of Jeff Padgett as Benefits Manager. However, Mr. Barnes still currently serves as a retiree member of the board through November 2005.

** Captain Steve Johnson was replaced by Sergeant James Remillard in August 2000.

*** Roy Bergman remains on the board until a replacement member can be named.

**** Dan Pritchard was replaced by Teresa White in November 1998, but has remained on the board as an ex-officio member in an advisory, non-voting capacity (i.e. attorney to the board).

All board members are appointed for a six-year term except for the retiree member who is appointed for a three-year term.

With the approval of the commission, the board has selected the following companies to provide services to the plan:

Westport Benefits, LLC	Medical benefit claims administration, large case management, and cost containment
HealthLink, Inc.	Network administration
Legion Insurance Company Hartford Insurance Company	Organ transplant benefits Death benefit insurance and optional life insurance*
Watson Wyatt and Company	Consultant and actuarial services
Eckerd Health Services	Prescription drug benefit management services
Exchange National Bank	Banking and investment services
Missouri Patient Care Review Foundation	Retrospective medical review
Independent Pharmaceutical Consultants	Prescription benefit consulting services

* Prior to January 1, 2000 these services were provided by Stanford Insurance Company.

All other operations are performed by personnel of the MoDOT with the use of the department's facilities and equipment.

The plan is financed by state contributions, member contributions, and interest income. The monthly state contribution per employee has been:

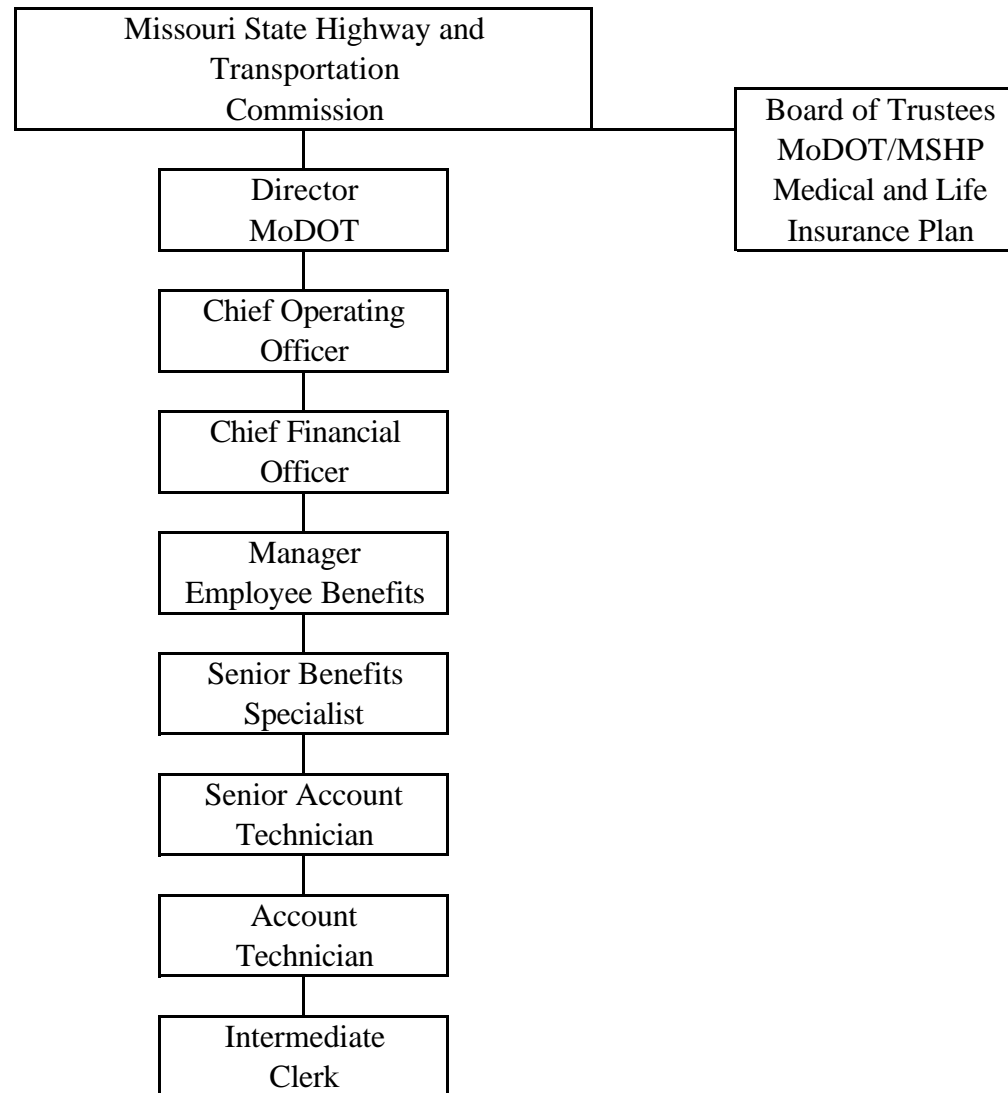
Period	State Contribution		
	Medical Care		Death Benefits
	Employee	Retiree	
January 1, 1998 to December 31, 1998	139.00	62.00	3.45
January 1, 1999 to December 31, 1999	153.00	62.00	3.45
January 1, 2000 to December 31, 2000	179.00	88.00	2.55
January 1, 2001 to Present	198.00	107.00	2.55

Member contributions are set by the board based on actuarial valuations and vary according to number of persons covered, eligibility for Medicare, and state contributions.

As of June 30, 2000, participation in the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan included 8,749 eligible active employees and 5,575 in the retiree group. Additionally, there were 847 employees with HMO plans.

An organization chart follows.

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
ORGANIZATION CHART
JUNE 30, 2000



Appendix A

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
COMPARATIVE BALANCE SHEET
(UNAUDITED)

	June 30,		
	2000	1999	1998
ASSETS			
Cash and cash equivalents	\$ 825,504	1,665,647	7,726,576
Investments at fair value	0	0	3,986,957
Member contributions receivable	21,527	9,307	11,534
State contributions receivable	1,478,108	103,041	41,143
Accrued Interest	0	0	47,487
Other receivables	108,549	108,549	0
Total Assets	\$ 2,433,688	1,886,544	11,813,697
LIABILITIES AND RETAINED EARNINGS			
Liabilities:			
Unearned -			
Member contributions	\$ 1,078,692	1,334,854	1,168,001
State contributions	1,602,973	692	497
Estimated liability for claims incurred but not reported	7,445,435	5,135,860	4,710,905
Other liabilities	674,559	869,795	987,075
Total Liabilities	10,801,659	7,341,201	6,866,478
Retained Earnings	-8,367,971	-5,454,657	4,947,219
Total Liabilities and Retained Earnings	\$ 2,433,688	1,886,544	11,813,697

Appendix B

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
(UNAUDITED)

	Year Ended June 30,		
	2000	1999	1998
REVENUES			
Member contributions	\$ 18,515,075	14,391,154	12,741,271
State contributions	30,653,486	22,009,251	20,818,967
Investment income-			
Interest	95,779	170,293	826,061
Net increase in fair value of investments	0	182,379	99,261
Other income	177,286	52,131	0
Total Revenues	49,441,626	36,805,208	34,485,560
EXPENSES			
Medical claims	35,423,586	31,225,442	25,849,692
Medical claims administration fees	1,989,098	1,557,103	2,227,998
Life insurance premiums	321,870	366,825	365,304
Optional life insurance premiums	3,040,278	3,062,069	2,452,272
Professional fees	135,990	49,958	91,403
Transplant insurance premiums	679,144	659,918	618,947
Health maintenance organization premiums	1,988,812	1,677,431	1,999,820
Prescription claims administration fees	112,838	125,436	98,429
Prescription drug expense	8,631,799	8,451,389	7,831,279
Operation and miscellaneous expense	31,525	31,513	31,493
Total Expenses	52,354,940	47,207,084	41,566,637
REVENUES OVER (UNDER) EXPENSES	-2,913,314	-10,401,876	-7,081,077
RETAINED EARNINGS, JULY 1	-5,454,657	4,947,219	12,028,296
RETAINED EARNINGS, JUNE 30	\$ -8,367,971	-5,454,657	4,947,219

Appendix C

MISSOURI DEPARTMENT OF TRANSPORTATION
AND MISSOURI STATE HIGHWAY PATROL
MEDICAL AND LIFE INSURANCE PLAN
SCHEDULE OF MEDICAL INSURANCE CONTRIBUTIONS

Rate Groups	January 1, 1998			January 1, 1999			January 1, 2000			January 1, 2001		
	Member	State	Total	Member	State	Total	Member	State	Total	Member	State	Total
EMPLOYEE RECEIVING STATE CONTRIBUTION (a) *												
One person	\$ 0.00	139.00	139.00	\$ 0.00	153.00	153.00	\$ 0.00	179.00	179.00	\$ 0.00	198.00	198.00
Family (multi-person)	90.00	205.00	295.00	99.00	226.00	325.00	151.00	280.00	431.00	151.00	324.00	475.00
Sponsored family member**	45.00	0.00	45.00	51.00	15.00	66.00	70.00	21.00	91.00	70.00	21.00	91.00
EMPLOYEE NOT RECEIVING STATE CONTRIBUTION (b) *												
One person	139.00	0.00	139.00	153.00	0.00	153.00	179.00	0.00	179.00	198.00	0.00	198.00
Family (multi-person)	295.00	0.00	295.00	325.00	0.00	325.00	431.00	0.00	431.00	475.00	0.00	475.00
Sponsored family member**	60.00	0.00	60.00	66.00	0.00	66.00	91.00	0.00	91.00	91.00	0.00	91.00
RETIREE & LONG TERM DISABILITY RECIPIENT RECEIVING STATE CONTRIBUTION												
Non-Medicare member-												
One person	77.00	62.00	139.00	91.00	62.00	153.00	91.00	88.00	179.00	91.00	107.00	198.00
Family (multi-person)	233.00	62.00	295.00	263.00	62.00	325.00	331.00	100.00	431.00	331.00	144.00	475.00
Sponsored family member**	60.00	0.00	60.00	66.00	0.00	66.00	91.00	0.00	91.00	91.00	0.00	91.00
Retiree with medicare spouse							286.00	88.00	374.00	286.00	107.00	393.00
Medicare member*** -	28.00	62.00	90.00	37.00	62.00	99.00						
One person							95.00	100.00	195.00	88.00	107.00	195.00
Family (multi-person)							331.00	100.00	431.00	331.00	144.00	475.00
Sponsored family member**							91.00	0.00	91.00	91.00	0.00	91.00
Retiree with non-medicare spouse							274.00	100.00	374.00	286.00	107.00	393.00
Retiree with medicare spouse							290.00	100.00	390.00	283.00	107.00	390.00
FORMER SPOUSE, SURVIVING SPOUSE AND/OR DEPENDENT, VESTED, & CONTINUOUS COVERAGE MEMBER												
Non-Medicare member-												
One person	139.00	0.00	139.00	153.00	0.00	153.00	179.00	0.00	179.00	198.00	0.00	198.00
Family (multi-person)	295.00	0.00	295.00	325.00	0.00	325.00	431.00	0.00	431.00	475.00	0.00	475.00
Sponsored family member**	60.00	0.00	60.00	66.00	0.00	66.00	91.00	0.00	91.00	91.00	0.00	91.00
Medicare member -	90.00	0.00	90.00	99.00	0.00	99.00						
One person							195.00	0.00	195.00	195.00	0.00	195.00
Family (multi-person)							431.00	0.00	431.00	475.00	0.00	475.00
Sponsored family member**							91.00	0.00	91.00	91.00	0.00	91.00

*The Medicare member category for employees receiving a state contribution and employees not receiving a state contribution is not applicable. This is because they would fall either under the one person or family (multi-person) categories.

**These contribution rates cover only the sponsored family member and are paid in addition to the contribution rates for the other rate groups (one person and family). A sponsored family member is any person (except those eligible for dependent or medicare coverage) residing in the member's home who receives 50 percent or more of this or her support from the member and is shown on the member's federal income tax form as a dependent for the calendar year. Registered full-time students are not required to reside in the member's home.

***Medicare rate (\$37.00) is not applicable to Long Term Disability recipients for 1999.

(a) Includes Work Related Disability recipients.

(b) Effective January 1, 1998, employees not receiving state contribution consist of employees on a leave without pay. Prior to that time, this category also included long term disability members.

* * * * *



**DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
YEAR ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-43
May 29, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Department of Agriculture, State Milk Board.

State law requires the Department of Health, as the official rating agency for the State Milk Board, to make an official rating survey at least annually on all Grade A BTU's (Bulk Tank Unit – a group of dairy farms), plants, and receiving and transfer stations. As discussed in prior reports dating back to 1985, we noted that the rating surveys were conducted on an eighteen to twenty-four month schedule instead of annually as required by state law. These rating surveys provide evidence to the State Milk Board that there is appropriate and effective enforcement by the local health departments of the sanitation standards and other provisions governing the production, handling, and processing of Grade A milk. Because the rating surveys are not conducted in a timely manner, the State Milk Board should reconsider the extent of its reliance on the Department of Health rating surveys as a measure of its contractors' performance.

The Milk Inspection Fees Fund was established to receive fees collected from milk producers. The monies collected are used for inspection and compliance monitoring expenses, including payments to local health departments which contract with the State Milk Board to perform these services. It appears the fees collected from producers are not adequate to cover inspection and compliance monitoring costs. As a result, monies are appropriated and paid from the state's General Revenue Fund to help cover payments to health department contractors. Although payments to contractors represent the State Milk Board's most significant expenditure, useful actual cost data is not obtained from contractors. An analysis of budget and cost data from the contractors would help ensure payments to contractors are appropriate and reasonable.

Based on the State Milk Board's records of milk produced in fiscal year 2000, it appears the local health departments were paid more than the limit allowed by statute. This situation occurred when payments from both the Milk Inspection Fees Fund and the state's General Revenue Fund are considered.

Similar concerns were also noted in prior reports dating back to fiscal year 1995.

YELLOW SHEET

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD

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A	Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments - Milk Inspection Fees Fund, Years Ended June 30, 2000 and 19998
B	Comparative Statement of Receipts - General Revenue Fund-State, Years Ended June 30, 2000 and 19999
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DEPARTMENT OF AGRICULTURE
STATE MILK BOARD

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Lowell Mohler, Director
Department of Agriculture
and
Terry S. Long, Executive Secretary
State Milk Board
Jefferson City, MO 65102

We have audited the accompanying special-purpose financial statements of the various funds of the State Milk Board as of and for the years ended June 30, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the Milk Inspection Fees Fund; the receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the State Milk Board and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the board.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Milk Inspection Fees Fund; the receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the State Milk Board as of and for the years ended June 30, 2000 and 1999, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 2, 2001, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the board's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 2, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Kenneth W. Kuster, CPA
Audit Manager: Regina Pruitt, CPA
In-Charge Auditor: Robyn Lamb



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Lowell Mohler, Director
Department of Agriculture
and
Terry S. Long, Executive Secretary
State Milk Board
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the State Milk Board as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated February 2, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the State Milk Board are free of material misstatement, we performed tests of the board's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the State Milk Board, we considered the board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial

statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the State Milk Board and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 2, 2001 (fieldwork completion date)

Financial Statements

Exhibit A

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
CASH AND INVESTMENTS - MILK INSPECTION FEES FUND

	Year Ended June 30,	
	2000	1999
RECEIPTS		
Milk inspection fees	\$ 1,530,803	1,427,041
DISBURSEMENTS		
Personal service	100,877	95,552
Employee fringe benefits	31,231	25,284
Expense and equipment	109,748	40,568
Inspection contract costs	1,224,431	1,194,009
Total Disbursements	1,466,287	1,355,413
RECEIPTS OVER (UNDER) DISBURSMENTS	64,516	71,628
CASH AND INVESTMENTS, JULY 1	273,116	201,488
CASH AND INVESTMENTS, JUNE 30	\$ 337,632	273,116

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
COMPARATIVE STATEMENT OF RECEIPTS - GENERAL REVENUE FUND-STATE

	Year Ended June 30,	
	<u>2000</u>	<u>1999</u>
Other inspection fees	\$ <u>17,328</u>	<u>16,709</u>
Total	\$ <u><u>17,328</u></u>	<u><u>16,709</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2000			1999		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND-STATE						
Payment of real property leases, related services, utilities and systems furniture and structural modifications for new FTE - Expense and Equipment	\$ 18,368	18,368	0	7,916	7,679	237
Personal Service and Expense and Equipment and for contractual services with local health agencies	220,693	213,399	7,294	250,000	242,266	7,734
Personal Service	129,089	112,763	16,326	94,606	88,516	6,090
Expense and Equipment	24,800	24,057	743	24,800	22,837	1,963
Total General Revenue Fund - State	392,950	368,587	24,363	377,322	361,298	16,024
MILK INSPECTION FEES FUND						
Personal Service	131,655	100,877	30,778	108,647	95,552	13,095
Expense and Equipment	232,529	109,405	123,124	38,065	32,525	5,540
Personal Service and Expense and Equipment and for contractual services with local health agencies	1,288,970	1,185,041	103,929	1,500,000	1,220,660	279,340
Payment of real property leases, related services, utilities and systems furniture and structural modifications for new FTE - Expense and Equipment	10,214	8,083	2,131	10,214	8,297	1,917
Total Milk Inspection Fees Fund	1,663,368	1,403,406	259,962	1,656,926	1,357,034	299,892
STATE CONTRACTED MANUFACTURING DAIRY PLANT INSPECTION AND GRADING FEE FUND						
Expense and Equipment	8,000	0	8,000	8,000	0	8,000
Total State Contracted Manufacturing Dairy Plant Inspection and Grading Fee Fund	8,000	0	8,000	8,000	0	8,000
Total All Funds	\$ 2,064,318	1,771,993	292,325	2,042,248	1,718,332	323,916

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

Type of General Fixed Assets	Balance July 1, 1998	Additions	Dispositions	Balance June 30, 1999	Additions	Dispositions	Balance June 30, 2000
GENERAL REVENUE FUND - STATE							
Office furniture and equipment	\$ 37,842	5,163	(1,795)	41,210	2,392	(13,812)	29,790
Automobiles	30,493	0	0	30,493	0	(16,493)	14,000
Total General Revenue Fund - State	<u>68,335</u>	<u>5,163</u>	<u>(1,795)</u>	<u>71,703</u>	<u>2,392</u>	<u>(30,305)</u>	<u>43,790</u>
MILK INSPECTION FEES FUND							
Office furniture and equipment	179,300	14,491	(2,469)	191,322	5,100	(3,818)	192,604
Automobiles	14,000	0	0	14,000	0	0	14,000
Total Milk Inspection Fees Fund	<u>193,300</u>	<u>14,491</u>	<u>(2,469)</u>	<u>205,322</u>	<u>5,100</u>	<u>(3,818)</u>	<u>206,604</u>
Total General Fixed Assets	\$ <u>261,635</u>	<u>19,654</u>	<u>(4,264)</u>	<u>277,025</u>	<u>7,492</u>	<u>(34,123)</u>	<u>250,394</u>

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Department of Agriculture, State Milk Board.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the Milk Inspection Fees Fund. Appropriations from this fund are expended by or for the board for restricted purposes.

Receipts are presented in Exhibit B for the General Revenue Fund-State. Receipts include monies the board collects during its normal activities and remits to the fund. These amounts are not necessarily related to appropriations.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the board's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the board and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statements of Receipts, Exhibit B, also prepared on the cash basis of accounting, presents amounts when received.

The Statements of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period. For the year ended June 30, 1999, the lapse period ended August 31 for regular appropriations and December 31 for capital improvement appropriations. For years ended on or after June 30, 2000, the lapse period ends August 31 for both regular and capital improvement appropriations. The

authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The board administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Milk Inspection Fees Fund: This fund is authorized by Section 196.947, RSMo 2000, to receive all monies paid to the state for milk inspection. Expenditures, authorized by appropriations, are to be used exclusively for the purpose of defraying the costs of the state milk inspection program, which may include payments to other agencies for services provided related to the program. Any unexpended balances in this fund are perpetually maintained for the purposes of the fund.

General Revenue Fund-State: The board receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the board, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

State Contracted Manufacturing Dairy Plant Inspection and Grading Fee Fund: This fund is authorized by Section 196.614, RSMo 2000, to receive all monies paid to the state by the United States Department of Agriculture for contracted manufacturing dairy plant inspection and grading. Expenditures, authorized by appropriations, are to be used exclusively for the purpose of defraying the costs of the contracted manufacturing dairy plant inspection and grading program. Any unexpended balances in this fund are perpetually maintained for the purposes of the fund. Through fiscal year 2000, no monies have yet been received by or expended from this fund.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at A are the transfers from the Milk Inspection Fees Fund for costs related to salaries paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit C.

2. Cash and Investments

The balance of the Milk Inspection Fees Fund is pooled with other state funds and invested by the state treasurer.

3. Inspection Contract Costs

During the year ended June 30, 2000, the State Milk Board contracted with the county of St. Louis and the city of Springfield to inspect Grade A milk supplies. This expenditure category represents the cost associated with these contracts paid from the Milk Inspection Fees Fund. During fiscal year 2000, an additional \$198,850 was paid to these agencies from an appropriation from the General Revenue Fund-State.

4. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit C as follows:

		Milk Inspection Fees Fund	
		Year Ended June 30,	
		2000	1999
DISBURSEMENTS PER EXHIBIT A	\$	1,466,287	1,355,413
Employee fringe benefits		(31,231)	(25,284)
Lapse period expenditures:			
2000		114,301	0
1999		(145,951)	145,951
1998		0	(119,046)
EXPENDITURES PER EXHIBIT C	\$	<u>1,403,406</u>	<u>1,357,034</u>

Note to the Supplementary Data:

5. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
SUMMARY OF FINDINGS

1. Milk Inspection Program (pages 21-23)

Milk inspection fees collected from producers are not sufficient to cover costs of payments to contractors who perform inspections. In addition, the Springfield and St. Louis County Health Departments received payments in excess of the amount allowed by state law.

2. Rating Surveys (page 23-24)

The state Department of Health (DOH), as the designated rating agency for the State Milk Board (SMB), does not perform annual rating surveys as required by state law.

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of the State Milk Board as of and for the year ended June 30, 2000 and 1999, and have issued our report thereon dated February 2, 2001.

The following Management Advisory Report presents our findings arising from our audit of the board's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered all-inclusive of areas needing improvement.

1.	Milk Inspection Program
-----------	--------------------------------

The Milk Inspection Fees Fund (MIF) was established to receive fees collected from milk producers. Section 196.945, RSMo 2000, allows the State Milk Board (SMB) to set fees not exceeding five cents per one hundred pounds of milk produced. The monies collected are used for inspection and compliance monitoring expenses, including payments to local health departments which contract with the SMB to perform these services. During fiscal year 2000, the SMB contracted with the city of Springfield and St. Louis County health departments to provide these services in their specified areas. In fiscal year 2000, approximately \$206,000 was appropriated from the General Revenue Fund-State to help cover payments made to contractors.

Amounts paid to local health department contractors for the past five years are shown below:

<u>Fiscal Year</u>	<u>Payments To Contractors</u>	<u>Number Of Milk Producers</u>
2000	\$ 1,383,892	1,635
1999	1,344,714	1,724
1998	1,562,992	2,017
1997	1,542,905	2,161
1996	1,625,527	2,337

Fiscal year 1996, 1997, and 1998 payments to contractors are for Springfield, St. Louis County, and Kansas City; whereas, fiscal year 1999 and 2000 payments to contractors are for St. Louis County and Springfield only. Effective for fiscal year 1999, the SMB assumed management of the Kansas City area.

- A. It appears the fees collected from producers are not adequate to cover inspection and compliance monitoring costs. During fiscal year 2000 approximately \$198,850 was

paid from the General Revenue Fund-State to help cover payments to health department contractors. For fiscal years 1995 through 1999 payments to health department contractors from the General Revenue Fund-State totaled approximately \$1,169,000. The payments to contractors represent the most significant expenditure outlay for the SMB and are based on the pounds of milk produced in each contractor's area. While the SMB receives annual budget estimates from each of the health department's milk inspection programs, useful actual cost data is not obtained from contractors.

As discussed in the prior report, the SMB's records indicate a significant cost savings resulted from assuming management responsibility of the Kansas City area. Cost savings could possibly be realized by assuming management responsibility of the St. Louis or Springfield area. However, the Executive Secretary indicated the SMB has no plans to assume management for these areas unless the health departments choose not to renew their contracts.

A careful analysis of budget and cost data from the contractors is important to ensure payments to the health department contractors are appropriate and reasonable and would assist in determining whether the SMB could realize a cost savings if management responsibility of the remaining two contract areas was assumed. In addition, a comprehensive review of the fee structure should be performed to determine if a statutory fee increase is necessary to cover costs of inspections and compliance monitoring or if alternatives such as the SMB providing these services itself should be given further consideration.

- B. Based on the SMB's records of milk produced in fiscal year 2000, it appears the Springfield and St. Louis County health department contract agencies were paid approximately \$41,716 and \$23,721, respectively, more than the limit set by statute. Section 196.947, RSMo 2000, limits the total payment to each health department to five cents per one hundred pounds of milk or milk products. The contracts with the health departments state the SMB will pay each agency 4.75 cents per one hundred pounds of instate milk and 3.75 cents per one hundred pounds of imported milk inspected by the agency. Starting in fiscal year 1995, the contracts provided for additional payments to be made from a General Revenue Fund-State appropriation. Contract payments, including the amounts received from the General Revenue Fund-State, totaled \$1,383,892 for the health departments for fiscal year 2000.

Similar conditions were also noted in prior reports back to fiscal year 1995.

WE AGAIN RECOMMEND the SMB:

- A. Develop an estimated cost for the inspection and compliance monitoring program for each contractors area and then compare these costs to MIF revenues for that area. Once this analysis is completed, the SMB should consider any justified changes in management responsibilities of the Springfield or St. Louis areas, or determine whether legislation increasing fees should be pursued to ensure sufficient monies are collected to cover costs of inspection and compliance monitoring.

- B. Ensure payments to the local health departments for the inspection of milk and milk products do not exceed limits established by state law or pursue legislation to amend state law to allow such payments.

AUDITEE'S RESPONSE

- A. *The Board is currently considering establishment of a cost study committee composed partially of individuals from outside the Board membership to lend a non-biased view to the issues at hand. The Board plans to establish this committee within the current fiscal year.*
- B. *The Board views this finding the same as the last audit released some months ago and that is: The State Milk Board respectfully disagrees with the auditor's findings regarding the interpretation of Section 196.947, RSMo 2000. Specifically, the auditor has found that Section 196.947, RSMo 2000, limits the total payment to each health department to five cents per 100 lbs. of milk or milk products. The Milk Board considers that Section 196.947, RSMo 2000, is limited in its application to those funds which are collected and placed in the milk inspection fee fund. The statute does not have any application to those amounts appropriated for contract defrayment from other funds. The Milk Board has never interpreted Section 196.947, RSMo 2000, as restricting the Board from utilizing appropriated funds in order to subsidize the cost of milk inspection. The Milk Board utilizes funds from general revenue when the local jurisdictions have documented that their costs exceeded those which are provided for under the milk inspection fee fund.*

Accordingly the Milk Board does not agree with the auditor's interpretation of Section 196.947, RSMo 2000, and submits that according to its appropriations and contract payments for fiscal year 2000 no overpayments to any of the contract agencies exist.

2. Rating Surveys

Official rating surveys performed by the Department of Health were not conducted as frequently as required by state law. This concern has been discussed in prior reports back to 1985. Section 196.951, RSMo 2000, requires the Department of Health (DOH), as the official rating agency for the SMB, to make an official rating survey at least annually on all Grade A BTU's (Bulk Tank Unit – a group of dairy farms), plants, and receiving and transfer stations. We noted that the rating surveys were conducted on an eighteen to twenty-four month schedule instead of annually as required by state law. These ratings surveys provide evidence to the SMB that there is appropriate and effective enforcement by the contractors of the sanitation standards and other provisions governing the production, handling, and processing of Grade A milk. Because the rating surveys are not conducted in a timely manner, the SMB should reconsider the extent of its reliance on the DOH rating surveys as a measure of its contractors' performance.

WE AGAIN RECOMMEND the SMB, through the DOH, ensure annual rating surveys are conducted as required by state law. In addition, the SMB should find alternative methods for monitoring its contractors' performance, such as linking contractee databases to its own.

AUDITEE'S RESPONSE

The Board cannot address the reason that the Department of Health conducts its state ratings according to U.S Food and Drug mandated scheduling rather than state law, but the Board does recognize the concern of the auditor as to legal compliance. There is not a concern on the Board's part as to possible public health safety being compromised nor that a greater risk is created since these ratings are for information generation as to regulatory's technical compliance to the law. The Board staff reviews the same data and processes on a more frequent basis and takes compliance action in all appropriate instances.

This report is intended for the information of the management of the State Milk Board and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Agriculture, State Milk Board on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 1999.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the board should consider implementing those recommendations.

1. Milk Inspection Program

- A. The SMB received annual budget estimates from each of the health departments milk inspection programs; however, actual cost data was not regularly obtained. In addition, it appears the fees collected from producers were no longer adequate to cover inspection costs as appropriations from General Revenue Fund-State were requested in fiscal years 1995, 1996, 1997, 1998, and 1999 to help cover payments to contractors. A comprehensive review of the fee structure was not performed to determine if a statutory fee increase was necessary to cover increased costs of inspection.
- B. Based on the SMB's records of milk produced in fiscal years 1999 and 1998, it appears the Springfield and St. Louis Health Departments were paid approximately \$62,446 and \$7,909, respectively, more than the limit set by statute.

Recommendations:

The SMB:

- A. Develop an estimated cost for the inspection and compliance monitoring program for each contractor's area and then compare these costs to MIF revenues for that area. Once this analysis is completed, the SMB should consider any justified changes in management responsibilities of the Springfield or St. Louis area, or determine whether legislation increasing fees should be pursued to ensure sufficient monies are collected to cover costs of inspection and compliance monitoring.
- B. Ensure payments to the local health departments for the inspection of milk and milk products do not exceed limits established by state law or pursue legislation to amend state law to allow such payments.

Status:

Not implemented. See MAR finding number 1.

2. Revenue Maximization

The SMB required entities to prepare a monthly volume and fee report which details the volume of milk received or shipped and applicable fees. This record was checked for mathematical accuracy; however, the SMB had no formal procedures in place to ensure that the reported volume and applicable fees were correct.

Recommendation:

The SMB develop procedures to ensure that all inspection fee revenues are properly remitted.

Status:

Partially implemented. A current employee of the SMB accepted a newly-created position to develop procedures for performing reviews of volume and fee data to improve the assurance that all inspection fees are properly remitted. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Grade A Compliance Monitoring

The contract between the SMB and the local health departments (contractors) did not require the contractors to submit the actual inspections or other compliance monitoring tests performed by the contractors to the SMB. While the SMB did require the contractors to submit a monthly report, the report lacked detailed information on individual plants, farms, receiving and transfer stations, and haulers.

Recommendation:

The SMB require that all inspection forms and compliance monitoring tests be forwarded to the SMB or, at a minimum, require that the monthly contractors' reports provide sufficient detail by entity so that the SMB can better ensure that each producer, processor, and hauler is being properly monitored and that any violations of the Grade A Pasteurized Milk Ordinance (PMO) or state statute are being properly handled.

Status:

Not implemented. However, the Executive Secretary of the SMB travels to the contract agencies quarterly and reviews various inspection records and compliance monitoring tests. The Executive Secretary now initials all records and tests reviewed. During our review of the Board meeting minutes for fiscal year 2000, we noted that through a review of bulk tank unit inspection records at the Springfield contract agency, the Executive Secretary found that many farms had received three, four, five, and six consecutive marks of specific violations without proper action being taken by the contract agency to suspend the farms. While such quarterly reviews of inspection and sampling records give some assurance of proper monitoring, the SMB would gain increased assurance that each producer, processor, and hauler is being properly monitored and that any violations of the PMO or state statute are being properly handled if all inspection forms and compliance monitoring tests were forwarded to the SMB or the monthly contractors' reports were expanded to provide

sufficient detail by entity. The SMB is continuing to work toward plans to possibly link contractor databases to its own in order to electronically transfer the required detailed documentation. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Manufacturing Grade Compliance Issues

- A. We noted seven of twelve water tests for which the SMB had no record on file.
- B. Our review of the February 2000 delinquent farm inspection report indicated twenty farm inspections which were delinquent and five of the farms were delinquent more than thirteen months. Also, the SMB arranged for manufacturing milk plant fieldmen to perform required manufacturing grade farm inspections; however, the duties of the milk plant fieldmen conflict with the regulatory responsibilities imposed by the SMB.
- C. During our review, we noted three manufacturing grade haulers which were not inspected during the audit period.
- D. The SMB did not establish a program which requires regular pesticide testing of raw manufacturing milk and milk products.

Recommendations:

The SMB:

- A. Ensure that water samples are tested every six months for plants and receiving stations. In additions, water samples should be tested every three years for farms. Finally, the SMB should maintain a record of each water sample tested.
- B. Ensure that manufacturing grade farms are inspected annually. In addition, the SMB should issue stop sell orders on all farms which have not been inspected within a thirteen month period, as established by the SMB. Also, the SMB should continue to seek alternatives to accomplish inspections of manufacturing grade farms with state inspectors rather than milk plant fieldmen.
- C. Require manufacturing grade haulers be inspected at regular intervals.
- D. Establish a manufacturing grade pesticide testing program.

Status:

- A. Implemented.
- B. Partially implemented. During our review of manufacturing grade farm inspections, we noted that the manufacturing grade farms tested were inspected annually or stop sell orders were issued on the farms tested which were not inspected within a thirteen month period. While it appears the duties of the manufacturing milk fieldmen

conflict with the regulatory responsibilities imposed on them by the SMB, this arrangement for accomplishing such inspections is authorized by federal regulations which have been adopted by the state in the statutory provisions and code of state regulations pertaining to the SMB. In addition, the SMB has requested funding several times since this issue was first addressed, but such funding requests have been denied. As a result, this finding will not be repeated.

- C. Implemented. As of December 2000, the SMB had inspected the manufacturing grade haulers.
- D. Not implemented. The SMB has continually requested funding to implement a manufacturing grade pesticide testing program, but these requests have not been granted by the General Assembly. Although not repeated in our current MAR, our recommendation remains as stated above.

5. Rating Surveys

During the audit period, rating surveys were conducted on an eighteen to twenty-four month schedule instead of annually as required by state law. We noted the files pertaining to three of seven plants and two receiving stations did not contain standardized forms for rating an entity during an on-site visit.

Recommendation:

The SMB, through the DOH, ensure annual rating surveys are conducted as required by state law. In addition, all rating surveys should be supported by adequate documentation. Finally, the SMB should find alternative methods for monitoring its contractors' performance.

Status:

Partially implemented. The rating surveys we reviewed appeared to be supported by adequate documentation. See MAR finding number 2.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Missouri State Milk Board was created in 1972 when the General Assembly adopted and the Governor signed into law House Bill No. 1280. In accordance with the Omnibus State Reorganization Act of 1974, the State Milk Board was transferred to the Department of Agriculture under a Type III transfer. Under a Type III transfer, the Director of the Department of Agriculture does not maintain supervision over substantive matters relating to policies and regulative functions of the State Milk Board.

Pursuant to Executive Order No. 82-9, effective August 13, 1982, “. . . All powers, duties, and functions vested in the Division of Animal Health and the Director of the Department of Agriculture with respect to administering and enforcing the provisions of Sections 196.520 through 196.610, RSMo Supp. 1996, (relating to The Missouri Manufacturing Milk and Dairy Market Testing Law) . . .” were transferred to the State Milk Board.

The State Milk Board consists of twelve members, ten of whom are appointed by the governor. The two remaining members of the board are the director of the Department of Health and the director of the Department of Agriculture or their designated representatives. An executive secretary serves as the administrative officer of the board, which administers the inspection of milk supplies.

The Fluid Milk Inspection Program is funded from milk inspection fees. In fiscal year 2000, the General Assembly appropriated \$220,693 from the General Revenue Fund-State to help cover inspection costs. Section 196.945, RSMo 1994, limits milk inspection fees to five cents per one hundred pounds of fluid milk. The inspection fee is set by the board after holding a public hearing giving thirty days public notice. The inspection fee for the fiscal year ended June 30, 2000 was five cents per one hundred pounds of milk produced in Missouri and four cents per one hundred pounds for milk produced in other states and imported into Missouri. Imported milk is charged a lesser rate because the originating state inspects its producers.

During the year ending June 30, 2000, the State Milk Board contracted with the county of St. Louis and the city of Springfield to perform the actual inspections. The State Milk Board has management responsibility for the Kansas City area. The board's enforcement of statutes and regulations ensures that fluid milk and milk products are uniformly inspected, regulated, and graded throughout the state. The board's operation of the Fluid Milk Inspection Program is funded by the difference between the inspection fee collected and the contract payments to the other governmental units.

The Manufacturing Milk and Dairy Market Testing Law Program is funded by appropriations from the state's General Revenue Fund. The State Milk Board is responsible for the enforcement of laws relating to the sanitation and quality standards of milk used for manufacturing dairy products and to market test all milk at first point of sale. Milk producers, manufacturing plants, field superintendents, testers, graders, samples, and milk truck operators are also licensed under this program.

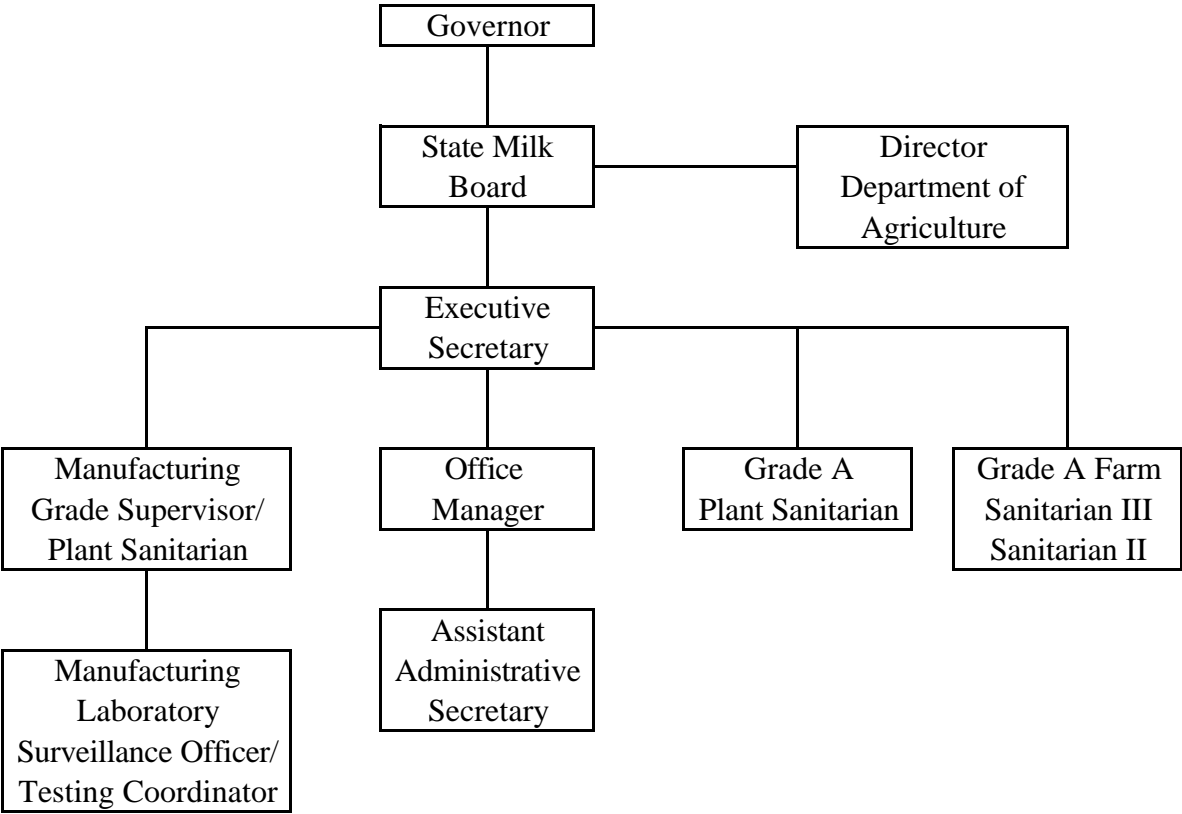
At June 30, 2000, State Milk Board members were as follows:

<u>Name</u>	<u>Organization</u>	<u>Term Expires</u>
Kate Geppert	Holstein Association	September 28, 2002
Ron Boyer	Springfield/Greene County Health Department	September 28, 2003
Robert W. Cary	Prairie Farms Dairy	September 28, 2002
Christina L. Quick	Kansas City Health Department	September 28, 2001
Barry Drucker	St. Louis County Health Department	September 28, 2001
Lester Evans	Farm Organization - MFA	September 28, 1999 *
Jean Grabeel	Consumers-at-Large	September 28, 2000
Gale Hackman	Processing Plants	September 28, 2000
Dr. Chuck Massengill, DVM	Department of Agriculture	Ex Officio
Roger Gibson	Missouri Department of Health	Ex Officio
William B. Sieberborn	Milk Producer Organization - Farm Bureau	September 28, 2001
Patricia M. Mahoney	St. Louis County Health Department	September 28, 2002

* Continues to serve until a replacement is appointed.

Mr. Terry Long serves as the Executive Secretary of the board. In addition to Mr. Long, the State Milk Board has seven employees. An organization chart follows.

DEPARTMENT OF AGRICULTURE
STATE MILK BOARD
ORGANIZATION CHART
JUNE 30, 2000



* * * * *



**OFFICE OF STATE TREASURER
YEAR ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-42
May 24, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2001

www.auditor.state.mo.us

The following finding was noted as a result of an audit conducted by our office of the Office of the State Treasurer.

The State Treasurer's Office bank reconciliation procedures were not adequate for several accounts during the year ending June 30, 2000. Research was not conducted and transactions were not cleared for a large number of unreconciled items which were recorded on the bank reconciliations for the Electronic Receipt/Payment account and the Department of Social Services – Division of Family Services accounts during the year ending June 30, 2000. In addition, bank reconciliations were not prepared for the Department of Social Services - Division of Family Services accounts in a timely manner.

Prior audit reports for the years ending June 30, 1999 and 1998, noted that the State Treasurer's Office reconciliations of the Electronic Receipt/Payment Account were not prepared in a timely manner. To address this issue, the State Treasurer's Office reallocated duties among staff to allow for more concentrated reconciliation and research efforts on the Electronic Receipt/Payment Account. As a result of these efforts, the reconciliation processes for this account improved. However, the conversion of the state's accounting system from Statewide Accounting for Missouri (SAM) to Statewide Advantage for Missouri (SAM II) on July 1, 1999, significantly affected this reconciliation process. Many more reconciling items resulted after conversion to the SAM II system than were produced by the SAM system and some reconciling items became more difficult to research. During our audit, we noted that the balance of reconciling items increased dramatically between June 30, 1998 and June 30, 2000.

The State Treasurer's Office also prepares daily account reconciliations for the Department of Social Services – Division of Family Services accounts. As of January 26, 2001, the State Treasurer's Office had not performed reconciliations on daily bank statements dated after October 31, 2000. However, these daily reconciliations were current as of February 28, 2001.

It is likely that many of the unreconciled items are offset by transactions on the bank statements which have not yet been matched against entries in the state's accounting system and vice versa; however, the State Treasurer's Office has no assurance that the bank and book cash balances are accurate unless unreconciled items are properly researched and cleared in a timely manner. To allow errors and other reconciling items to be identified, researched, and corrected in a timely manner, bank reconciliations should be prepared at regularly scheduled intervals and the reconciliation process should include a thorough review of all reconciling items at the time they are identified.

The report contains the responses to the finding from the Office of Governor Bob Holden (formerly State Treasurer) and the Office of the State Treasurer Nancy Farmer.

YELLOW SHEET

OFFICE OF STATE TREASURER

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B	Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings, Years Ended June 30, 2000 and 19999
C	Comparative Statement of Cash Flows, Years Ended June 30, 2000 and 199910
D	Comparative Statement of Receipts, Disbursements, and Changes in Cash and Investments, Abandoned Fund Account Fund and Treasurer's Information Fund, Years Ended June 30, 2000 and 199911
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OFFICE OF STATE TREASURER

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Honorable Nancy Farmer, State Treasurer
Jefferson City, MO 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Office of State Treasurer as of and for the years ended June 30, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the financial position, results of operations, and cash flows of the Central Check Mailing Service Revolving Fund; the receipts, disbursements, and changes in cash and investments of the Abandoned Fund Account Fund and the Treasurer's Information Fund; and the appropriations and expenditures of the various funds of the Office of State Treasurer. These special-purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of the various funds of the office.

In our opinion, the special-purpose financial statements in Exhibits A through C present fairly, in all material respects, the financial position of the Central Check Mailing Service Revolving Fund as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In our opinion, the special-purpose financial statements in Exhibits D through E present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Abandoned Fund Account Fund and the Treasurer's Information Fund; and the appropriations and expenditures of the various funds of the Office of State Treasurer as of and for the years ended June 30, 2000 and 1999, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 9, 2001, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information, except for that presented in Schedule 4 has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole. We did not audit the information presented in Schedule 4 and, accordingly, we express no opinion on it.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

February 9, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Gayle A. Garrison
Audit Staff:	Renee' Alvarez
	Stephen M. Garner
	Anissa Falconer



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Honorable Nancy Farmer, State Treasurer
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the Office of State Treasurer as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated February 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of State Treasurer, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could

adversely affect the office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Management Advisory Report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended for the information of the management of the Office of State Treasurer and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 9, 2001 (fieldwork completion date)

Financial Statements

Exhibit A

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
COMPARATIVE BALANCE SHEET

	June 30,	
	2000	1999
ASSETS		
Cash and investments	\$ 23,361	17,001
Accounts receivable	41,717	28,471
Prepaid postage	6,671	8,261
Equipment	17,300	17,300
Accumulated depreciation	(10,380)	(8,650)
Total Assets	<u>\$ 78,669</u>	<u>62,383</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 5,000	0
Total Liabilities	<u>5,000</u>	<u>0</u>
Equity:		
Contributed capital	50,000	50,000
Retained earnings - unreserved	<u>23,669</u>	<u>12,383</u>
Total Equity	<u>73,669</u>	<u>62,383</u>
Total Liabilities and Equity	<u>\$ 78,669</u>	<u>62,383</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

	Year Ended June 30,	
	2000	1999
OPERATING REVENUES		
Charges for services	\$ 155,672	54,714
Total Operating Revenues	155,672	54,714
OPERATING EXPENSES		
Postage	125,645	47,576
Office supplies	17,011	10,335
Depreciation	1,730	1,730
Total Operating Expenses	144,386	59,641
NET INCOME (LOSS)	11,286	(4,927)
RETAINED EARNINGS, JULY 1	12,383	17,310
RETAINED EARNINGS, JUNE 30	\$ 23,669	12,383

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
COMPARATIVE STATEMENT OF CASH FLOWS

	Year Ended June 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 142,426	52,844
Cash paid for operations	<u>(136,066)</u>	<u>(59,084)</u>
NET CASH INCREASED (DECREASED) BY OPERATING ACTIVITIES	6,360	(6,240)
CASH, July 1	<u>17,001</u>	<u>23,241</u>
CASH, June 30	<u><u>\$ 23,361</u></u>	<u><u>17,001</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH INCREASED (DECREASED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 11,286	(4,927)
Adjustments to reconcile operating loss to net cash increased (decreased) by operating activities:		
Depreciation	1,730	1,730
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable	(13,246)	(1,870)
Decrease (Increase) in prepaid postage	1,590	1,388
Increase (Decrease) in accounts payable	<u>5,000</u>	<u>(2,561)</u>
Net Cash Increased (Decreased) by Operating Activities	<u><u>\$ 6,360</u></u>	<u><u>(6,240)</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS-
ABANDONED FUND ACCOUNT FUND AND TREASURER'S INFORMATION FUND

	Year Ended June 30,			
	2000		1999	
	Abandoned Fund Account Fund	Treasurer's Information Fund	Abandoned Fund Account Fund	Treasurer's Information Fund
RECEIPTS				
Unclaimed deposits, dividends, interest, and other	\$ 25,631,735	0	21,178,070	0
Charges for services	0	2,533	0	3,630
Total Receipts	25,631,735	2,533	21,178,070	3,630
DISBURSEMENTS				
Refunds of unclaimed deposits	8,162,917		4,959,679	0
Expense and equipment	12,829	1,482	95,055	1,502
Total Disbursements	8,175,746	1,482	5,054,734	1,502
RECEIPTS OVER (UNDER) DISBURSEMENTS	17,455,989	1,051	16,123,336	2,128
TRANSFERS				
Transfers (to) General Revenue Fund-State	(17,041,837)	(14)	(16,541,535)	0
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	414,152	1,037	(418,199)	2,128
CASH AND INVESTMENTS, JULY 1	257,269	4,809	675,468	2,681
CASH AND INVESTMENTS, JUNE 30	\$ 671,421	5,846	257,269	4,809

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

OFFICE OF STATE TREASURER
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE			
Expense and equipment	\$ 66,583	66,583	0
Issuing duplicate checks	1,461,500	1,153,643	307,857
Services to monitor companies doing business in Northern Ireland	3,000	3,000	0
Outlawed checks	6,850	3,978	2,872
Lease and utility expense	2,940	1,572	1,368
Personal service	1,447,931	1,346,113	101,818
Expense and equipment	153,500	90,890	62,610 *
Expense and equipment	494,050	476,926	17,124
Refunds of excess interest from the linked deposit program	22,120	16,976	5,144
Total General Revenue Fund - State	3,658,474	3,159,681	498,793
TREASURER'S INFORMATION FUND			
Expense and equipment	8,000	1,482	6,518
CENTRAL CHECK MAILING SERVICE REVOLVING FUND			
Expense and equipment	200,000	141,066	58,934
HIGHWAY DEPARTMENT FUND			
Personal service	437,242	424,124	13,118
WORKERS' COMPENSATION - SECOND INJURY FUND			
Personal service	34,522	27,255	7,267
Expense and equipment	3,280	2,590	690
Total Workers Compensation - Second Injury Fund	37,802	29,845	7,957
ABANDONED FUND ACCOUNT			
Expense and equipment	129,701	129,701	0
Payment of claims for abandoned property	8,200,000	8,198,804	1,196
Total Abandoned Fund Account	8,329,701	8,328,505	1,196
Total All Funds	\$ 12,671,219	12,084,703	586,516

The accompanying Notes to the Financial Statements are an integral part of this statement.

* Biennial appropriations set up in the current fiscal year are re-appropriations to the next year. After the June month-end processing has been completed, the unexpended appropriation balance for a biennial appropriation is established in the new fiscal year. Therefore, there is no lapsed balance for a biennial appropriation at the end of the first year.

Supplementary Data

Schedule 1

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

	Year Ended June 30,				
	2000	1999	1998	1997	1996
OPERATING REVENUES					
Charges for services	\$ 155,672	54,714	51,992	48,492	47,722
Total Operating Revenues	<u>155,672</u>	<u>54,714</u>	<u>51,992</u>	<u>48,492</u>	<u>47,722</u>
OPERATING EXPENSES					
Postage	125,645	47,576	49,093	40,583	35,157
Office supplies	17,011	10,335	8,191	6,642	7,860
Other	0	0	0	77	3,748
Depreciation	1,730	1,730	1,730	1,730	1,730
Total Operating Expenses	<u>144,386</u>	<u>59,641</u>	<u>59,014</u>	<u>49,032</u>	<u>48,495</u>
NET INCOME (LOSS)	11,286	(4,927)	(7,022)	(540)	(773)
RETAINED EARNINGS, JULY 1	12,383	17,310	24,332	24,872	25,645
RETAINED EARNINGS, JUNE 30	<u>\$ 23,669</u>	<u>12,383</u>	<u>17,310</u>	<u>24,332</u>	<u>24,872</u>

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 2

OFFICE OF STATE TREASURER
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2000

	Balance July 1, 1999	Additions	Dispositions	Balance June 30, 2000
Equipment	\$ 752,633	146,810	(85,460)	813,983
Motor vehicles	20,871	16,582	0	37,453
Total General Fixed Assets	\$ 773,504	163,392	(85,460)	851,436

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 3

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF FUNDS IN CUSTODY OF STATE TREASURER

	June 30,				
	2000	1999	1998	1997	1996
APPROPRIATED FUNDS					
Demand Deposits:					
Firstar Bank	\$ 20,193,672	17,378,945	27,419,757	0	0
Central Bank	(145,640,671)	(181,557,095)	(168,421,915)	(117,767,344)	(124,164,306)
Collection bank accounts	1,144,983	6,781,261	4,990,343	5,797,090	7,173,967
Total Demand Deposits	(124,302,016)	(157,396,889)	(136,011,815)	(111,970,254)	(116,990,339)
Pooled Investments:					
Time Deposits	498,164,830	442,979,003	421,840,092	424,192,952	443,560,755
U.S. government securities	1,812,434,510	2,299,678,256	3,048,280,491	2,607,059,674	2,016,995,009
Commercial paper and banker acceptances	688,517,469	734,288,488	N/A	N/A	N/A
Repurchase agreements	214,844,900	152,784,800	394,450,700	652,396,500	743,414,400
Other investments	N/A	10,130	10,130	10,130	10,130
Total Pooled Investments	3,213,961,709	3,629,740,677	3,864,581,413	3,683,659,256	3,203,980,294
Total Demand Deposits and Pooled Investments(Schedule 4)	3,089,659,693	3,472,343,788	3,728,569,598	3,571,689,002	3,086,989,955
Special Fund Dedicated Investments:					
U.S. government securities	15,900,896	N/A	N/A	N/A	N/A
Donated corporate stock	5,130	N/A	N/A	N/A	N/A
Total Special Fund Dedicated Investments	15,906,026	0	0	0	0
Total Appropriated Funds	3,105,565,719	3,472,343,788	3,728,569,598	3,571,689,002	3,086,989,955
NONAPPROPRIATED FUNDS					
Demand Deposits	4,417	3,977	4,055	3,777	3,714
Repurchase agreements	8,074,300	7,793,800	8,420,300	8,796,800	11,733,900
Total Nonappropriated Funds (Schedule 5)	8,078,717	7,797,777	8,424,355	8,800,577	11,737,614
Total Cash and Investments	\$ 3,113,644,436	3,480,141,565	3,736,993,953	3,580,489,579	3,098,727,569

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF
"LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)

	June 30,				
	2000	1999	1998	1997	1996
General Revenue Fund	\$ 776,602,798	1,167,276,156	1,455,967,248	1,410,053,968	1,205,618,451
Budget Stabilization Fund	142,777,241	135,293,029	128,169,446	121,444,844	29,032,747
Cash Operating Reserve - General Revenue Fund	293,425,819	278,468,808	261,985,315	245,143,210	232,375,970
Abandoned Fund Account Fund	671,421	257,269	675,468	851,738	1,066,717
Abandoned Mine Reclamation Fund	709,252	611,127	517,196	425,633	333,140
Academic Scholarship Fund	321,932	93,018	90,165	N/A	N/A
Adjutant General - Federal Fund	1,575,342	1,160,612	2,169,055	991,749	941,476
Adjutant General Revolving Fund	244,176	244,500	215,508	201,779	178,235
Administrative Trust Fund	10,990,480	10,784,887	11,817,319	10,983,478	21,362,497
Advantage Missouri Trust Fund	36,860	N/A	N/A	N/A	N/A
Agricultural Product Utilization Business					
Development Loan Guarantee Fund	8	14,591	N/A	N/A	N/A
Agricultural Product Utilization Grant Fund	417,500	377,042	N/A	N/A	N/A
Agriculture Bond Trustee Fund	0	0	0	0	0
Agriculture Development Fund	55,582	56,395	51,443	44,116	67,518
Aid to Dependent Children - Federal Fund	0	0	23	15,475,075	6,065,010
Alternative Care Trust Fund	1,917,619	1,500,105	1,723,174	1,917,931	2,012,486
Americans With Disabilities Act Compliance Fund	1,566,973	3,905,067	3,582,022	8,569,727	21,602,968
Animal Care Reserve Fund	206,352	233,623	175,110	187,238	213,130
Animal Health Laboratory Fee Fund	235,049	246,914	165,882	148,995	92,643
Apple Merchandising Fund	11,214	7,655	10,790	9,542	8,579
Aquaculture Marketing Development Fund	0	1,539	915	0	0
Athletic Fund	351,203	535,604	302,470	135,081	50,081
Attorney General - Federal and Other Fund	663	6,746	0	3,951	65,447
Attorney General Anti-Trust Revolving Fund	801,742	499,754	763,778	539,006	118,995
Attorney General Court Costs Fund	11,644	10,411	9,456	19,782	41,763
Aviation Trust Fund	6,197,404	2,899,035	419,947	351,216	739,619
Bingo Proceeds for Education Fund	7,078,673	8,870,862	8,700,240	6,402,442	5,576,436
Blind Pension Fund	5,735,291	3,919,108	3,047,200	2,481,180	2,330,359
Board of Barber Examiners Fund	150,580	156,154	182,031	211,982	223,337
Board of Embalmers and Funeral Directors Fund	657,413	306,019	307,630	309,368	278,366
Board of Geologist Registration Fund	88,133	76,363	63,448	61,213	129,540
Board of Pharmacy Fund	1,451,661	1,084,804	950,972	777,259	486,568
Board of Registration for the Healing Arts Fund	5,179,330	5,141,105	5,084,207	4,699,622	4,017,063
Bridge Scholarship Fund	1,335,986	290,372	N/A	N/A	N/A
Business Service Extension Team Fund	4,248,291	3,570,702	3,081,493	2,159,428	600,000
Central Check Mailing Service Revolving Fund	23,361	17,001	23,241	32,961	34,834
Champ W. Smith & Mary C. Smith					
Memorial Endowment Trust Fund	405,892	384,668	384,158	385,333	385,542
Chemical Emergency Preparedness Fund	746,644	782,626	814,632	924,762	1,048,873
Child Labor Enforcement Fund	30,107	49,319	538	0	400
Child Support Enforcement Fund	11,139,043	6,093,302	4,564,833	3,969,118	7,390,081
Children's Trust Fund	4,302,138	3,873,938	3,334,529	3,927,446	3,032,308
Clinical Social Workers Fund	559,955	670,208	627,000	613,039	523,639
Coal Mine Land Reclamation Fund	846,917	853,287	785,075	2,104,021	2,317,888
Committee of Professional Counselors Fund	564,397	534,729	412,638	334,100	243,461
Commodity Council Merchandising Fund	21,641	21,274	483,754	490,697	392,615
Community Service Commission Fund	4,605	73,544	247,624	2,602	24,169
Compulsive Gamblers Fund	111,115	210,740	231,478	163,313	251,815
Concentrated Animal Feeding Operation Indemnity Fund	118,759	58,669	25,086	N/A	N/A
Confederate Memorial Park Fund	123,329	116,868	110,773	105,136	99,680
Conservation Commission Fund	27,911,407	31,373,471	13,330,523	20,905,807	28,472,019
Correctional Substance Abuse Earnings Fund	86,723	16,171	N/A	N/A	N/A
County Aid Road Trust Fund	116	116	116	115	715
Crime Victims' Compensation Fund	8,463,246	7,991,887	7,689,770	7,965,771	8,365,844
Criminal Justice Network and Technology Revolving Fund	163,278	124,830	465,281	N/A	N/A
Criminal Record System Fund	4,856,861	3,352,363	2,553,611	2,097,509	1,448,110

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF
"LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)

	June 30,				
	2000	1999	1998	1997	1996
Crippled Children's Service Fund	376,064	309,655	236,808	208,075	128,520
Deaf Relay Service Fund	7,379,884	6,096,587	5,535,873	4,949,677	5,490,234
Debt Offset Escrow Fund	10,076,605	5,179,718	1,910,225	1,660,351	1,731,965
Dental Board Fund	406,924	353,035	391,213	428,688	334,653
Department of Agriculture - Federal Fund	22,321	41,652	42,287	36,822	48,781
Department of Corrections - Federal Fund	2,587,151	3,040,595	1,976,299	2,766,765	29,055
Department of Economic Development - Community Development Block Grant Administration Fund	35,093	26,790	29,202	10,065	54,872
Department of Economic Development - Community Development Block Grant Pass-through Fund	5,722	25,597	794,099	1,113	9,198
Department of Economic Development - Federal and Other Fund	70,916	4,685	28,904	12,193	53,002
Department of Economic Development - Management Information Systems - Federal and Other Fund	129	129	129	129	335,465
Department of Economic Development - Missouri Council on the Arts - Federal and Other Fund	33,347	58,378	91,691	58,450	73,894
Department of Economic Development - Women's Council - Federal Fund	5,433	21,552	13,764	9,422	15,124
Department of Economic Development Administrative Fund	290,726	164,532	23,240	133,766	194,483
Department of Health - Donated Fund	801,302	463,590	35,978	39,287	68,084
Department of Health - Federal Fund	5,202,042	5,031,324	2,486,490	3,576,866	9,718,815
Department of Health Document Services Fund	108,408	62,824	81,388	117,093	58,083
Department of Health Institutional Gift Trust Fund	0	0	0	0	85,061
Department of Health Interagency Payments Fund	242,963	88,294	N/A	N/A	N/A
Department of Higher Education - Federal Fund	31,712	17,304	501	2,971	127
Department of Insurance Dedicated Fund	8,621,390	8,057,043	7,608,108	6,879,262	6,659,032
Department of Labor and Industrial Relations - Commission on Human Rights - Federal Fund	1,168,794	836,899	459,014	266,036	99,261
Department of Labor and Industrial Relations - Crime Victims -Federal Fund	95,199	75,966	5	2,363	749,412
Department of Mental Health - Federal Fund	61,697,526	892,647	993,752	1,024,515	1,349,322
Department of Natural Resources - Federal and Other Fund	2,981,637	7,770,346	6,248,204	6,754,660	6,974,194
Department of Natural Resources Cost Allocation Fund	1,743,982	774,526	376,605	505,621	512,979
Department of Natural Resources Revolving Services Fund	348,300	387,789	1,109,291	286,380	150,307
Department of Public Safety - Federal Fund	1,858,163	1,408,647	1,671,251	437,999	1,453,689
Department of Public Safety - Highway Safety Fund	213,398	359,448	225,263	103,017	226,467
Department of Public Safety - JAIBG Fund	7,626,596	4,568,764	N/A	N/A	N/A
Department of Revenue - Federal Fund	214,946	207,039	306,779	92,139	102,031
Department of Revenue Information Fund	664,532	1,199,646	1,383,199	2,071,945	1,598,327
Department of Social Services - Federal and Other Fund	14,600,515	1,203,836	563,673	432,880	419,675
Department of Social Services Administrative Trust Fund	241,972	126,242	123,985	409,227	142,820
Department of Social Services Educational Improvement Fund	3,850,534	3,395,873	2,529,585	1,837,069	1,513,491
Design and Construction Donated Fund	9	9	9	70	70
Division of Aging - Federal and Other Fund	2,342,779	808,130	1,286,012	1,144,830	5,955,873
Division of Aging Donations Fund	1,599	1,599	1,599	1,599	1,599
Division of Aging Elderly Home Delivered Meals Trust Fund	88,453	63,752	91,089	33,760	61,795
Division of Credit Unions Fund	334,940	207,083	201,774	165,921	116,302
Division of Family Services - Administrative Fund	12,916,096	15,282,682	12,670,786	20,317,294	6,649,538
Division of Family Services Donations Fund	261,633	265,905	255,947	104,625	2,917
Division of Finance Fund	1,260,473	1,564,533	1,677,342	998,299	892,250
Division of Labor Standards - Federal Fund	28,424	25,088	19,115	8,175	12,433
Division of Savings and Loan Supervision Fund	28,569	37,119	66,582	40,617	58,821
Division of Tourism Supplemental Revenue Fund	3,524,625	2,674,053	2,597,750	2,343,320	2,843,504
Division of Youth Services - Federal and Other Fund	2,406,578	1,236,130	356,167	613,926	772,578

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF
"LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)

	June 30,				
	2000	1999	1998	1997	1996
Doctor Edmund A. Babler Memorial - State Park Fund	939,903	938,873	878,430	795,267	733,857
Domestic Relations Resolution Fund	367,203	177,217	N/A	N/A	N/A
Early Childhood Development, Education and Care Fund	45,465,648	25,340,676	N/A	N/A	N/A
Elementary and Secondary Education - Federal and Other Fund	2,606,482	4,471,180	2,255,211	4,139,133	3,211,951
Endowed Care Cemetery Audit Fund	241,779	231,835	200,767	428,045	413,773
Energy Set-Aside Program Fund	14,135,697	16,790,980	19,055,453	17,325,892	9,423,886
Escheats Fund	6,287,398	6,141,744	5,344,864	5,682,486	5,364,777
Excellence in Education Fund	1,004,463	1,108,342	1,463,130	1,819,363	1,781,758
Facilities Maintenance Reserve Fund	22,768,361	13,175,243	4,899,661	N/A	N/A
Fair Share Fund	2,332,105	2,152,301	637,682	2,293,510	2,154,173
Family Support Loan Fund	97,058	99,185	136,932	147,593	68,052
Federal - Missouri Department of Insurance Fund	0	0	0	0	0
Federal and Other Fund	11,263	4,044	68,165	8,391	10,901
Federal Drug Seizure Fund	3,809,785	3,841,586	1,090,286	386,019	264,745
Federal Reimbursement Allowance Fund	27,780,449	37,650,850	34,584,196	40,308,215	45,283,826
Federal Student Loan Reserve Fund	34,595,580	N/A	N/A	N/A	N/A
Federal Surplus Property Fund	1,508,761	1,797,410	1,487,737	1,192,200	1,399,555
Firing Range Fee Fund	1,434	1,434	1,434	1,468	1,468
Food Stamp EBT Settlement Fund	0	6,587,306	6,111,728	451,795	N/A
Fourth State Building - Series A 1995	0	0	0	123,747	43,574,913
Fourth State Building - Series A 1996	0	0	26,307,603	95,452,316	N/A
Fourth State Building - Series A 1998	19,036,607	22,004,237	50,159,038	N/A	N/A
Fourth State Building Bond and Interest Series A 1995	6,008,573	6,082,552	6,017,509	6,019,271	5,954,016
Fourth State Building Bond and Interest Series A 1996	10,049,005	10,204,031	10,204,154	10,113,814	N/A
Fourth State Building Bond and Interest Series A 1998	3,777,876	3,779,338	3,637,109	N/A	N/A
Gaming Commission Bingo Fund	17,394	89,804	56,337	139,176	109,238
Gaming Commission Fund	6,835,388	7,896,325	38,885,373	55,947,319	24,958,661
Gaming Proceeds for Education Fund	13,749,083	5,727,863	5,608,803	4,733,872	73,442,546
General Revenue Reimbursements Fund	10,797,459	63,862,901	66,031,946	48,436,550	40,802,712
Governor's Committee on Employment of the Handicapped - Federal Fund	166,405	241,203	219,173	126,874	72,470
Grade Crossing Fund	0	0	153,707	247,547	371,760
Grade Crossing Safety Account Fund	4,414,151	4,335,291	4,135,609	3,587,201	3,148,121
Grain Inspection Fees Fund	442,300	555,038	738,163	769,732	596,818
Groundwater Protection Fund	225,685	171,702	205,133	213,325	258,088
Guaranty Agency Operating Fund	8,612,013	N/A	N/A	N/A	N/A
Handicapped Children's Trust Fund	846	1,072	1,072	1,072	1,072
Hazardous Waste Fund	596,416	560,442	164,890	143,634	234,834
Hazardous Waste Remedial Fund	3,573,649	4,252,922	3,755,085	5,196,767	4,940,112
Health Access Incentive Fund	1,979,962	812,029	1,332,552	1,620,413	949,763
Health Initiatives Fund	9,320,373	13,303,065	19,664,820	22,535,056	25,593,847
Health Spa Regulatory Fund	69,515	69,876	66,089	61,100	55,400
Hearing Instrument Specialist Fund	84,605	79,728	63,609	63,457	22,590
Highway Patrol Academy Fund	483,302	248,267	198,531	154,670	207,110
Highway Patrol Inspection Fund	3,305,943	2,171,007	2,890,935	1,954,321	907,766
Highway Patrol's Motor Vehicle and Aircraft Revolving Fund	4,185,382	3,105,290	3,551,287	3,433,301	2,782,727
Highway Revenue Generating Fund	0	0	3,622	3,622	476
Historic Preservation Revolving Fund	760,279	270,139	249,812	280,151	332,497
House of Representatives Revolving Fund	4,664	11,542	11,975	37,472	11,469
Independent Living Center Fund	403,768	362,340	348,815	330,153	292,699
Industrial Development and Reserve Fund	0	977,179	1,139,768	1,236,069	2,831,069
Industrial/Commercial Energy Conservation Loan Fund	0	0	0	0	3,259,563
Inmate Incarceration Reimbursement Act Revolving Fund	147,400	131,387	128,957	74,445	17,200
Inmate Revolving Fund	2,009,020	1,630,111	1,822,335	1,664,412	634,292
Insurance Examiners Fund	506,241	438,586	499,251	704,342	507,106

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF
"LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)

	June 30,				
	2000	1999	1998	1997	1996
International Trade Show Revolving Fund	22,026	8,416	8,122	38,040	15,220
Job Development and Training Fund	3,336,531	950,703	315,394	173,792	2,172,703
Judiciary Education and Training Fund	203,298	275,783	N/A	N/A	N/A
Kid's Chance Scholarship Fund	51,193	N/A	N/A	N/A	N/A
Landscape Architectural Council Fund	24,059	31,814	40,536	42,812	40,849
Legal Defense and Defender Fund	472,424	480,531	264,292	79,569	438,952
Library Networking Fund	44,362	N/A	N/A	N/A	N/A
Licensed Perfusionists Fund	7,980	9,000	N/A	N/A	N/A
Light Rail Safety Fund	1,694	2,050	2,280	N/A	N/A
Livestock Brands Fund	415	22,273	8,713	7,657	23,062
Livestock Dealer Law Enforcement and Administration Fund	5,184	5,487	7,509	4,002	2,585
Livestock Sales and Markets Fees Fund	11,265	2,623	7,404	3,515	5,641
Local Government Energy Conservation Loan Fund	0	0	0	0	3,450,904
Local Records Preservation Fund	1,552,964	1,660,386	1,401,340	1,476,824	1,705,616
Lottery Proceeds Fund	65,839,958	71,234,118	63,830,483	45,376,115	84,826,112
Mammography Fund	232,751	217,558	179,496	143,851	112,984
Manufactured Housing Fund	493,135	712,818	694,029	790,420	621,983
Marguerite Ross Barnett Scholarship Fund	13,038	N/A	N/A	N/A	N/A
Marital and Family Therapists Fund	42,238	40,229	N/A	N/A	N/A
Marketing Development Fund	337,917	260,687	242,380	193,794	153,553
MCSAP/Division of Transportation - Federal Fund	196,640	144,751	176,190	158,192	199,343
Medicaid Fraud Reimbursement Fund	5,000	5,000	N/A	N/A	N/A
Medical School Loan and Loan Repayment Program Fund	168,391	151,855	146,446	93,735	82,508
Mental Health Central Supply Fund	0	1,000	1,000	624,346	424,886
Mental Health Earnings Fund	500,396	824,960	663,821	922,331	1,071,063
Mental Health Housing Trust Fund	4,435	4,205	4,195	4,019	N/A
Mental Health Interagency Payments Fund	487,924	161,939	799,056	426,136	3,838
Mental Health Trust Fund	6,438,120	5,329,505	3,538,840	3,975,670	4,196,537
Meramec-Onondaga State Parks Fund	994,567	958,851	922,947	892,816	862,498
Merchandising Practices Revolving Fund	2,950,469	2,436,924	2,286,822	2,050,751	1,741,512
Metallic Minerals Waste Management Fund	215,477	218,093	206,286	214,991	198,160
Microfilming Service Revolving Trust Fund	35,768	35,848	35,837	32,488	32,476
Mined Land Reclamation Fund	3,995,941	3,751,491	3,561,740	1,975,801	1,288,426
Missouri Air Emission Reduction Fund	375,581	N/A	N/A	N/A	N/A
Missouri Air Pollution Control Fund	853,041	1,262,211	1,041,691	982,130	791,774
Missouri Arts Council Trust Fund	9,061,274	10,988,326	13,484,355	8,513,606	3,960,651
Missouri Board Of Occupational Therapy Fund	221,288	356,398	121,777	N/A	N/A
Missouri Breeders Fund	76,814	74,238	71,791	72,027	68,295
Missouri Capital Access Program Fund	242,500	242,500	242,500	242,500	N/A
Missouri Children's Service Commission Fund	16,763	15,952	15,125	14,425	13,679
Missouri College Guarantee Fund	6,546,112	3,008,033	N/A	N/A	N/A
Missouri Commission for the Deaf Board of Certification of Interpreters Fund	3,320	54	13,330	12,314	7,222
Missouri Community College Job Training Program Fund	0	0	0	651,542	597,886
Missouri Consolidated Health Care Plan Benefit Fund	0	0	0	0	0
Missouri Crime Prevention Information and Programming Fund	0	0	0	0	0
Missouri Disaster Fund	231,525	98,706	415,866	151,142	543,878
Missouri Health Care Providers Fund	0	0	70	191,692	191,226
Missouri Horse Racing Fund	9	0	0	88	88
Missouri Housing Trust Fund	4,255,307	4,929,604	4,031,191	3,750,405	3,628,745
Missouri Humanities Council Trust Fund	533,134	364,732	205,132	100,687	N/A
Missouri Job Development Fund	2,516,319	4,760,404	489,093	3,913,201	4,652,690
Missouri Main Street Program Fund	141,582	139,544	101,808	97,000	N/A
Missouri National Guard Training Site Fund	55,443	49,852	75,654	66,140	83,796
Missouri National Guard Trust Fund	3,589,693	2,409,528	N/A	N/A	N/A
Missouri Office of Prosecution Services Fund	69,460	64,125	50,762	31,995	34,382

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF
"LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)

	June 30,				
	2000	1999	1998	1997	1996
Missouri Office of Prosecution Services Revolving Fund	5,680	3,608	2,976	N/A	N/A
Missouri Prospective Teachers Loan Fund	16,260	16,267	16,194	16,039	15,679
Missouri Public Health Services Fund	363,887	544,160	886,467	527,319	810,035
Missouri Qualified Fuel Ethanol Producer Incentive Fund	65,741	N/A	N/A	N/A	N/A
Missouri Real Estate Commission Fund	2,982,063	2,967,376	2,685,005	2,693,099	1,966,173
Missouri Rehabilitation Center Fund	N/A	N/A	0	103	997,355
Missouri State Employees' Deferred Compensation Incentive Plan Administration Fund	0	100	0	0	0
Missouri Student Grant Program Gift Fund	38,894	2,049	2,049	1,299	1,029
Missouri Technology Investment Fund	1,279,939	1,018,573	567,557	1,232,185	3,992
Missouri Veterans Commission - Federal Fund	614,857	1,499,512	9,900	120,075	723,016
Missouri Veterans Homes Fund	1,276,601	357,249	1,252,111	2,595,299	2,962,377
Missouri Water Development Fund	0	0	571,272	24,414	562,160
Missouri Wine Marketing and Research Development Fund	0	7,308	N/A	N/A	N/A
Mortgage Broker Administration Fund	0	0	0	0	120,079
Motor Fuel Tax Fund	7,497,927	25,176,162	25,911,286	18,909,417	23,717,963
Motor Vehicle Commission Fund	1,657,328	1,897,763	1,676,461	1,423,650	1,264,518
Motorcycle Safety Trust Fund	4,132	3,140	731	4,815	2,385
Multimodal Operations Federal Fund	397,921	606,371	385,715	236,924	109,765
Natural Resources Protection Fund	559,943	558,636	168,613	414,965	451,428
Natural Resources Protection Fund - Air Pollution Asbestos Fee Subaccount Fund	942,537	880,637	924,912	946,612	826,724
Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount Fund	14,196,181	16,941,786	17,997,200	17,029,875	15,753,540
Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	9,985,295	9,249,872	6,135,419	4,451,449	2,783,087
Nursing Facility Federal Reimbursement Allowance Fund	2,521,129	819,886	1,272,409	1,591,338	974,588
Nursing Facility Quality of Care Fund	2,404,634	2,443,204	2,914,493	2,377,970	748,102
Office of Administration - Federal and Other Fund	395,984	547,616	345,504	790,198	792,689
Office of the State Public Defender - Federal and Other Fund	19,909	20,078	18,487	21,299	27,397
Oil and Gas Remedial Fund	14,488	18,893	18,893	23,414	30,045
Optometry Fund	164,913	120,121	105,812	104,829	95,814
Organ Donor Program Fund	861,766	680,896	606,071	475,618	124,099
Outstanding Schools Trust Fund	242,235,465	324,123,685	389,313,169	363,106,043	273,601,228
Pansey Johnson-Travis Memorial State Gardens Trust Fund	12,821	795,977	751,620	710,291	672,423
Pansey Johnson-Travis Stocks and Securities Trust Fund	N/A-1	10,130	10,130	10,130	10,130
Peace Officers Standards and Training Commission Fund	1,292,253	1,189,769	912,291	410,680	536,716
Petition Audit Revolving Trust Fund	567,682	348,623	353,131	484,457	472,794
Petroleum Inspection Fund	1,450,724	1,366,010	1,651,931	1,655,792	1,425,591
Petroleum Violation Escrow Fund	20,190,215	20,794,899	21,367,253	22,439,696	23,083,120
Pharmacy Rebates Fund	233,421	N/A	N/A	N/A	N/A
Post Closure Fund	189,657	268,488	260,114	N/A	N/A
Premium Fund	22,438	N/A	N/A	N/A	N/A
Professional and Practical Nursing Student Loan and Nurse Loan Repayment Fund	676,511	943,628	614,943	975,714	614,049
Professional Registration Fees Fund	60,842	17,210	31,796	167,573	52,093
Property Reuse Fund	3,802,801	3,204,516	3,127,992	3,017,322	N/A
Proprietary School Bond Fund	0	0	9,393	N/A	N/A
Public Service Commission Fund	2,555,798	1,426,865	354,408	1,174,361	1,644,563
Railroad Expense Fund	79,856	85,901	158,793	57,888	66,339
Real Estate Appraisers Fund	612,138	585,485	618,109	767,043	729,081
Residential Mortgage Licensing Fund	577,131	464,989	479,056	273,850	N/A
Respiratory Care Practitioners Fund	149,560	80,945	245	N/A	N/A
Safe Drinking Water Fund	3,798,228	3,579,157	3,402,391	3,156,122	3,072,908
School Building Revolving Fund	1,113,426	169,549	N/A	N/A	N/A
School District Bond Fund	7,132,397	7,101,022	7,132,497	7,423,244	4,328,426
School District Trust Fund	56,348,298	57,684,007	53,849,179	59,666,555	47,772,154

Schedule 4

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF
"LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)

	June 30,				
	2000	1999	1998	1997	1996
School for Blind Trust Fund	41,233	482,416	65,884	6,822	81,701
School for Deaf Trust Fund	5,854	29	79	79	8,992
Second Injury Fund	17,010,892	11,111,660	6,711,407	14,804,566	36,102,131
Secretary of State's Investor Education Fund	200,986	210,789	112,146	139,708	15,100
Secretary of State - Federal Fund	58,789	7,631	10	49	21,189
Secretary of State - Technology Trust Fund Account Fund	3,149,925	2,427,488	2,017,405	2,583,796	3,009,720
Secretary of State Institutional Gift Trust Fund	492,064	743,481	870,516	987,644	1,048,325
Senate Revolving Fund	18,194	35,329	20,332	114,634	18,616
Services to Victims Fund	3,703,285	3,412,801	2,747,219	1,731,619	1,059,609
Single-Purpose Animal Facilities Loan Program Fund	395,186	356,954	326,154	243,744	54,146
Social Security Contributions Fund	9,882,847	102,381	102,381	102,381	102,381
Soil and Water Sales Tax Fund	14,605,379	13,735,535	10,523,769	15,043,580	22,897,494
Solid Waste Management Fund	11,994,692	12,577,476	10,851,833	13,436,425	15,112,478
Solid Waste Management Fund - Scrap Tire Subaccount Fund	4,718,823	5,118,266	5,155,939	4,518,296	4,099,458
Special Employment Security Fund	5,575,415	3,654,527	3,731,339	3,786,005	4,169,157
State Agency for Surplus Property Fund	308,197	413,695	321,233	195,480	132,795
State Auditor - Federal Fund	900,132	818,041	865,477	921,203	1,078,176
State Board of Accountancy Fund	1,161,717	1,322,212	1,339,404	1,562,364	1,384,584
State Board of Architects, Engineers and Land Surveyors Fund	200,153	425,889	383,545	924,704	787,419
State Board of Chiropractic Examiners' Fund	165,890	157,214	181,318	214,353	246,054
State Board of Cosmetology Fund	1,679,622	1,023,690	2,218,640	1,405,102	2,129,670
State Board of Nursing Fund	340,151	1,572,253	1,296,919	2,337,798	1,029,020
State Board of Podiatry Fund	114,478	70,632	65,671	64,801	50,521
State Committee of Interpreters Fund	28,340	N/A	N/A	N/A	N/A
State Committee of Psychologists Fund	771,725	838,344	695,212	623,527	513,730
State Court Administration Revolving Fund	9,285	440	81	N/A	N/A
State Document Preservation Fund	43,010	40,823	10,838	20,053	N/A
State Elections Subsidy Fund	183,767	90,674	83,051	61,361	50,875
State Emergency Management - Federal and Other Fund	2,789,695	1,461,442	1,786,598	1,358,601	802,082
State Employee Voluntary Life Insurance Fund	76,033	82,548	89,781	N/A	N/A
State Environmental Improvement and Energy Resources Authority Fund	0	0	0	93	1,503
State Facility Maintenance and Operation Fund	2,480,354	2,616,610	2,149,404	2,250,265	N/A
State Fair Fees Fund	315,685	160,905	69,300	83,206	46,348
State Fair Trust Fund	1,631	496	333	830	1,278
State Forensic Laboratory Fund	110,024	95,610	162,686	136,759	59,184
State Guaranty Student Loan Fund	0	43,190,839	52,030,992	46,965,298	45,796,896
State Highways and Transportation Department Fund	2,516,468	12,666,059	6,054,885	7,357,079	6,118,206
State Institutions Gift Trust Fund	192,904	4,245	5,426	4,729	N/A
State Land Survey Program Fund	1,404,437	1,511,287	1,294,985	1,209,611	1,108,318
State Legal Expense Fund	21,862	14,868	101,299	85,429	359,402
State Lottery Fund	22,969,836	19,490,220	17,443,077	13,774,482	18,467,915
State Milk Inspection Fee Fund	337,632	273,116	201,488	209,865	237,257
State Park Sales Tax Fund	15,559,687	17,125,158	18,412,335	18,962,227	19,086,435
State Parks Earnings Fund	4,589,645	5,466,634	11,173,450	13,237,388	12,669,849
State Parks Revolving Fund	523	75,592	30,326	132,730	15,083
State Public School Fund	95,056	68,285	513,785	57,987	504,906
State Retirement Contributions Fund	0	156	0	0	0
State Road Fund	127,156,055	89,240,117	99,589,802	72,188,172	88,587,713
State School Moneys Fund	53,823,656	50,748,256	30,586,747	80,883,191	18,198,789
State Schools Textbook Fund	N/A	N/A	N/A	N/A	3,870
State Seminary Fund	1,102	787	787	213	0
State Seminary Money Fund	25,747	36,096	0	0	0
State Transportation Assistance Revolving Fund	505,129	1,566,262	75,218	N/A	N/A
State Transportation Fund	2,020,018	2,842,694	760,407	1,880,385	434,686

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF
"LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)

	June 30,				
	2000	1999	1998	1997	1996
Statewide Court Automation Fund	1,193,445	1,745,479	2,255,074	2,819,870	3,636,132
Statutory Revision Fund	86,807	205,428	259,623	472,753	455,349
Stormwater Control - Series A 1999 - 37H	20,530,037	N/A	N/A	N/A	N/A
Stormwater Control Bond and Interest Series A 1999	1,557,350	N/A	N/A	N/A	N/A
Student Grant Fund	341,708	332,316	233,781	N/A	N/A
Supreme Court - Federal and Other Fund	757,108	2,256,307	1,957,441	2,365,122	2,071,355
Supreme Court Publications Revolving Fund	78,856	123,808	55,495	164,475	107,458
Temporary Assistance for Needy Families - Federal Fund	2,302,232	1,683,056	9,207,324	N/A	N/A
Third Party Liability Collections Fund	175,871	N/A	N/A	N/A	N/A
Third State Building Bond Interest and Sinking - Pre Tax Act 1986	0	0	0	8,346,665	19,057,093
Third State Building Bond Interest and Sinking - Series A 1992	28,641,096	29,421,485	28,938,855	26,202,771	16,227,273
Third State Building Bond Interest and Sinking - Series A 1993	16,913,942	17,349,164	17,180,207	9,247,568	9,171,988
Third State Building Bond Interest and Sinking - Series A&B 1991	9,090,914	8,969,707	9,068,155	8,952,861	8,960,669
Third State Building Fund - Pre Tax Act 1986	534,694	987,552	926,596	1,527,368	2,827,434
Third State Building Trust Fund - Pre Tax Act 1986	33,940	1,575	335,363	1,004,688	1,546,361
Title XIX - Federal Fund	5,685,064	2,566,423	7,136,851	17,044,258	5,133,396
Title XIX - Patient Placement Fund	0	5,016,569	3,319,385	3,864,811	1,454,105
Tort Victims Compensation Fund	7,351,434	7,428,138	4,873,135	56,830	40,141
Tourism Marketing Fund	1,013	1,966	966	503	1,543
Treasurer's Information Fund	5,846	4,809	2,681	746	15,065
U.S. Department of Higher Education / Coordinating Board for Higher Education Interest Account Fund	1,511,025	1,031,332	N/A	N/A	N/A
U.S. Department of Higher Education / Coordinating Board for Higher Education Recall Account Fund	19,453,002	12,968,668	N/A	N/A	N/A
Uncompensated Care Fund	8,918,332	18,823,094	14,739,134	12,621,465	15,439,026
Underground Storage Tank Insurance Fund	46,090,200	55,840,164	55,019,305	45,568,063	32,947,845
Underground Storage Tank Regulation Program Fund	594,576	595,891	455,758	37,428	178,221
Unemployment Compensation Administration Fund	814,832	1,140,482	1,126,469	1,026,091	1,298,863
Utilicare Stabilization Fund	20,920	31,998	N/A	N/A	N/A
Veterans' Homes Capital Improvement Fund	0	0	0	0	2,581,749
Veterans' Homes Capital Improvement Trust Fund	81,568,365	79,684,925	58,083,977	4,939,437	5,414,434
Veterans Trust Fund	439,447	412,256	380,257	348,061	324,970
Veterinary Medical Board Fund	730,634	665,422	583,004	564,802	468,773
Video Instructional Development and Education Opportunity Fund	98,546	769,992	1,984,912	2,225,407	1,865,336
Vocational Rehabilitation - Federal Fund	1,668,080	2,539,197	683,865	81,094	1,792,044
Water and Waste Water Loan Fund	418,801	898,398	1,178,862	541,002	455,804
Water and Waste Water Loan Revolving Fund	124,730,837	160,115,759	144,832,782	132,167,436	89,565,959
Water Pollution Control - Series A 1993 - 37C	0	0	0	0	1,546,353
Water Pollution Control - Series A 1995 - 37C	0	0	0	0	5,279,419
Water Pollution Control - Series A 1995 - 37E	0	0	0	0	9,334,815
Water Pollution Control - Series A 1996 - 37C	297,840	3,869,128	7,485,335	10,246,584	N/A
Water Pollution Control - Series A 1996 - 37E	10,596	66,554	9,555,983	18,843,900	N/A
Water Pollution Control - Series A 1998 - 37C	8,192,710	7,827,707	7,529,154	N/A	N/A
Water Pollution Control - Series A 1998 - 37E	22,796,830	28,802,973	27,582,241	N/A	N/A
Water Pollution Control - Series A 1999 - 37E	10,250,685	N/A	N/A	N/A	N/A
Water Pollution Control - Series A 1999 - 37G	10,279,352	N/A	N/A	N/A	N/A
Water Pollution Control Bond and Interest - Pre Tax Act 1986	0	0	664,322	3,208,841	8,999,496
Water Pollution Control Bond and Interest - Series A 1989	0	1,133,070	1,122,958	1,135,853	1,136,875
Water Pollution Control Bond and Interest - Series A 1991	1,176,469	1,215,692	1,103,703	1,122,456	1,128,281
Water Pollution Control Bond and Interest - Series A 1992	2,722,698	2,738,955	2,719,053	2,747,870	2,743,716
Water Pollution Control Bond and Interest - Series A 1993	2,191,673	2,213,339	2,198,539	2,225,274	2,225,889

Schedule 4

OFFICE OF STATE TREASURER
 COMPARATIVE STATEMENT OF
 "LIST OF BALANCES IN THE SEVERAL FUNDS"

(U N A U D I T E D)

	June 30,				
	2000	1999	1998	1997	1996
Water Pollution Control Bond and Interest - Series A 1995	2,407,652	2,433,225	2,406,415	2,408,933	2,381,787
Water Pollution Control Bond and Interest - Series A 1996	2,810,748	2,859,353	2,855,101	2,832,868	N/A
Water Pollution Control Bond and Interest - Series A 1998	2,644,958	2,647,523	2,545,962	N/A	N/A
Water Pollution Control Bond and Interest - Series A 2000	1,557,350	N/A	N/A	N/A	N/A
Water Pollution Control Bond and Interest - Series B 1992	5,136,928	5,270,746	5,200,576	5,191,531	3,132,043
Water Pollution Control Bond and Interest - Series B 1993	9,940,292	8,946,427	8,871,613	6,571,647	6,516,815
Water Pollution Control Bond and Interest - Series B&C 1991	4,332,303	4,300,886	4,276,394	4,270,724	4,329,326
Wolfner Library Trust Fund	568,199	570,875	530,671	540,945	532,886
Workers' Compensation Fund	33,004,325	22,757,405	12,036,207	11,976,492	12,416,417
Working Capital Revolving Fund	5,553,282	9,463,500	13,972,594	9,548,151	7,908,042
Youth Services and Conservation Corps Fund	0	0	0	121,054	52,077
Total All Funds (Schedule 3)	\$ 3,089,659,693	3,472,343,788	3,728,569,598	3,571,689,002	3,086,989,955

N/A These funds were closed or had not been created for the years indicated.

N/A-1 The assets of the Pansey Johnson-Travis Stocks and Securities Trust Fund were reclassified from cash to investments as a result of a change in the state's accounting system. This fund is no longer maintained by the State Treasurer on the cash activity reports.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 5

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF TRUST ACCOUNTS

	June 30,									
	2000		1999		1998		1997		1996	
	Balance	Amount Invested	Balance	Amount Invested	Balance	Amount Invested	Balance	Amount Invested	Balance	Amount Invested
Capitol East Parking Facility										
Depreciation and Replacement Fund	\$ N/A	N/A	N/A	N/A	N/A	N/A	264,045	264,045	264,544	264,544
Enterprise Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16,986	16,986
Operating Reserve Fund	7,154	7,154	6,762	6,762	195,832	195,830	211,389	211,389	211,621	211,621
Corrections and Mental Health										
Construction Fund	137,086	137,082	129,579	129,578	123,111	123,109	116,659	116,659	159,001	159,001
Enterprise Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	764,052	764,051
Kansas City State Office Building										
Enterprise Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	385,772	385,772
Midtown State Office Building										
Enterprise Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	125,498	125,498
Old Age, Survivors, Disability, and Health Insurance Trust Fund	4,161	0	3,910	0	3,982	0	3,764	0	3,707	0
Special Obligation Refunding Bond -										
Principal and Interest Fund	350,352	350,341	364,288	364,285	383,663	383,659	364,649	364,648	427,938	427,938
Depreciation and Replacement Fund	7,293,286	7,293,055	7,016,978	7,016,918	7,406,769	7,406,705	7,393,260	7,393,249	7,405,538	7,405,533
Bond Reserve Fund	105,794	105,790	105,280	105,279	105,988	105,987	108,576	108,576	105,793	105,793
Springfield State Office Building										
Enterprise Fund	N/A	N/A	N/A	N/A	344	344	7,902	7,901	107,830	107,829
State Building Special Obligation Bond 1988										
Arbitrage Rebate Escrow Fund	127,133	127,129	120,172	120,171	114,173	114,172	107,931	107,931	102,151	102,151
Arbitrage Owed to IRS Escrow	8,054	8,054	7,613	7,613	7,232	7,233	6,838	6,838	6,476	6,476
State Information Center										
Construction Fund	45,697	45,695	43,195	43,194	83,261	83,261	215,564	215,564	222,985	222,985
Enterprise Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	319,082	319,082
St. Joseph State Office Building										
Enterprise Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	202,317	202,317
Truman State Office Building										
Enterprise Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	809,326	809,326
Wainwright State Office Building										
Enterprise Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	96,997	96,997
Total Trust Accounts (Schedule 3)	\$ 8,078,717	8,074,300	7,797,777	7,793,800	8,424,355	8,420,300	8,800,577	8,796,800	11,737,614	11,733,900

N/A These accounts were closed for the indicated fiscal years.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS
AND DISTRIBUTION BY FUND

	Year Ended June 30,				
	2000	1999	1998	1997	1996
INTEREST RECEIPTS					
General and special funds	\$ 167,054,476	182,225,423	183,708,819	161,789,785	134,781,598
Debt retirement funds	5,518,366	6,368,513	5,434,788	5,428,457	4,620,803
Total Appropriated Funds	172,572,842	188,593,936	189,143,607	167,218,242	139,402,401
Trust funds	774,564	753,383	839,914	833,897	1,497,860
Total Interest Receipts	\$ 173,347,406	189,347,319	189,983,521	168,052,139	140,900,261
INTEREST DISTRIBUTION					
General and special funds:					
General Revenue Fund	\$ 68,698,776	84,086,064	94,091,911	81,130,143	64,887,135
Budget Stabilization Fund	7,648,358	7,354,863	6,823,161	5,022,803	1,467,772
Cash Operating Reserve Fund	15,732,796	15,066,578	13,953,430	12,716,720	12,166,856
Abandoned Mine Reclamation Fund	37,033	32,134	26,361	20,743	16,756
Advantage Missouri Trust Fund	4	N/A	N/A	N/A	N/A
Agricultural Development Fund	1,950	1,369	N/A	N/A	N/A
Agricultural Product Utilization Business Loan Fund	512	N/A	N/A	N/A	N/A
Agricultural Product Utilization Grant Fund	24,189	9,079	N/A	N/A	N/A
Alternative Care Trust Fund	98,451	102,488	112,992	114,643	133,079
Animal Health Laboratory Fee Fund	12,410	10,045	8,071	5,024	3,052
Aviation Trust Fund	193,313	39,855	23,194	31,582	33,081
Bingo Proceeds for Education Fund	455,212	484,669	376,030	301,401	283,433
Champ W. Smith & Mary C. Smith Memorial					
Endowment Trust Fund	21,750	21,268	21,062	20,330	20,537
Chemical Emergency Preparedness Fund	34,255	34,853	37,867	44,551	44,926
Children's Trust Fund	226,783	191,699	190,859	163,947	157,864
Coal Mine Land Reclamation Fund	46,677	46,167	85,440	125,046	161,400
Concentrated Animal Feeding Operation Indemnity Fund	4,007	1,431	208	N/A	N/A
Confederate Memorial Park Fund	6,609	6,347	5,940	5,455	5,237
Conservation Commission Fund	1,863,046	998,586	860,371	1,480,048	1,628,195
Correctional Substance Abuse Earnings Fund	1,774	60	N/A	N/A	N/A
Crime Victims' Compensation Fund	457,167	431,106	440,785	479,970	437,092
Deaf Relay Service Fund	383,614	341,344	302,946	236,182	190,175
Debt Offset Escrow Fund	347,290	84,693	48,992	47,867	62,499
Department of Insurance Dedicated Fund	505,799	482,642	445,085	399,110	354,531
Department of Public Safety - JAIBG Fund	268,805	45,964	N/A	N/A	N/A
Division of Credit Unions Fund	27,169	22,649	19,621	15,532	13,846
Division of Finance Fund	174,099	165,199	155,071	127,405	136,157
Division of Savings and Loan Supervision Fund	2,959	3,023	3,263	3,129	5,551
Doctor Edmund A. Babler Memorial State					
Park Fund	53,063	53,686	48,822	42,687	36,509
Early Childhood Development, Education, and Care Fund	1,393,287	62,048	N/A	N/A	N/A
Endowed Care Cemetery Audit Fund	13,168	15,114	24,190	22,695	20,161
Energy Set-Aside Program Fund	918,409	1,097,527	1,004,715	613,123	532,682
Escheats Fund	328,536	318,966	306,688	296,100	305,186
Excellence in Education Fund	68,469	86,306	99,990	100,955	124,138
Facilities Maintenance Reserve Fund	819,689	240,483	95,631	N/A	N/A
Federal Drug Seizure Fund	210,737	91,955	39,778	21,240	19,315
Federal Reimbursement Allowance Fund	2,546,242	1,878,471	2,033,464	2,990,570	2,230,819
Federal Student Loan Reserve Fund	1,256,553	N/A	N/A	N/A	N/A
Federal Surplus Property Fund	101,589	88,924	77,499	71,862	82,744
Fourth State Building - Series A 1995	N/A	N/A	N/A	1,391,386	3,211,685
Fourth State Building - Series A 1996	N/A	809,357	4,050,880	4,803,635	N/A
Fourth State Building - Series A 1998	1,090,474	2,026,578	237	N/A	N/A
Gaming Commission Bingo Fund	7,366	5,657	9,319	6,440	4,954
Gaming Commission Fund	893,425	2,514,757	2,498,117	1,717,827	895,114
Gaming Proceeds for Education Fund	449,122	536,099	469,961	1,776,184	3,875,971
Grain Inspection Fees Fund	29,528	38,245	43,886	36,551	40,352
Guaranty Agency Operating Fund	410,701	N/A	N/A	N/A	N/A
Hazardous Waste Fund	35,812	17,686	9,069	9,027	12,526
Hazardous Waste Remedial Fund	230,387	222,696	270,730	268,879	275,041

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS
AND DISTRIBUTION BY FUND

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Historic Preservation Revolving Fund	31,123	14,957	15,962	16,592	13,923
Industrial/Commercial Energy Conservation Loan Fund	N/A	N/A	N/A	136,145	172,477
Kid's Chance Scholarship Fund	1,193	N/A	N/A	N/A	N/A
Legal Defense and Defender Fund	24,304	22,018	7,790	13,694	13,526
Library Networking Fund	26,789	N/A	N/A	N/A	N/A
Livestock Dealer Law Enforcement and Administration Fund	294	338	343	246	130
Local Government Energy Conservation Loan Fund	N/A	N/A	N/A	143,099	176,704
Mental Health Earnings Fund	46,258	47,645	60,126	236,692	1,174,109
Mental Health Housing Trust Fund	237	195	176	19	N/A
Mental Health Trust Fund	272,979	235,691	207,383	217,976	211,252
Meramec-Onondaga State Parks Fund	53,940	52,744	50,259	46,948	45,997
Metallic Minerals Waste Management Fund	11,845	11,653	11,608	10,642	9,579
Mined Land Reclamation Fund	215,966	204,581	157,130	68,159	78,990
Missouri Air Emission Reduction Fund	408	N/A	N/A	N/A	N/A
Missouri Air Pollution Control Fund	70,065	61,734	53,451	44,671	34,653
Missouri Arts Council Trust Fund	680,943	868,759	646,287	360,162	40,758
Missouri Breeders Fund	4,175	4,119	3,976	3,732	3,619
Missouri Children's Service Commission Fund	899	861	858	746	722
Missouri College Guarantee Fund	272,549	8,033	N/A	N/A	N/A
Missouri Horse Racing Fund	9	0	0	0	88
Missouri Housing Trust Fund	160,474	149,636	158,958	131,669	135,476
Missouri Humanities Council Trust Fund	48,541	18,909	10,445	6,687	N/A
Missouri National Guard Trust Fund	148,916	11,183	N/A	N/A	N/A
Missouri Office of Prosecution Services Fund	2,511	N/A	N/A	N/A	N/A
Missouri Veterans Homes Fund	98,118	113,160	170,644	192,155	188,418
Motor Fuel Tax Fund	1,713,277	2,155,315	3,536,397	0	N/A
Natural Resources Protection Fund	28,387	11,326	21,753	30,124	35,621
Natural Resources Protection Fund - Air Pollution Asbestos Fee Subaccount Fund	68,139	49,590	53,928	46,205	38,920
Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount Fund	811,157	934,057	896,414	800,008	728,310
Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount Fund	534,938	407,488	278,843	198,261	155,430
Nursing Facility Federal Reimbursement Allowance Fund	399,036	N/A	N/A	N/A	N/A
Nursing Facility Quality of Care Fund	112,611	167,637	135,845	83,198	33,464
Outstanding Schools Trust Fund	15,741,639	19,830,070	18,753,652	14,204,300	10,068,818
Pansey Johnson-Travis Memorial State Gardens Trust Fund	30,576	43,161	40,209	36,818	35,405
Peace Officers Standards and Training Commission Fund	55,144	38,838	25,035	22,570	20,097
Petroleum Inspection Fund	77,526	95,179	97,190	83,740	68,667
Petroleum Violation Escrow Fund	1,154,344	1,199,858	1,255,124	1,227,621	1,160,240
Pharmacy Rebate Fund	0	N/A	N/A	N/A	N/A
Post-Closure Fund	13,428	14,645	45,676	N/A	N/A
Property Reuse Fund	184,427	188,312	181,324	107,322	N/A
Residential Mortgage Licensing Fund	29,486	23,427	16,669	1,538	N/A
Safe Drinking Water Fund	219,729	215,352	191,367	174,745	155,709
School Building Revolving Fund	32,909	874	N/A	N/A	N/A
School District Trust Fund	2,679,222	2,584,864	2,484,889	2,236,969	2,187,374
Second Injury Fund	700,762	359,716	651,105	1,653,827	2,694,486
Secretary of State Institutional Gift Trust Fund	37,454	46,963	53,653	55,081	58,510
Secretary of State - Technology Trust Fund Account Fund	145,813	125,392	113,276	118,030	117,846
Single-Purpose Animal Facilities Loan Program Fund	21,292	18,364	14,154	5,271	183
Soil and Water Sales Tax Fund	840,181	694,499	717,272	1,184,943	1,604,840

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS
AND DISTRIBUTION BY FUND

	Year Ended June 30,				
	2000	1999	1998	1997	1996
State Document Preservation Fund	2,209	1,371	1,089	38	N/A
State Guaranty Student Loan Fund	865,524	2,010,473	2,646,123	2,436,421	2,440,750
State Highways and Transportation Department Fund	1,457,149	1,349,440	862,693	543,604	N/A
State Lottery Fund	1,344,455	1,314,027	845,562	963,241	1,040,481
State Parks Sales Tax Fund	971,069	1,006,782	1,046,845	1,076,417	1,044,960
State Road Fund	5,213,566	5,730,039	4,628,340	5,076,291	5,979,859
State Transportation Assistance Revolving Fund	64,185	23,333	212	N/A	N/A
Stormwater Control - Series A 1999 - 37H	549,027	N/A	N/A	N/A	N/A
Third State Building Fund - Pre Tax Act 1986	50,402	70,179	120,177	199,935	301,821
U.S. Department of Higher Education/ Coordinating Board for Higher Education Interest Account Fund	856,960	950,650	N/A	N/A	N/A
Underground Storage Tank Insurance Fund	2,993,555	3,178,749	2,706,826	1,997,607	1,714,704
Utilicare Stabilization Fund	15,189	5,731	N/A	N/A	N/A
Veterans' Homes Capital Improvement Fund	N/A	N/A	N/A	47,801	136,090
Veterans' Homes Capital Improvement Trust Fund	4,395,379	3,233,103	1,391,613	275,570	68,831
Veterans' Trust Fund	22,401	21,303	19,191	17,038	15,993
Water and Waste Water Loan Fund	95,765	82,566	56,048	62,319	46,293
Water and Waste Water Loan Revolving Fund	8,264,904	8,954,944	7,187,534	6,161,659	4,136,840
Water Pollution Control - Series A 1993 - 37C	N/A	N/A	N/A	34,581	162,446
Water Pollution Control - Series A 1993 - 37E	N/A	N/A	N/A	N/A	15,445
Water Pollution Control - Series A 1995 - 37C	N/A	N/A	N/A	112,250	242,872
Water Pollution Control - Series A 1995 - 37E	N/A	N/A	N/A	313,244	1,004,170
Water Pollution Control - Series A 1996 - 37C	123,837	385,688	484,911	502,103	N/A
Water Pollution Control - Series A 1996 - 37E	27,055	476,226	880,504	844,571	N/A
Water Pollution Control - Series A 1998 - 37C	394,257	331,862	36	N/A	N/A
Water Pollution Control - Series A 1998 - 37E	1,327,699	1,220,809	130	N/A	N/A
Water Pollution Control - Series A 1999 - 37E	274,217	N/A	N/A	N/A	N/A
Water Pollution Control - Series A 1999 - 37G	274,810	N/A	N/A	N/A	N/A
Wolfner Library Trust Fund	30,941	30,533	18,088	N/A	N/A
Workers' Compensation Fund	1,504,544	647,742	578,090	563,698	1,089,331
Total General and Special Funds	167,054,476	182,225,423	183,708,819	161,789,785	134,781,598
Debt retirement funds:					
Fourth State Building Bond and Interest - Series A 1995	297,005	357,726	311,714	322,451	273,396
Fourth State Building Bond and Interest - Series A 1996	497,128	603,493	526,591	372,751	N/A
Fourth State Building Bond and Interest - Series A 1998	188,227	159,749	9	N/A	N/A
Stormwater Control Bond and Interest- Series A 1999	42,222	N/A	N/A	N/A	N/A
Third State Building Bond Interest and Sinking - Pre Tax Act 1986	N/A	N/A	8,298	646,518	1,033,963
Third State Building Bond Interest and Sinking - Series A 1992	1,424,450	1,738,890	1,456,912	1,254,351	762,647
Third State Building Bond Interest and Sinking - Series A 1993	840,599	1,026,372	756,003	496,347	432,507
Third State Building Bond Interest and Sinking - Series A & B 1991	503,752	515,075	674,779	483,718	489,089
Water Pollution Control Bond and Interest - Pre Tax Act 1986	N/A	32,919	125,400	395,046	484,563
Water Pollution Control Bond and Interest - Series A 1989	0	67,823	59,432	62,204	54,675
Water Pollution Control Bond and Interest - Series A 1991	79,122	67,228	58,239	61,186	54,011
Water Pollution Control Bond and Interest - Series A 1992	134,233	161,759	141,689	148,120	129,903
Water Pollution Control Bond and Interest - Series A 1993	108,219	130,887	114,512	120,046	105,473

OFFICE OF STATE TREASURER
COMPARATIVE STATEMENT OF INTEREST RECEIVED ON POOLED INVESTMENTS
AND DISTRIBUTION BY FUND

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Water Pollution Control Bond and Interest - Series A 1995	118,834	143,096	124,739	128,950	111,403
Water Pollution Control Bond and Interest - Series A 1996	139,016	169,018	147,390	104,408	N/A
Water Pollution Control Bond and Interest - Series A 1998	131,843	111,824	6	N/A	N/A
Water Pollution Control Bond and Interest - Series A 2000	42,222	N/A	N/A	N/A	N/A
Water Pollution Control Bond and Interest - Series B 1992	255,383	311,930	270,072	247,412	147,111
Water Pollution Control Bond and Interest - Series B 1993	475,490	528,406	420,455	352,439	307,088
Water Pollution Control Bond and Interest - Series B&C 1991	240,621	242,318	238,548	232,510	234,974
Total Debt Retirement Funds	5,518,366	6,368,513	5,434,788	5,428,457	4,620,803
Total Appropriated Funds	172,572,842	188,593,936	189,143,607	167,218,242	139,402,401
Trust funds:					
Capitol East Parking Facility Bond Reserve Fund	N/A	N/A	N/A	N/A	739
Capitol East Parking Facility Depreciation and Replacement Fund	N/A	N/A	9,192	14,045	14,545
Capitol East Parking Facility Enterprise Fund	N/A	N/A	N/A	N/A	1,499
Capitol East Parking Facility Operating Reserve Fund	392	5,517	11,640	11,389	11,621
Corrections and Mental Health Construction Fund	7,507	6,469	6,739	6,703	9,715
Corrections and Mental Health Enterprise Fund	N/A	N/A	N/A	5,252	148,198
Kansas City State Office Building Enterprise Fund	N/A	N/A	N/A	2,578	60,083
Midtown State Office Building Enterprise Fund	N/A	N/A	N/A	537	35,293
Special Obligation Refunding Bond - Bond Reserve Fund	5,794	5,280	5,988	8,576	5,793
Special Obligation Refunding Bond - Depreciation and Replacement Fund	400,615	362,829	406,769	393,260	405,538
Special Obligation Refunding Bond - Enterprise Fund	N/A	N/A	N/A	N/A	17
Special Obligation Refunding Bond - Principal and Interest Fund	350,352	364,287	383,663	364,649	422,938
Springfield State Office Building Enterprise Fund	N/A	N/A	N/A	497	37,077
State Building Special Obligation Bond 1988					
Arbitrage Rebate Escrow Fund	6,961	5,999	6,242	5,781	6,183
Arbitrage Owed to IRS Escrow	441	380	395	362	353
State Information Center Construction Fund	2,502	2,622	9,286	12,296	12,621
State Information Center Enterprise Fund	N/A	N/A	N/A	1,658	48,020
State Park Board Revenue Bond Fund	N/A	N/A	N/A	N/A	52,646
St. Joseph State Office Building Enterprise Fund	N/A	N/A	N/A	1,292	24,384
Truman State Office Building Enterprise Fund	N/A	N/A	N/A	4,462	146,472
Wainwright State Office Building Enterprise Fund	N/A	N/A	N/A	560	54,125
Total Trust Funds	774,564	753,383	839,914	833,897	1,497,860
Total Distribution	\$ 173,347,406	189,347,319	189,983,521	168,052,139	140,900,261

N/A These funds did not receive interest for the years indicated due to the fund not being established at the time, or due to the lack of legislation that would require the interest to remain in the fund.

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Schedule 7

OFFICE OF STATE TREASURER
ANALYSIS OF INVESTMENTS
APPROPRIATED FUNDS

		Year Ended June 30.									
		2000		1999		1998		1997		1996	
		Average Daily Balances	Investment Earnings	Average Daily Balances	Investment Earnings	Average Daily Balances	Investment Earnings	Average Daily Balances	Investment Earnings	Average Daily Balances	Investment Earnings
INVESTMENTS											
Pooled Investments:											
Time deposits	\$	436,504,326	17,530,732	449,465,898	21,330,976	435,724,377	20,775,864	432,685,370	20,962,339	421,520,562	19,029,812
U.S. government securities, commercial paper, and repurchase agreements		2,793,120,677	155,042,110	2,932,164,153	167,262,960	3,105,448,004	168,367,743	2,865,324,055	146,255,903	2,339,245,207	120,372,589
Total Pooled Investments		3,229,625,003	172,572,842	3,381,630,051	188,593,936	3,541,172,381	189,143,607	3,298,009,425	167,218,242	2,760,765,769	139,402,401
Special Fund Dedicated Investments:											
U.S. government securities and donated corporate stock		15,687,926	956,850	10,130	1,197	10,130	1,120	10,130	1,050	10,130	990
Total Invested Balance	\$	3,245,312,929	173,529,692	3,381,640,181	188,595,133	3,541,182,511	189,144,727	3,298,019,555	167,219,292	2,760,775,899	139,403,391
Total fund balance excluding collection, concentration, and restricted balance accounts	\$	3,113,762,871		3,234,401,797		3,416,907,704		3,197,423,958		2,667,586,324	
Collection and concentration accounts		1,614,720		7,360,797		6,268,682		6,202,391		5,765,087	
Restricted balance accounts		15,080,383		19,251,318		16,104,141		13,947,824		15,101,093	
Total Fund Balance Including Collection, Concentration, and Restricted Balance Accounts	\$	3,130,457,974		3,261,013,912		3,439,280,527		3,217,574,173		2,688,452,504	
PERCENTAGE OF FUND BALANCE IN INVESTMENTS											
Excluding collection, concentration, and restricted balance accounts		104.22%		104.55%		103.64%		103.15%		103.49%	
Including collection, concentration, and restricted balance accounts		103.67%		103.70%		102.96%		102.50%		102.69%	
INVESTMENT YIELD											
Time deposits			4.02%		4.75%		4.77%		4.84%		4.51%
U.S. government securities and repurchase agreements			5.55%		5.70%		5.42%		5.10%		5.15%
Special fund dedicated investments			6.10%		11.82%		11.06%		10.37%		9.77%
Average investment yield			5.35%		5.58%		5.34%		5.07%		5.05%

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

OFFICE OF STATE TREASURER
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Office of State Treasurer.

The Central Check Mailing Service Revolving Fund, presented in Exhibits A through C, is a separate accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the fund's activities.

Expenses presented for the fund or any program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the fund or applicable program.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit D for the Abandoned Fund Account Fund and the Treasurer's Information Fund. Appropriations from these funds are expended by or for the office for restricted purposes.

Appropriations, presented in Exhibit E, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the Central Check Mailing Service Revolving Fund, Exhibits A through C, are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

Fixed assets (equipment) of the Central Check Mailing Service Revolving Fund are recorded at cost and depreciated on a straight-line basis with a useful life of ten years and no salvage value.

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit D, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit E, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for both regular and capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Central Check Mailing Service Revolving Fund: The office receives appropriations from this fund and maintains a proprietary interest in the fund. The State Treasurer is administrator and custodian of the fund and receives funds paid or transferred to the office by state agencies for centralized check mailing services. The initial funding for this fund was provided by a transfer of \$50,000 from the General Revenue Fund-State on October 23, 1978. Appropriations from the fund are used for check mailing service expenses.

Abandoned Fund Account Fund: This fund receives monies from banking or financial institutions, business associations, insurance corporations, utilities, courts and other governmental entities, and proceeds from the sale of abandoned property representing abandoned or unclaimed funds.

This fund is established and governed under Section 447.543.2, RSMo 2000. Under Sections 447.500 through 447.595, RSMo, various financial, business, and governmental entities, unless otherwise exempted, are to remit to the State Treasurer all funds which have been presumed abandoned or unclaimed for the required dormancy period, less any reasonable costs of complying with the law

incurred during the required notification or report process. The State Treasurer is to deposit these funds in the Abandoned Fund Account Fund. Claims may be filed at any time and are paid upon proof of an approved claim. At any time when the balance of the fund exceeds one-twelfth of the previous fiscal year's total disbursements from the Abandoned Fund Account Fund, the State Treasurer may, and at least once every fiscal year shall, transfer to the state's General Revenue Fund the balance of the Abandoned Fund Account Fund which exceeds one-twelfth of the previous fiscal year's total disbursements from the Abandoned Fund Account Fund. If any claim or refund reduces the balance of the fund to less than one-twenty-fourth of the previous fiscal year's total disbursements from the Abandoned Fund Account Fund, the State Treasurer shall transfer from the state's General Revenue Fund an amount which is sufficient to restore the balance to one-twelfth of the previous fiscal year's total disbursements from the Abandoned Fund Account Fund. Appropriations from this fund authorize disbursements for the payment of claims of abandoned funds.

Treasurer's Information Fund: The office receives appropriations from this fund and maintains a proprietary interest in the fund. This fund, established by Section 30.610, RSMo 2000, may receive monies from governmental entities or the general public for the preparation, reproduction, or dissemination of information or publications of the State Treasurer. Appropriations from this fund shall be used to pay for personal service, equipment and other expenses of the office necessary for the preparation, reproduction or dissemination of information or publications of the State Treasurer.

General Revenue Fund-State: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

Highway Department Fund: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for that portion of the basic operation of the office which relates to the administration of highway department funds.

Worker's Compensation - Second Injury Fund: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for that portion of basic operations which relate to the administration of Second Injury Fund claims.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred

compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit E.

2. Cash and Investments

The balances of the Central Check Mailing Service Revolving Fund, Abandoned Fund Account Fund, and Treasurer's Information Fund are pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit D reconcile to appropriated expenditures on Exhibit E as follows:

		Year Ended June 30,			
		2000		1999	
		Abandoned Fund Account Fund	Treasurer's Information Fund	Abandoned Fund Account Fund	Treasurer's Information Fund
DISBURSEMENTS PER EXHIBIT D	\$	8,175,746	1,482	5,054,734	1,502
Lapse period expenditures:					
2000		117,649	0	0	0
1999		(121,823)	0	121,823	0
1998		0	0	(330,480)	(952)
Accounts payable, June 30:					
2000		213,010	0	0	0
1999		(56,077)	0	56,077	0
1998		0	0	(15,977)	(42)
EXPENDITURES PER EXHIBIT E	\$	8,328,505	1,482	4,886,177	508

Notes to the Supplementary Data:

4. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

5. Basis of Presentation

The amounts presented in Schedules 3 through 7 represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subjected to appropriation; trust funds are not. The schedules do not include any funds or investments that are not in the custody of the State Treasurer.

6. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U. S. government. This section further authorizes the State Treasurer to place all such monies on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U. S. government or any agency or instrumentality thereof maturing or becoming payable not more than five years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within ninety days secured by U. S. Treasury obligations or obligations of U. S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in banker's acceptances issued by domestic commercial banks possessing the highest rating issued by a nationally recognized rating agency and in commercial paper issued by domestic corporations which has received the highest rating issued by a nationally recognized rating agency. Investments in banker's acceptances and commercial paper shall mature and become payable not more than one hundred eighty days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain and adhere to a written investment policy which shall include an asset allocation plan limiting the total amount of state money which may be invested in each investment category authorized by law.

Deposits

The State Treasurer maintains approximately 1,300 bank accounts throughout the state. These accounts include time deposits, collection accounts which are demand deposit accounts for various state agencies, and the state's primary operating accounts which are also demand deposit accounts. Cash balances in the state's operating accounts which are not needed for immediate use are invested.

The State Treasurer's deposits at June 30, 2000, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo 2000, require depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

Investments

The State Treasurer's investments at June 30, 2000, are listed by type below to give an indication of the level of risk assumed by the state at year-end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.

		Reported Amount	Fair Value
Repurchase agreements	\$	222,919,200	222,919,200
U.S. government securities		1,828,331,867	1,823,491,467
Commercial paper		688,517,469	688,393,381
Other investments		5,130	33,540
Total Investments	\$	2,739,773,666	2,734,837,588

Investments are recorded at acquisition cost except "other" investments which are recorded at par. Investments in repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

7. Demand Deposit and Collection Accounts

The demand deposits with Firststar (formerly Mercantile) Bank on Schedule 3 consist of one central demand account in 2000, 1999 and 1998. The demand deposits with Central Bank consist of ten central demand accounts in 2000 and 1999 and seven in 1998, 1997 and 1996. The Lottery Concentration Account was at Central Bank in 2000, 1999, 1998, 1997, and 1996. The Conservation Concentration Account was at Central Bank in 2000, 1999, 1998, 1997, and 1996. Bank balances were \$19,908,388, \$18,081,868, and \$28,187,539 at June 30, 2000, 1999 and 1998 for Firststar Bank and \$27,600,332, \$32,573,546, \$22,567,839, \$58,791,756, and \$34,932,976, at June 30, 2000, 1999, 1998, 1997, and 1996 for Central Bank.

Banking service agreements on the central demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount

in excess of book balances. The negative balances at June 30 (Schedule 3) for the appropriated funds demand deposits represent the book balance net of amounts invested.

8. Special Fund Dedicated Investments

Due to a change in the state's accounting system, as of July 1, 1999, the State Treasurer was assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Schedule 3 represent specific investments made or held by the State Treasurer on behalf of the Pansey Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection and distribution, and recordkeeping duties related to the investments of these funds.

The investments of the Pansey Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments which were transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are made in accordance with the instructions of the State Public School Fund investment committee.

Prior to July 1, 1999, the investments of the Pansey Johnson-Travis Memorial State Gardens were recorded as a cash asset in the state's accounting system. Prior to July 1, 1999, the investments of the Public School Fund were not recorded in the state's accounting system and the State Treasurer's duties related to these investments were limited to holding the investments on behalf of the fund.

9. Investments of Other Agencies

Schedules 6 and 7 do not include those funds which are invested directly by other agencies; e.g., the Agricultural Development Fund, the Department of Revenue non-state (local) funds, and the State Seminary Fund. The State Treasurer does not have investment authority for these funds and is not responsible for the efficiency of the investment of these funds or for the collection and distribution of the interest income.

10. Amount and Yield on Investment Earnings

The amount and yield on investments earnings on Schedule 7 are presented on a cash basis. However, approximate accrued amounts were \$38,271,000, \$36,028,000, \$44,990,000, \$39,100,000, and \$29,200,000 at June 30, 2000, 1999, 1998, 1997, and 1996, respectively, giving approximate yield rates of 5.41 percent, 5.31 percent, 5.51 percent, 5.37 percent, and 5.39 percent for the same corresponding periods on an accrual basis.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

OFFICE OF STATE TREASURER
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of the Office of State Treasurer as of and for the year ended June 30, 2000, and have issued our report thereon dated February 9, 2001.

The following Management Advisory Report presents our finding arising from our audit of the office's special-purpose financial statements.

Bank Reconciliation Procedures

The State Treasurer's Office (STO) bank reconciliation procedures were not adequate for several accounts during the year ending June 30, 2000. Research was not conducted and transactions were not cleared for a large number of unreconciled items which were recorded on the bank reconciliations for the Electronic Receipt/Payment account and the Department of Social Services - Division of Family Services (DSS-DFS) accounts during the year ending June 30, 2000. In addition, bank reconciliations were not prepared for the DSS-DFS accounts in a timely manner.

The STO prepares account reconciliations for the Electronic Receipt/Payment account each business day. Prior audit reports for the years ending June 30, 1999 and 1998, noted that the STO reconciliations of the Electronic Receipt/Payment Account were not prepared in a timely manner. To address this issue, the STO reallocated duties among staff responsible for supervising and performing bank reconciliation processes to allow for more concentrated reconciliation and research efforts on the Electronic Receipt/Payment Account. As a result, the reconciliations of the account were being prepared on a daily basis and in a timely manner at the time of our audit and increased efforts were being made to research old reconciling items. However, the conversion of the state's accounting system from Statewide Accounting for Missouri (SAM) to Statewide Advantage for Missouri (SAM II) on July 1, 1999 significantly affected this reconciliation process. Many more reconciling items resulted after conversion to the SAM II system than were produced by the SAM system and some reconciling items became more difficult to research. During our audit, we noted that the balance of reconciling items increased dramatically between June 30, 1998, and June 30, 2000. As of June 30, 2000, 1999, and 1998, the reconciling items which required further research totaled approximately \$28,760,000; \$7,410,000; and \$2,460,000, respectively. As of June 30, 2000, reconciling items totaling over \$28,230,000 were outstanding from one to eighteen months.

The STO also prepares account reconciliations for the DSS-DFS accounts each business day. As of January 26, 2001, the STO had not performed reconciliations on daily bank statements dated after October 31, 2000. These daily reconciliations were current as of February 28, 2001. In addition, as of June 30, 2000, reconciling items totaling over

\$720,000, which were between one and six months old, had not been researched and corrected.

It is likely that many of the unreconciled items are offset by transactions on the bank statements which have not yet been matched against entries in the state's accounting system and vice versa; however, the STO has no assurance, at this time, that the bank and book cash balances are accurate unless unreconciled items are properly researched and cleared. To allow errors and other reconciling items to be identified, researched, and corrected in a timely manner, bank reconciliations should continue to be prepared at regularly scheduled intervals and the reconciliation process should include a thorough review of all reconciling items at the time they are identified.

WE AGAIN RECOMMEND the STO ensure reconciliations of all bank accounts continue to be prepared on a timely basis, that reconciling items are researched at the time they are identified, and that any necessary corrections be made for reconciling items in a reasonable time frame.

AUDITEE'S RESPONSE

The Office of Governor Bob Holden (formerly State Treasurer) provided the following response:

The State Treasurer's Office (STO) took the recommendations made by the State Auditor's Office in the prior audit very seriously. That audit stated that the STO should ensure the reconciliation of all bank accounts was done on a timely basis. Based on those recommendations, several steps were taken to address the backlog.

As indicated in your finding, the STO reallocated duties of staff to allow for more attention to the unreconciled accounts. Senior management set goals and priorities for each employee. Work was monitored weekly, with the goal being to make sure all accounts were reconciled in a timely manner. As time permitted, outstanding items were researched.

The STO purchased reconciliation software that will automate some of the process. This should help facilitate a more timely reconciliation of accounts in the future.

The STO has made great strides over the last year in an attempt to implement a strategy to address the reconciliation process. This is a work in progress that will continue to be a challenge. However, with the steps that have been initiated and the vision and goals for the future, it is believed the necessary steps are being taken to ensure accounts will be reconciled and researched more efficiently.

The Office of State Treasurer Nancy Farmer provided the following response:

The STO is committed to timely performance of all bank reconciliations. All bank reconciliations are current and are being performed on a timely basis. Reconciling items are researched as they are identified and investigated as they age.

With the implementation of the new statewide accounting system (SAM II), resources were shifted to deal with numerous conversion problems resulting from the transition. Although SAM II conversion issues continue, we have been able in recent months to focus more resources on the reconciliation and research of the Electronic Receipt/Payment Account.

In addition, we have changed our reconciliation process to accommodate the increased information flow resulting from the implementation of the new system. In fact, working at this new level of greater detail takes a significant amount of staff resources and has slowed other work efforts. However, the STO is accepting the audit recommendation for all bank account reconciliations and will continue to research older outstanding items being carried on our reconciliations to accommodate their removal.

This report is intended for the information of the management of the Office of State Treasurer and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

OFFICE OF STATE TREASURER
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of State Treasurer on findings in the Management Advisory Report (MAR) of our prior audit report issued for the year ended June 30, 1999. The prior recommendation which has not been implemented is repeated in the current MAR.

1. Bank Reconciliation Procedures

The State Treasurer's Office (STO) did not reconcile the Electronic Receipt/Payment Account and did not research and correct reconciling items on a timely basis.

Recommendation:

The STO ensure reconciliations of all bank accounts are done on a timely basis.

Status:

Partially implemented. While the reconciliation of the Electronic Receipt/Payment Account was done timely, other accounts were not. In addition, some reconciling items were also not researched timely. See MAR.

2. Unclaimed Property Procedures

The Unclaimed Property Division (UPD) did not record owner information in the unclaimed property management system in a timely manner.

Recommendation:

The STO enter owner information in a timely manner.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF STATE TREASURER HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor or in short-term U. S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services; 2) disbursements and records; 3) investments and deposit programs; and 4) unclaimed property.

The accounting and banking services area: 1) maintains a fund accounting system for the purpose of allocating investment interest to funds; 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances; 3) controls receipt of state monies collected by fee agents and state agencies and deposited in local banks throughout the state; 4) reconciles bank activity to receipt and disbursement activity reflected on the state books; 5) determines the amount of state monies not needed for current operating expenses, and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

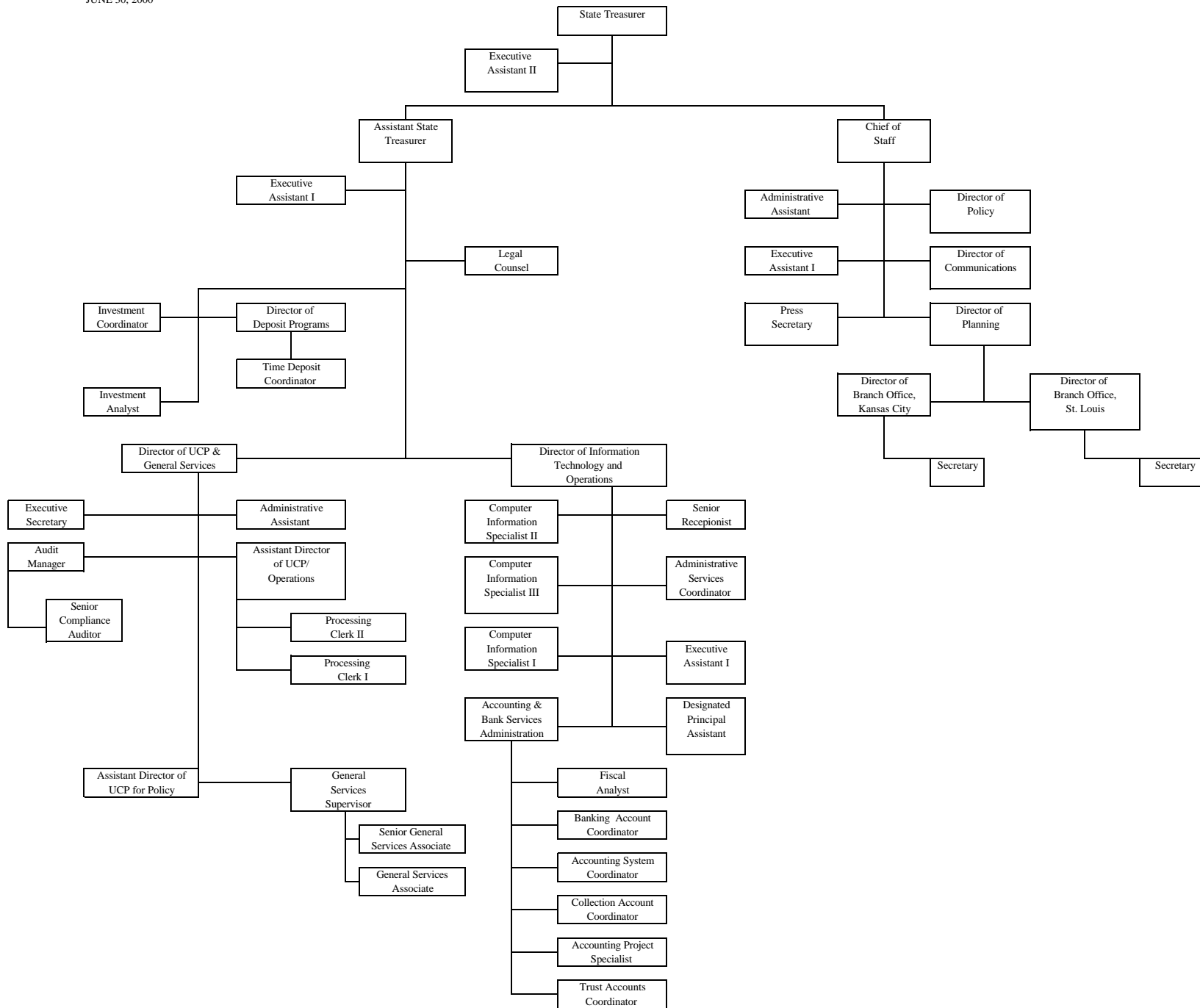
The disbursements and records area provides processing support to other departments of the State Treasurer's office, as follows: 1) provides storage and retrieval of state checks; and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property (UCP) Section administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Section is responsible for: 1) ensuring unclaimed property is reported; 2) receiving and recording reports of unclaimed property; 3) depositing unclaimed funds to the Abandoned Fund Account Fund; 4) maintaining custody and safekeeping of abandoned or unclaimed physical property; and 5) processing owner claims for abandoned funds or physical property.

On January 13, 1997, Bob Holden was inaugurated for his second term as the forty-second Treasurer of the state of Missouri. Bob Holden's term expired in January 2001. On January 8, 2001, Nancy Farmer was inaugurated as the forty-third Treasurer of the state of Missouri.

As of June 30, 2000, the office had fifty-three full-time and seven part-time employees. An organization chart follows.





**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
COMPUTER SECURITY CONTROLS**

**From The Office Of State Auditor
Claire McCaskill**

*A computer security management plan is needed
to guard against unauthorized access and/or
information loss from disaster.*

**Report No. 2001-41
May 24, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
COMPUTER SECURITY CONTROLS**

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**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
COMPUTER SECURITY CONTROLS**

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden
and
Members of the General Assembly
and
Catherine Leapheart, Director
Department of Labor and Industrial Relations
Jefferson City, Missouri 65102

The State Auditor's Office audited the computer security program at the Department of Labor and Industrial Relations.

The audit objectives were to determine if the Department of Labor and Industrial Relations' computer security program effectively (1) protected computer systems and data against unauthorized access, and (2) ensured recovery of computer processing operations in case of a disaster or other unexpected interruptions.

Audit results disclosed that management needed to improve computer security by developing a risk management process and a new disaster recovery plan, conducting periodic tests and assessments to ensure the effectiveness of existing computer controls, and completing background checks for employees who work in sensitive and critical data processing positions.

Department of Labor and Industrial Relations managers corrected some problems we noted immediately upon being notified and in those instances recommendations were not made in the report. Other issues have been identified and recommendations for corrective action have been made.

Claire McCaskill
State Auditor

February 23, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: William D. Miller, CIA
Audit Manager: Jeff Thelen, CPA
Audit Staff: John Mollet, CISA
Frank Verslues
Andrea Higgins

RESULTS AND RECOMMENDATIONS

1. The Department of Labor and Industrial Relations Needs to Implement Effective Computer Security Controls and Processes

Audit tests showed that because the Department of Labor and Industrial Relations (the department) does not have a comprehensive computer security management program, it did not implement

- ✓ risk management processes,
- ✓ disaster recovery plans,
- ✓ periodic tests and assessments to ensure implemented controls are effective, and
- ✓ background checks for employees working in sensitive positions.

Without an effective system of computer security controls and processes, the department faces increased risks that mission-essential computer support will not be available, and that confidential data is subject to unauthorized use or destruction.

We attributed the cause for this condition to management not placing priority on the program. However, during the course of our review, department officials took prompt action to correct several of the computer security weaknesses. Accordingly, we are not making recommendations for the weaknesses the department has corrected. We commend the department for taking these immediate steps to decrease the risk of unauthorized use or destruction of financial and confidential data.

Background

The department and its Employment Security and Workers' Compensation Divisions (divisions) rely extensively on information technology to process, pay, and monitor millions of dollars paid annually in unemployment and second injury fund payments, and workers' compensation benefits. The increasing department-wide use and importance of information technology is placing unprecedented demands on security controls over information and the supporting technology.

During fiscal year 2000, the department used its computer systems to process and pay approximately \$300 million in unemployment benefits and approximately \$28 million in second injury fund compensations.¹ Although the department does not directly pay workers' compensation benefits, its computerized files contain over 3 million documents with confidential workers' compensation case data. This data is used to monitor the progress of workers' compensation cases.

According to the National Institute of Standards and Technology, the U.S. Critical Infrastructure Assurance Office, and the U.S. General Accounting Office, effective computer security controls and processes are essential to protect against these unauthorized acts. These nationally and

¹ Computer systems as discussed in this report include hardware (e.g. mainframe computers and servers), software applications, database systems, and telecommunications.

internationally recognized organizations have issued computer security guidelines that show an effective computer security program should include (1) periodic risk and vulnerability assessments, (2) disaster recovery or continuity of operation plans, (3) effective access controls, and (4) periodic evaluations of in-place controls to ensure they are effective.

At the time of our review, the State of Missouri did not have published computer security standards, policies, or guidelines that state agencies were either required or recommended to follow. As a result, we used the above organizations' computer security guidelines as benchmarks to evaluate the adequacy of the department's computer security controls and processes. It should be noted that, as part of its efforts to develop a security architecture for the state, the State of Missouri Information Technology Advisory Board recently prepared a draft set of proposed computer security principles for Missouri state agencies. The Board's proposed security principles were based in part on the National Institute of Standards and Technology computer security publications.

There are no statewide security standards

The department has not implemented a risk management program

Effective security is based on identifying risks and designing security processes and procedures to mitigate them. The first step in establishing effective security is the development of a risk management program.

- ***Risk management*** is the on going process of assessing the risk to computer resources and its data by analyzing the threats and vulnerabilities and selecting appropriate cost-effective controls to achieve and maintain an acceptable level of risk.
- ***Risk assessment*** is the process for determining the probability that a particular security threat will exploit system vulnerability.
- ***Threat assessment*** is the process for identifying activities (deliberate or unintentional), such as data input errors, fraud, disgruntled employees, fires, hackers, and viruses, that could harm the system.
- ***Vulnerability assessment*** is the process of identifying flaws or weaknesses that may allow identified threats to harm a computer system or its data.

The department has not initiated or completed any of these essential processes.

According to the Directors of the Divisions of Unemployment Compensation and Workers' Compensation, the loss of computer processing support and computerized data would seriously impact their ability to timely pay unemployment benefits and second injury fund payments, and to monitor workers' compensation cases.

The department has not performed any sensitivity analyses to determine the short- or long-term impact in both monetary and non-monetary terms to their programs if they lost computer-processing support, and if they lost Local Area Network (LAN) support to the State Data Center. These analyses are necessary to ensure that the costs of implementing security controls and disaster recovery plans do not exceed expected losses. Department and division officials have not determined when they will lose the capability to pay weekly benefits after either system is lost. This information is critical to determining when to implement the disaster recovery plan.

Analyses are needed to assess impact if systems fail

The department lacks an up-to-date disaster recovery plan

Disaster recovery or contingency plans should be developed and tested to ensure that critical operations can continue without interruption or can be quickly resumed when unexpected events occur (fires, tornadoes or sabotage). The department's computer center houses two computers and servers connected to the State Data Center. These systems issue an average 6,700 employment benefit payments and an average 72 second injury fund payments each week. Accordingly, it is imperative that the department have a disaster recovery plan, which is updated and tested periodically, to ensure Missouri residents will continue to receive their unemployment or second injury fund payments if the department's computers or LAN are down for an extended period of time.

The department's administrative manual states that in the event of disasters, the department will operate under its disaster recovery information plan and it will not forego processing unemployment insurance claims for more than 5 working days. Although the department has prepared a disaster recovery information plan for the computer center, the plan was prepared in October 1990, and has not been updated. Department officials acknowledged the plan is obsolete and could not be used to reestablish computer processing at an alternate site.

Disaster recovery plan is outdated and obsolete

The department did not conduct periodic evaluations to determine the effectiveness of computer security controls

Although department officials have implemented several computer security controls, they do not conduct any tests or reviews to ensure they are being complied with or working as intended. For example, employees need magnetic key cards to gain access to the computer operations area. Access reports are printed that show the date and time an employee uses his/her card to enter the computer operations area. But, department personnel do not routinely review these reports to identify potential security violations. Our review of the reports for a 7-day period identified numerous incidents where employees had apparently propped open doors for several hours. In one case, a door was left opened for 3 days during a holiday weekend.

Security controls were compromised

Employees are issued user IDs and passwords to authorize access to unemployment and workers' compensation data. Department policy requires an employee's supervisor to notify Information

Systems Section staff to deactivate the employee's user ID and password when employment is terminated. Audit tests showed one section is not following this procedure. New employees are allowed to use the IDs and passwords of departed employees until the new employees receive their IDs and passwords. This practice could result in disgruntled employees using the IDs and passwords to alter or divulge confidential data.

Department managers also do not routinely review computer system reports, which identify what changes have been made to critical functions, such as computer system security values. In fact, managers and staff had not activated a logging system that tracks changes to computer system values. Department officials stated another logging system provides the same information, but acknowledged they were not reviewing these reports. Accordingly, unauthorized changes to critical security controls could go undetected. Department managers do not monitor employee access activity to confidential data to detect failed attempts or unusual patterns of successful access to such information. Routinely monitoring the access activities of employees can help identify significant problems and deter employees from inappropriate and unauthorized activities.

Change tracking system not activated

Additionally, the department's policy does not require division managers to periodically reassess whether employees continue to need access to systems or data, or if current access controls should be changed. As our audit tests showed, periodic evaluations would have identified that several employees did not continue to need the use of powerful user IDs. Also, periodic evaluations would have shown thresholds to automatically log off inactive users were set for an excessive amount of time, which increased the risk of unauthorized access to Departmental data.

Employee background screening should be accomplished

Department managers do not assign different levels of sensitivity to job positions or perform background screening. Sensitivity levels are based on the type and degree of harm, such as disclosure of confidential information, an employee can cause through misuse of computer systems and its data. Sensitivity levels are used to determine if job positions require background screening and if the screening should be done before or after employment. More sensitive positions typically require pre-employment background screening.

Background checks needed for sensitive jobs

Background screening helps determine whether an applicant for employment is suitable for a given position. For example, in positions with access to powerful user IDs, the screening process will attempt to ascertain the applicant's trustworthiness and appropriateness for this position. A senior department official said that background screening should be done for employees working in sensitive positions. For example, the official said he would not want an employee working for him who had been convicted of selling confidential data.

Controls have been implemented to correct some serious security control weaknesses

An essential management objective for all organizations is to protect data from unauthorized access and to prevent intentional or unintentional modification, disclosure, or deletion of

financial or sensitive information. To reduce the risk of unauthorized access and compromise of data, management needs to implement access controls and routinely evaluate the effectiveness of these controls. The department has implemented several management and technical controls to reduce the potential for unauthorized use or destruction of physical assets and data. For example, the department has installed a firewall to control access from outside networks, restricted users' read/write access to sensitive files, required users to change passwords every 30 days, and limited dial-in access to its computers. The department, however, had several significant control weaknesses that posed a risk of inadvertent or deliberate misuse, improper disclosure, or destruction of financial and confidential data.

For example, computers provide a system security control feature to control the amount of time a terminal can remain signed-on without any user activity. Once the inactive threshold is reached, the system automatically logs off the user, requiring the user to undergo a regular sign-on session. The absence of this control feature increases the risk that a terminal may remain logged on and left unattended, thus allowing unauthorized access to the system. The threshold value for the department's Employment Security Division computer was set at "None." This allowed the terminals to remain logged on and left unattended indefinitely. The threshold value for the department's Worker's Compensation Division computer was set at "300." This allowed these terminals to remain logged on and left unattended for 300 minutes, or 5 hours. The length of both of these threshold values increased the risk of unauthorized access to the department's two computer systems.

Unattended computers can lead to access problems

Department officials agreed that both threshold settings were excessive and reduced each setting to 120 minutes or 2 hours. According to department officials, staff often have to leave their computers to attend meetings or to meet with clients; so reducing the settings to less than 2 hours could result in staff losing work if they are automatically logged off the system. Department officials also said department policy requires the use of appropriate security functions or the Windows NT Security Lock which staff activate on their desktop by using computer screen saver passwords. The use of screen saver passwords helps prevent the unauthorized use of staffs' desktop computers when they are away from their computers. It should be noted, however, this policy is not documented in the department's Administrative Manual, and therefore, has not adequately been communicated to all staff.

The department has no established procedures to control access to powerful user identifications (IDs) that can be used to change security values of the department's computer systems. Audit tests showed over 30 staff had access to powerful user IDs to the computer systems. The job functions of many of these staff did not normally require this type of access. Department officials agreed that many of these staff did not require access to this user ID, and reduced access to the powerful user IDs from 30 to 12 staff.

Conclusions

Department officials have not instituted an effective system of computer security controls including, a risk management program, procedures to periodically review computer security controls and employees' data access requirements, and background screening for employees

working in sensitive positions. Accordingly, these officials do not know if the system of computer security controls is adequate to protect computer systems and LAN from unauthorized use or destruction of confidential data. Because the department does not have an updated disaster recovery plan, it has no assurance that payment of unemployment and second injury fund benefits could be continued 5 days after computer operations are lost. The absence of periodic reassessments of computer security controls and employees' system and data access requirements and background screening increases the risk of unauthorized access and use of mission critical data.

With increasing reports of unauthorized access and damage to public and private computer systems and data, the need for risk management programs, disaster recovery plans and effective controls has emerged as critical business imperatives. To meet this need, the National Institute of Standards and Technology has prepared and made available several publications related to computer security. The guidelines contained in these publications are generic and can be used by all public and private organizations.²

Recommendations

We recommend the Director, Department of Labor and Industrial Relations:

- 1.1 Develop a risk management program, that includes (1) asset valuation to determine the near-term and long-term consequences if data are lost or corrupted, and computer and LAN support is lost, (2) threat identification such as, intentional and unintentional errors, disgruntled employees, fire, and natural disaster, (3) vulnerability analysis to determine if current controls could be exploited by identified threats, and (4) design security processes and procedures to mitigate the identified risks that are not currently controlled.
- 1.2 Prepare a disaster recovery plan to ensure the department can continue to process and pay unemployment and second injury fund payments if computer and/or LAN operations are disrupted for an extended period.
- 1.3 Establish a monitoring process to periodically reassess the effectiveness of computer security controls, including computer logging systems and employees' access rights to sensitive systems and data.
- 1.4 Establish a written policy that requires all employees with desktop computers to activate their desktop screen passwords after 5-10 minutes of inactivity.
- 1.5 Assign sensitivity levels to job positions and perform background screening where appropriate.
- 1.6 Follow the procedures and steps in the National Institute of Standards and Technology's Special Publication 800-12, where appropriate, in implementing the above recommendations. This publication and other National Institute of Standards and

²Appendix III page 15, contains a listing of the National Institute of Standards and Technology's publications related to computer security.

Technology computer security related publications are electronically available at <http://csrc.nist.gov>.

Department of Labor and Industrial Relations Responses:

Recommendation 1.1 - The department agrees that a risk management plan is needed and will adhere to the recommendations set forth by the Missouri State Information Technology Advisory Board's Computer Security Principles, upon acceptance, and in conjunction with business area requirements. Finalization of the Missouri State Information Technology Advisory Board's Computer Security Principles is expected by July 1, 2001, and compliance, by all departments, is expected by December 31, 2001.

Recommendation 1.2 - The department agrees that an updated Disaster Recovery Plan is required. Since the original Disaster Recovery Plan was created, the department has had two (2) substantial reorganizations, i.e. transfer of personnel and functions to the Division of Workforce Development, and consolidation with the State Data Center. Now that the reorganizations have been successfully accomplished, it is time to update the Disaster Recovery Plan. The department plans to have the revision implemented by December 31, 2001.

Recommendation 1.3 - The department currently has an access authorization process in place that requires line approval for data/system access. Access Authorization is initiated on the employee's first day on the job and terminated upon divisional acknowledgement of employee departure. Although current system monitoring software logs failed attempts to gain access, the department does not routinely monitor these logs. The monitoring process will be included in the Department's Comprehensive Information Technology Security Plan and will become part of the duties of the Department Information Security Officer referred to in the response to recommendation 2.1.

Recommendation 1.4 - The department agrees with the activation of individual screensavers. This function will activate the Windows NT Security (lock). Employees have been notified to lock their respective workstations if they will be away from their desks for an extended period of time. This directive has been communicated through Inter-Office Memorandums and through line. At the present time it is not official policy. The department is updating procedures contained within the Department's Administrative Manual to include this item as an official policy.

Recommendation 1.5 - The Department agrees that sensitivity levels need to be assigned to job positions and agrees that background screening needs to occur where appropriate. These items will be a part of the Department's Comprehensive Information Technology Security Plan, scheduled for final implementation by July 1, 2001.

Recommendation 1.6 - The department agrees and will adhere to the recommendations set forth by the Missouri State Information Technology Advisory Board's Computer Security Principles, upon acceptance, and in conjunction with business area requirements. Finalization of the Missouri State Information Technology Advisory Board's Computer Security Principles is expected by July 1, 2001, and compliance, by all departments, is expected by December 31, 2001.

2. The Department Needs to Establish a Computer Security Management Program

The department does not have a department-wide computer security management program to ensure computer security receives adequate attention. This is a major contributing cause for the department's lack of risk management processes, disaster recovery plans, and effective access controls. A department-wide security management program should include a computer security officer to function as the central focal point to coordinate computer security, comprehensive security policies, and a continual program of security training and awareness. The department has not made computer security management a priority initiative and has not adequately addressed these objectives.

A computer security officer would enhance management of risk

The department has not clearly designated a central focal point, including a computer security officer, with the responsibility and authority to ensure:

- comprehensive computer security policies
- risk assessments
- disaster recovery plans
- access controls
- security awareness and training programs are implemented

Currently, department officials view the Information Systems section to be the primary organization responsible for computer security. However, as owners and users of several of the department's computer systems, the Divisions of Employment Security and Workers' Compensation are responsible and accountable for certain aspects of the department's computer security program. For example, division officials are responsible for identifying the long- and short-term impacts if they lose computer support and their priority processing requirements in the event of disasters. The divisions also have responsibilities for identifying potential threats such as data input errors and employee sabotage, and reassessing their employees' needs for access to computer systems and data.

Security officer would enhance controls

The department needs to develop comprehensive computer security policies and a security awareness program

According to the National Institute of Standards and Technology, an organization should have a written, up-to-date security policy that covers all major facilities and operations agency-wide. The policy should be approved by key affected parties and cover:

- Security planning
- Risk management
- Review of security controls
- Life-cycle management
- Authorization for processing
- Computer support and operations

- Contingency planning
- Documentation, training, and responses to incidents
- Access controls
- Audit trails

The department's current computer security policies, however, only consist of instructions in its administrative manual that direct employees to (1) access only data that they have been authorized to access, (2) not disclose department data, and (3) not divulge their passwords.

The Information Systems section officials recognized the need for more comprehensive computer security policies when it drafted security policies that addressed 34 specific computer security areas. For example, the draft policy stated all information residing in computers must have system access controls to ensure that it is not improperly accessed, and all users must sign a confidentiality agreement prior to being allowed access to the department's systems. According to Information Systems section officials, the draft policy was reviewed about 2 years ago by senior department officials, but was not formally approved.

The department lacks a computer security awareness and training program

The department's employees play a crucial role in ensuring the security of its computer systems and valuable information resources. According to the U.S. Critical Infrastructure Assurance Office, education, training, and awareness are all necessary to the successful implementation of any computer security program. Security awareness, training, and education enhance security by improving awareness of the need to protect system resources. Additionally, training develops skills and knowledge so computer users can perform their jobs more securely and build in-depth knowledge. Currently, the department's computer security awareness and training program only consists of a short briefing to new employees on the need to safeguard passwords, and this program was not implemented until November 2000. In addition, the department also does not have an ongoing awareness and training program to periodically reeducate employees on the importance of computer security.

Staff needs
security
awareness
training

The Federal Computer Security Act of 1987 requires federal agencies to provide mandatory periodic training in computer security awareness to all employees who are involved with the management, use, or operation of a computer system within or under the supervision of the agencies. To meet this requirement, the National Institute of Standards and Technology has issued guidelines (Special Publication 800-16) that provide a framework for federal agencies to determine the training needs for different categories of employees involved with the operation and use of computer systems. The department is not a federal agency. However, these guidelines can be used by state agencies to determine the computer security training requirements for their employees and is electronically available at <http://csrc.nist.gov>.

A recent framework for assessing computer security programs shows the department needs to improve its computer security management program

In November 2000, the Federal Chief Information Officers Council (council) in conjunction with the National Institute of Standards and Technology issued a framework for federal agencies to assess the effectiveness of their computer security programs. The document states adequate security of information and the systems that process it are a fundamental management responsibility. Moreover, management must understand the current status of their security program and controls in order to make informed judgments and investments that appropriately mitigate risks to an acceptable level. The council's framework security requirements are not new, but are abstracted directly from long-standing requirements found in generally accepted guidance on computer security and privacy. Additionally, the control objectives presented in the framework are generic and can be applied to any organization in the private and public sector.

The computer security assessment framework identifies five levels of computer security program effectiveness, with five being the highest level of security effectiveness. The council stated each federal agency should be at level four striving to get to level five. The Department of Labor and Industrial Relations' computer security program includes some of the elements required to meet up to Level 4 effectiveness but does not include several of the key elements required to meet Level 1 effectiveness. According to the council, a Level 1 security program consists of a formally documented program that establishes a continuing, agency-wide cycle of assessing risk, implements effective security policies including training, and promotes monitoring for program effectiveness. As discussed in this report, the department has not developed a formally documented computer security program that contains the elements suggested by the council.

There are standards for security available

As noted in *appendix I, page 13*, of this report, our audit did not include all computer security controls. Therefore, the department may have additional computer security control weaknesses, which could result in unauthorized access to the department's systems and data. At the completion of our audit, the National Institute of Standards and Technology issued a self-assessment guide that builds on the November 2000 framework developed for the council. The guide includes an extensive questionnaire containing several computer security control objectives, which we did not test. This guide is designed for use by all levels of management and by those individuals responsible for computer security at the system level and organization level, and is electronically available at <http://csrc.nist.gov>.

Conclusions

The absence of a departmental security management program, which includes central responsibility, comprehensive security policies, and employee security awareness programs has resulted in a security program that lacks several critical processes. These processes include (1) an ongoing risk management program, (2) disaster recovery plans, (3) routine monitoring to ensure security program effectiveness, and (4) background screening for employees working in sensitive positions.

Recommendations

We recommend the Director, Department of Labor and Industrial Relations:

- 2.1 Assign overall responsibility and authority for the department's computer security program to an appropriate senior official, and designate a department computer security officer.
- 2.2 Develop comprehensive computer security policies that include such elements as security planning, risk management, periodic reviews of security controls, personnel background screening, contingency planning, training, access controls, and audit trails.
- 2.3 Use the National Institute of Standards and Technology computer security self-assessment guide to evaluate the effectiveness of its computer security program and make improvements where needed.
- 2.4 Establish a security awareness and training program based on National Institute of Standards and Technology guidelines as appropriate.

Department of Labor and Industrial Relations Responses:

Recommendation 2.1 - Although the State of Missouri does not currently have a position description listed for an Information Security Officer (ISO), the department is researching, and drafting the Department Information Security Officer (DISO) position description for submission to the Office of Administration, Division of Personnel. Upon acceptance by the Office of Administration, Division of Personnel, the department will request appropriate funding for the establishment of this position. Prior to establishment of the position, the department plans to assign the specific duties and responsibilities to an appropriate staff member. Estimated date of this assignment will be prior to August 15, 2001.

Recommendation 2.2 - The department is in the process of developing a comprehensive computer security policy. The policy is scheduled for implementation July 1, 2001. This policy will include security planning, risk management, periodic reviews of security controls, personnel background screening, contingency planning, training, access controls, and audit trails.

Recommendation 2.3 - The department will utilize the recommended computer security self-assessment guide to evaluate the effectiveness of its computer security program.

Recommendation 2.4 - The department will establish a security awareness and training program based on National Institute of Standards and Technology guidelines as appropriate. Estimated implementation will be with the completion of the department's comprehensive Information Technology Security Plan on July 1, 2001.

OBJECTIVE, SCOPE AND METHODOLOGY

Objectives

Our objectives were to determine if the Department of Labor and Industrial Relations' computer security program effectively (1) protects computer systems and data against unauthorized access, and (2) ensures recovery of computer processing operations in case of a disaster or other unexpected interruptions.

Scope and Methodology

Specifically, we evaluated the department's computer security program that is intended to:

- Protect data and application programs from physical and logical unauthorized access.
- Prevent the introduction of unauthorized changes to application and system software.
- Provide segregation of duties involving application programming, system programming, computer operations, information security, and quality assurance.
- Ensure recovery of computer processing operations in case of a disaster or other unexpected interruptions.
- Ensure adequate computer security program management.

To evaluate these controls, we identified and reviewed the department's and divisions' policies and procedures, interviewed responsible officials, and conducted tests and observations of controls to determine if system controls were in place, adequately designed, and operating effectively. Since the State of Missouri has not established statutes and regulations that prescribe standards for computer system operating controls, we based our audit on the U. S. General Accounting Office's Federal Information System Controls Audit Manual. This manual provides guidance for reviewing information system controls that affect the integrity, confidentiality, and availability of computerized data. In addition to the manual, we used generally accepted computer security program principles and guidelines published by the National Institute of Standards and Technology, and the U.S. Critical Infrastructure Assurance Office.

We conducted our review from January through March 2001. The audit was made in accordance with generally accepted government auditing standards and included such tests of the procedures and records as were deemed appropriate. Because the objective of our review was to assess the overall effectiveness of the department's computer general controls, we did not fully evaluate all computer controls.

APPENDIX II

BACKGROUND

The Omnibus State Reorganization Act of 1974 established the current Department of Labor and Industrial Relations (the department). The department is responsible for administering (1) the Unemployment Insurance program that provides an income contribution for workers to offset the loss of employment due to layoff, and (2) the Workers' Compensation program that provides an income contribution for workers to offset the loss of a job because of injury.

Unemployment insurance programs in Missouri began under federal guidelines in the 1930s. The department's Division of Employment Security is responsible for the day-to-day operations of Missouri's unemployment insurance program. These responsibilities include collecting unemployment contributions paid by Missouri employers and paying unemployment benefits to individuals who are eligible under the law. In fiscal years 1999 and 2000, the department paid \$399 million and \$299.8 million, respectively, to qualified claimants for unemployment compensation.

The department's Division of Workers' Compensation has been administering Missouri's workers' compensation laws since 1926. This responsibility includes monitoring workers' compensation cases and payments as well as determining the payment of second injury fund benefits. In fiscal year 2000, the Division of Workers' Compensation paid \$27.6 million in second injury fund benefits.

The department's Information Systems section provides data processing support to the Divisions of Employment Security and Workers' Compensation. The Information Systems section operates the department's two computer systems and Local Area Network (LAN), which are used by the Employment Security Division to support the payment of weekly unemployment benefits. The Workers' Compensation Division uses the two computer systems and LAN to monitor workers' compensation cases and payments and to directly pay second injury fund payments.

REFERENCES

National Bureau of Standards

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National Institute of Standards and Technology

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An Introduction to Computer Security: The NIST Handbook. Special Publication 800-12. October 1995. <http://csrc.nist.gov>.

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Guide For Developing Security Plans For Information Technology Systems. Special Publication 800-18. December 1998. <http://csrc.nist.gov>.

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Practices For Securing Critical Information Assets. January, 2000. www.ciao.gov

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U.S. General Accounting Office

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State of Missouri, Information Technology Advisory Board

A Proposed Set Of Information Security Principles For Missouri State Government. Draft – December 5, 2000.



MISSOURI DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

POST OFFICE BOX 504
JEFFERSON CITY, MISSOURI 65102-0504
PHONE: (573) 751-9691 FAX: (573) 751-4135

APPENDIX IV

CATHERINE B. LEAPHEART
DEPARTMENT DIRECTOR

THOMAS J. PFEIFFER
DEPUTY DIRECTOR

April 17, 2001

APR 18 2001

Mr. Jeff Thelen, CPA
Audit Manager
Missouri State Auditor's Office
Truman State Office Building, Room 880
Jefferson City, MO 65101

Dear Mr. Thelen:

The Missouri Department of Labor and Industrial Relations, in response to the "Draft" Computer Security Audit, provides the following acknowledgements:

- 1) Draft letter to "Honorable Bob Holden and Members of the General Assembly" should be changed to indicate the "updating of the Department Disaster Recovery Plan" and not the initial development of said plan. This is in direct relation to page 3, paragraph 3 of the report.
- 2) Page 2, paragraph 3 – It should be stated that these benchmarks, although appropriate in most cases, have not been adopted by the State of Missouri at present. Although specific standards are not available for the Department's adherence, the Department has initiated numerous procedures for the control and access of data.
- 3) Page 3, paragraph 4 – It should be noted that prior to notification of this audit, the Department had initiated research into the acquisition of an Intrusion Detection System. A copy of the preliminary research was provided to the audit team for their review. Currently, the Department is preparing a final report for the acquisition, and implementation, of the proposed Intrusion Detection System.
- 4) Page 4, paragraph 2 – It should be noted that the wording "Department officials also said Department policy requires staff to activate their desktop computer screen saver passwords" is incorrect. Department policy, Sub-section H of Section B05-72090 of the Department's Administrative Manual, indicates that the "Windows NT Security (lock), or similar functions should be used when appropriate".
- 5) Page 4, paragraph 5 – It should be noted that the incident of door ajar was due to an improperly closing door and has since been remedied with the installation of magnetic locking mechanisms during access control modifications. Information Systems' management has initiated procedures requiring that access security control be strictly adhered to.

APPENDIX IV

Mr. Jeff Thelen, CPA
April 17, 2001
Page 2

- 6) Page 9, paragraph 3 – It should be noted that the Missouri Department of Labor and Industrial Relations is not a federal agency, but will adhere to the recommendations set forth by the Missouri State Information Technology Advisory Board's Computer Security Principles, upon acceptance, and in conjunction with business area requirements.
- 7) Page 10, paragraph 2 – It should be noted that discussion between the Senior Auditor and the Department's Chief Information Officer, indicated that although the Department's computer security program did not include key elements required to meet Level 1 effectiveness, the computer security program did meet several key elements required to meet up to and including Level 4 effectiveness.
- 8) It should be noted that multiple references listed within Appendix III have been established recently and although they apply, they require substantial time for implementation. The standards set forth in these references will be adhered to once adopted by the Missouri State Information Technology Advisory Board.

Recommendations.

- 1.1 The Department agrees that a risk management plan is needed and will adhere to the recommendations set forth by the Missouri State Information Technology Advisory Board's Computer Security Principles, upon acceptance, and in conjunction with business area requirements. Finalization of the Missouri State Information Technology Advisory Board's Computer Security Principles is expected by July 1, 2001 and compliance, by all Departments, is expected by December 31, 2001.
- 1.2 The Department agrees that an updated Disaster Recovery Plan is required. Since the original Disaster Recovery Plan was created, the Department has had two (2) substantial reorganizations, i.e. transfer of personnel and functions to the Division of Workforce Development, and consolidation with the State Data Center. Now that the reorganizations have been successfully accomplished, it is time to update the Disaster Recovery Plan. The Department plans to have the revision implemented by December 31, 2001.
- 1.3 The Department currently has an access authorization process in place that requires line approval for data/system access. Access Authorization is initiated on the employee's first day on the job and terminated upon Divisional acknowledgement of employee departure. Although current system monitoring software logs failed attempts to gain access, the Department does not routinely monitor these logs. The monitoring process will be included in the Department's Comprehensive Information

Mr. Jeff Thelen, CPA
April 17, 2001
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Technology Security Plan and will become part of the duties of the Department Information Security Officer referred to in the response to recommendation 2.1.

- .4 The Department agrees with the activation of individual screensavers. This function will activate the Windows NT Security (lock). Employees have been notified to lock their respective workstations if they will be away from their desks for an extended period of time. This directive has been communicated through Inter-Office Memorandums and through line. At the present time it is not official policy. The Department is updating procedures contained within the Department's Administrative Manual to include this item as an official policy.
- 1.5 The Department agrees that sensitivity levels need to be assigned to job positions and agrees that background screening needs to occur where appropriate. These items will be a part of the Department's Comprehensive Information Technology Security Plan, scheduled for final implementation by July 1, 2001.
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Recommendations.

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Mr. Jeff Thelen, CPA
April 17, 2001
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The Department will utilize the recommended computer security self-assessment guide to evaluate the effectiveness of its computer security program.

The Department will establish a security awareness and training program based on National Institute of Standards and Technology guidelines as appropriate. Estimated implementation will be with the completion of the Department's comprehensive Information Technology Security Plan on July 1, 2001.

If you have any questions or need additional clarification, do not hesitate to contact me at 751-9691.

Sincerely,



Thomas J. Pfeiffer
Deputy Director



**WARREN COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-40
May 21, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Warren, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Warren County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

YELLOW SHEET

WARREN COUNTY, MISSOURI

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WARREN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Warren County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Warren County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 8, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 8, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Darrick A. Fulton
Audit Staff:	A. Dailey
	Carl E. Zilch, Jr.



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Warren County, Missouri

We have audited the special-purpose financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 8, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance


As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Warren County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Warren County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Warren County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

March 8, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

WARREN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 863,062	2,357,552	1,895,140	1,325,474
Special Road and Bridge	929,050	1,387,011	1,595,316	720,745
Assessment	21,456	286,975	290,134	18,297
Law Enforcement	199,403	1,828,776	2,020,364	7,815
Officer's Training	13,331	17,464	11,998	18,797
Prosecuting Attorney Training	6,214	3,348	0	9,562
Capital Improvement	890,539	1,076,175	539,188	1,427,526
Prosecuting Attorney Delinquent Tax	13,572	2,320	40	15,852
Prosecuting Attorney Bad Check	33,401	39,094	17,278	55,217
Recorder's User Fees	36,063	18,536	23,564	31,035
Sheriff's Civil Fees	424	34,796	24,552	10,668
Road and Bridge Capital	102,950	314,660	0	417,610
Prosecuting Attorney Forfeiture	3,130	263	0	3,393
Election Services	0	2,777	144	2,633
Domestic Violence	0	2,232	2,232	0
Sheriff's Forfeiture	450	27	477	0
Senate Bill 40 Board	188,824	346,274	340,403	194,695
Circuit Clerk Interest	21,925	12,551	1,892	32,584
Associate Circuit Division Interest	10,695	7,277	6,551	11,421
Law Library	10,256	13,495	11,109	12,642
Family Access	77	2	79	0
DARE	10,555	2,131	2,000	10,686
Total	\$ 3,355,377	7,753,736	6,782,461	4,326,652

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

WARREN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 434,941	2,136,887	1,708,766	863,062
Special Road and Bridge	571,131	1,489,068	1,131,149	929,050
Assessment	9,814	274,687	263,045	21,456
Law Enforcement	70,510	2,054,466	1,925,573	199,403
Officer's Training	8,675	15,557	10,901	13,331
Prosecuting Attorney Training	3,549	2,711	46	6,214
Capital Improvement	649,944	1,031,777	791,182	890,539
Prosecuting Attorney Delinquent Tax	11,005	2,567	0	13,572
Prosecuting Attorney Bad Check	37,258	19,519	23,376	33,401
Recorder's User Fees	34,770	20,199	18,906	36,063
Sheriff's Civil Fees	3,394	31,515	34,485	424
Road and Bridge Capital	50,000	52,950	0	102,950
Prosecuting Attorney Forfeiture	2,954	176	0	3,130
Domestic Violence	0	2,627	2,627	0
Sheriff's Forfeiture	423	27	0	450
Senate Bill 40 Board	102,339	345,598	259,113	188,824
Circuit Clerk Interest	26,245	5,750	10,070	21,925
Associate Circuit Division Interest	7,400	5,113	1,818	10,695
Law Library	5,528	14,014	9,286	10,256
Family Access	25	52	0	77
RADE	54	0	54	0
DARE	7,626	5,429	2,500	10,555
Total	\$ 2,037,585	7,510,689	6,192,897	3,355,377

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 7,702,538	7,751,603	49,065	7,130,493	7,488,540	358,047
DISBURSEMENTS	9,261,171	6,780,382	2,480,789	7,916,656	6,178,430	1,738,226
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,558,633)	971,221	2,529,854	(786,163)	1,310,110	2,096,273
CASH, JANUARY 1	3,343,528	3,344,745	1,217	2,023,446	2,023,929	483
CASH, DECEMBER 31	1,784,895	4,315,966	2,531,071	1,237,283	3,334,039	2,096,756
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	250,000	249,835	(165)	225,000	251,349	26,349
Sales taxes	1,000,000	1,015,135	15,135	910,000	962,185	52,185
Intergovernmental	142,000	142,582	582	159,300	140,707	(18,593)
Charges for services	622,800	616,257	(6,543)	597,600	614,659	17,059
Interest	30,000	79,054	49,054	24,000	34,783	10,783
Other	228,390	254,689	26,299	151,100	133,204	(17,896)
Total Receipts	2,273,190	2,357,552	84,362	2,067,000	2,136,887	69,887
DISBURSEMENTS						
County Commission	87,612	83,836	3,776	87,862	82,665	5,197
County Clerk	152,945	135,672	17,273	136,105	115,595	20,510
Elections	80,000	56,485	23,515	15,700	11,598	4,102
Buildings and grounds	305,000	182,280	122,720	300,000	220,720	79,280
County Treasurer	37,410	36,010	1,400	40,672	39,961	711
County Collector	154,989	139,313	15,676	144,696	128,893	15,803
Ex Officio Recorder of Deeds	63,424	62,105	1,319	60,562	52,946	7,616
Circuit Clerk	19,350	15,140	4,210	20,900	19,571	1,329
Associate Circuit Court	21,701	20,812	889	27,068	23,989	3,079
Court administration	7,900	8,076	(176)	7,800	4,549	3,251
Public Administrator	20,010	12,570	7,440	15,554	14,020	1,534
Sanitation Officer	84,659	78,524	6,135	84,098	75,431	8,667
Prosecuting Attorney	219,884	209,263	10,621	212,041	193,293	18,748
Juvenile Officer	111,277	59,674	51,603	131,595	114,805	16,790
County Coroner	29,164	20,638	8,526	26,864	15,382	11,482
Court Reporter	9,600	810	8,790	1,150	416	734
County Nurse	194,174	120,831	73,343	143,347	124,367	18,980
Surveyor	1,550	1,216	334	1,410	775	635
Emergency Manager	6,520	6,496	24	5,800	5,739	61
Planning and Zoning	166,931	82,854	84,077	78,937	56,938	21,999
Administration	356,925	237,535	119,390	300,876	257,113	43,763
Transfers out	353,100	325,000	28,100	340,000	150,000	190,000
Emergency Fund	200,000	0	200,000	65,000	0	65,000
Total Disbursements	2,684,125	1,895,140	788,985	2,248,037	1,708,766	539,271
RECEIPTS OVER (UNDER) DISBURSEMENTS	(410,935)	462,412	873,347	(181,037)	428,121	609,158
CASH, JANUARY 1	863,062	863,062	0	435,051	434,941	(110)
CASH, DECEMBER 31	452,127	1,325,474	873,347	254,014	863,062	609,048

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	526,000	516,229	(9,771)	470,000	519,512	49,512
Intergovernmental	817,000	792,813	(24,187)	922,000	917,871	(4,129)
Interest	22,000	57,425	35,425	15,000	38,677	23,677
Other	20,000	20,544	544	12,000	13,008	1,008
Total Receipts	1,385,000	1,387,011	2,011	1,419,000	1,489,068	70,068
DISBURSEMENTS						
Salaries	250,000	204,107	45,893	210,000	182,957	27,043
Employee fringe benefits	59,125	42,976	16,149	52,100	38,570	13,530
Supplies	60,000	53,280	6,720	56,000	32,797	23,203
Insurance	20,000	11,469	8,531	20,000	12,401	7,599
Road and bridge materials	340,000	383,983	(43,983)	240,000	58,348	181,652
Equipment repairs	40,000	45,292	(5,292)	40,000	26,906	13,094
Non Reimbursed Construction	100,000	22,655	77,345	200,000	37,557	162,443
Equipment purchases	200,000	134,615	65,385	100,000	21,847	78,153
Hired Machinery	40,000	13,511	26,489	40,000	35,621	4,379
Road Oil	200,000	103,384	96,616	200,000	155,258	44,742
Gravel	330,000	208,332	121,668	300,000	232,001	67,999
New Bridges	150,000	42,873	107,127	250,000	229,847	20,153
Dust Abatement	15,000	12,676	2,324	7,000	7,622	(622)
Other	23,000	16,163	6,837	23,000	9,417	13,583
Transfers out	300,000	300,000	0	50,000	50,000	0
Total Disbursements	2,127,125	1,595,316	531,809	1,788,100	1,131,149	656,951
RECEIPTS OVER (UNDER) DISBURSEMENTS	(742,125)	(208,305)	533,820	(369,100)	357,919	727,019
CASH, JANUARY 1	929,050	929,050	0	571,131	571,131	0
CASH, DECEMBER 31	186,925	720,745	533,820	202,031	929,050	727,019
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	270,200	273,743	3,543	244,000	262,785	18,785
Interest	3,000	4,870	1,870	2,000	3,134	1,134
Other	9,500	8,362	(1,138)	7,500	8,768	1,268
Transfers in	8,600	0	(8,600)	40,000	0	(40,000)
Total Receipts	291,300	286,975	(4,325)	293,500	274,687	(18,813)
DISBURSEMENTS						
Assessor	312,700	290,134	22,566	302,950	263,045	39,905
Total Disbursements	312,700	290,134	22,566	302,950	263,045	39,905
RECEIPTS OVER (UNDER) DISBURSEMENTS	(21,400)	(3,159)	18,241	(9,450)	11,642	21,092
CASH, JANUARY 1	21,456	21,456	0	9,814	9,814	0
CASH, DECEMBER 31	56	18,297	18,241	364	21,456	21,092

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Sales Tax	1,000,000	1,015,289	15,289	920,000	971,954	51,954
Intergovernmental	42,756	64,904	22,148	91,196	95,631	4,435
Charges for services	480,000	325,169	(154,831)	555,000	755,230	200,230
Interest	8,000	10,933	2,933	3,500	11,508	8,008
Other	103,000	87,481	(15,519)	92,000	70,143	(21,857)
Transfers in	344,500	325,000	(19,500)	300,000	150,000	(150,000)
Total Receipts	1,978,256	1,828,776	(149,480)	1,961,696	2,054,466	92,770
DISBURSEMENTS						
Sheriff	1,153,577	1,105,656	47,921	1,099,443	1,044,564	54,879
Jail	1,024,026	914,708	109,318	927,203	881,009	46,194
Total Disbursements	2,177,603	2,020,364	157,239	2,026,646	1,925,573	101,073
RECEIPTS OVER (UNDER) DISBURSEMENTS	(199,347)	(191,588)	7,759	(64,950)	128,893	193,843
CASH, JANUARY 1	199,403	199,403	0	70,382	70,510	128
CASH, DECEMBER 31	56	7,815	7,759	5,432	199,403	193,971
<u>OFFICER'S TRAINING FUND</u>						
RECEIPTS						
Charges for services	18,000	16,120	(1,880)	12,000	14,946	2,946
Interest	500	1,344	844	400	533	133
Other	0	0	0	0	78	78
Total Receipts	18,500	17,464	(1,036)	12,400	15,557	3,157
DISBURSEMENTS						
Sheriff	15,600	11,998	3,602	12,400	10,901	1,499
Total Disbursements	15,600	11,998	3,602	12,400	10,901	1,499
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,900	5,466	2,566	0	4,656	4,656
CASH, JANUARY 1	13,331	13,331	0	8,808	8,675	(133)
CASH, DECEMBER 31	16,231	18,797	2,566	8,808	13,331	4,523
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for services	2,800	2,737	(63)	3,000	2,441	(559)
Interest	250	611	361	100	270	170
Total Receipts	3,050	3,348	298	3,100	2,711	(389)
DISBURSEMENTS						
Prosecuting Attorney	4,500	0	4,500	4,500	46	4,454
Total Disbursements	4,500	0	4,500	4,500	46	4,454
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,450)	3,348	4,798	(1,400)	2,665	4,065
CASH, JANUARY 1	6,214	6,214	0	3,549	3,549	0
CASH, DECEMBER 31	4,764	9,562	4,798	2,149	6,214	4,065

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales tax	1,000,000	1,015,512	15,512	920,000	980,236	60,236
Interest	31,000	59,986	28,986	20,000	29,553	9,553
Other	0	677	677	7,000	21,988	14,988
Total Receipts	1,031,000	1,076,175	45,175	947,000	1,031,777	84,777
DISBURSEMENTS						
Equipment	200,000	5,406	194,594	100,000	21,324	78,676
Bond principal and interest payments	630,000	505,598	124,402	604,650	582,083	22,567
Capital construction	200,000	28,184	171,816	100,000	29,228	70,772
Loan payment	0	0	0	170,000	158,547	11,453
Total Disbursements	1,030,000	539,188	490,812	974,650	791,182	183,468
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	536,987	535,987	(27,650)	240,595	268,245
CASH, JANUARY 1	890,539	890,539	0	649,944	649,944	0
CASH, DECEMBER 31	891,539	1,427,526	535,987	622,294	890,539	268,245
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Charges for services	1,500	1,139	(361)	1,300	1,871	571
Interest	700	1,181	481	700	696	(4)
Total Receipts	2,200	2,320	120	2,000	2,567	567
DISBURSEMENTS						
Prosecuting Attorney	7,500	40	7,460	7,500	0	7,500
Total Disbursements	7,500	40	7,460	7,500	0	7,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,300)	2,280	7,580	(5,500)	2,567	8,067
CASH, JANUARY 1	13,572	13,572	0	11,005	11,005	0
CASH, DECEMBER 31	8,272	15,852	7,580	5,505	13,572	8,067
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	18,000	15,608	(2,392)	15,000	17,125	2,125
Intergovernmental	16,000	15,438	(562)	0	0	0
Interest	2,500	4,118	1,618	700	2,394	1,694
Other	0	3,930	3,930	0	0	0
Total Receipts	36,500	39,094	2,594	15,700	19,519	3,819
DISBURSEMENTS						
Prosecuting Attorney	45,999	17,278	28,721	35,823	23,376	12,447
Total Disbursements	45,999	17,278	28,721	35,823	23,376	12,447
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,499)	21,816	31,315	(20,123)	(3,857)	16,266
CASH, JANUARY 1	33,401	33,401	0	37,182	37,258	76
CASH, DECEMBER 31	23,902	55,217	31,315	17,059	33,401	16,342

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services	20,000	16,302	(3,698)	16,000	17,968	1,968
Interest	2,000	2,234	234	2,000	2,231	231
Total Receipts	22,000	18,536	(3,464)	18,000	20,199	2,199
DISBURSEMENTS						
Ex Officio Recorder of Deeds	26,000	23,564	2,436	39,000	18,906	20,094
Total Disbursements	26,000	23,564	2,436	39,000	18,906	20,094
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,000)	(5,028)	(1,028)	(21,000)	1,293	22,293
CASH, JANUARY 1	36,063	36,063	0	34,770	34,770	0
CASH, DECEMBER 31	32,063	31,035	(1,028)	13,770	36,063	22,293
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services	31,000	34,498	3,498	35,200	31,293	(3,907)
Interest	200	298	98	800	222	(578)
Total Receipts	31,200	34,796	3,596	36,000	31,515	(4,485)
DISBURSEMENTS						
Sheriff	31,000	24,552	6,448	36,000	34,485	1,515
Total Disbursements	31,000	24,552	6,448	36,000	34,485	1,515
RECEIPTS OVER (UNDER) DISBURSEMENTS	200	10,244	10,044	0	(2,970)	(2,970)
CASH, JANUARY 1	424	424	0	3,394	3,394	0
CASH, DECEMBER 31	624	10,668	10,044	3,394	424	(2,970)
<u>ROAD AND BRIDGE CAPITAL FUND</u>						
RECEIPTS						
Interest	3,500	14,660	11,160	1,500	2,950	1,450
Transfers in	300,000	300,000	0	50,000	50,000	0
Total Receipts	303,500	314,660	11,160	51,500	52,950	1,450
DISBURSEMENTS						
Real estate purchases	100,000	0	100,000	100,000	0	100,000
Capital construction	300,000	0	300,000	0	0	0
Total Disbursements	400,000	0	400,000	100,000	0	100,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(96,500)	314,660	411,160	(48,500)	52,950	101,450
CASH, JANUARY 1	102,950	102,950	0	50,000	50,000	0
CASH, DECEMBER 31	6,450	417,610	411,160	1,500	102,950	101,450

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY FORFEITURE FUND</u>						
RECEIPTS						
Interest	150	263	113	100	176	76
Total Receipts	150	263	113	100	176	76
DISBURSEMENTS						
Equipment	1,000	0	1,000	1,000	0	1,000
Training	1,500	0	1,500	1,500	0	1,500
Other	400	0	400	400	0	400
Total Disbursements	2,900	0	2,900	2,900	0	2,900
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,750)	263	3,013	(2,800)	176	2,976
CASH, JANUARY 1	3,130	3,130	0	2,954	2,954	0
CASH, DECEMBER 31	380	3,393	3,013	154	3,130	2,976
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Charges for services	6,000	2,677	(3,323)			
Interest	100	100	0			
Total Receipts	6,100	2,777	(3,323)			
DISBURSEMENTS						
Office supplies	2,000	0	2,000			
Equipment	2,000	0	2,000			
Miscellaneous	2,000	144	1,856			
Total Disbursements	6,000	144	5,856			
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	2,633	2,533			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	100	2,633	2,533			
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for services	4,000	2,232	(1,768)			
Total Receipts	4,000	2,232	(1,768)			
DISBURSEMENTS						
Health and welfare	4,000	2,232	1,768			
Total Disbursements	4,000	2,232	1,768			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	0	0			
<u>SHERIFF'S FORFEITURE FUND</u>						
RECEIPTS						
Interest	0	27	27			
Total Receipts	0	27	27			
DISBURSEMENTS						
Equipment	450	477	(27)			
Total Disbursements	450	477	(27)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(450)	(450)	0			
CASH, JANUARY 1	450	450	0			
CASH, DECEMBER 31	0	0	0			

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENATE BILL 40 FUND</u>						
RECEIPTS						
Property taxes	279,159	327,629	48,470	279,159	329,333	50,174
Loan repayment	9,333	9,333	0	9,338	9,333	(5)
Interest	4,000	9,312	5,312	2,000	6,932	4,932
Total Receipts	292,492	346,274	53,782	290,497	345,598	55,101
DISBURSEMENTS						
Programs	352,850	334,277	18,573	298,650	254,307	44,343
Mileage and training	9,000	2,122	6,878	9,000	2,490	6,510
Other	0	4,004	(4,004)	0	2,316	(2,316)
Total Disbursements	361,850	340,403	21,447	307,650	259,113	48,537
RECEIPTS OVER (UNDER) DISBURSEMENTS	(69,358)	5,871	75,229	(17,153)	86,485	103,638
CASH, JANUARY 1	188,824	188,824	0	102,339	102,339	0
CASH, DECEMBER 31	119,466	194,695	75,229	85,186	188,824	103,638
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	5,000	12,551	7,551	9,000	5,750	(3,250)
Total Receipts	5,000	12,551	7,551	9,000	5,750	(3,250)
DISBURSEMENTS						
Circuit Clerk	5,000	1,892	3,108	25,000	10,070	14,930
Total Disbursements	5,000	1,892	3,108	25,000	10,070	14,930
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	10,659	10,659	(16,000)	(4,320)	11,680
CASH, JANUARY 1	21,925	21,925	0	25,723	26,245	522
CASH, DECEMBER 31	21,925	32,584	10,659	9,723	21,925	12,202
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	4,500	7,277	2,777	4,000	5,113	1,113
Total Receipts	4,500	7,277	2,777	4,000	5,113	1,113
DISBURSEMENTS						
Associate Circuit Judge	8,819	6,551	2,268	5,500	1,818	3,682
Total Disbursements	8,819	6,551	2,268	5,500	1,818	3,682
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,319)	726	5,045	(1,500)	3,295	4,795
CASH, JANUARY 1	10,558	10,695	137	7,400	7,400	0
CASH, DECEMBER 31	6,239	11,421	5,182	5,900	10,695	4,795
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for services	14,600	13,495	(1,105)			
Total Receipts	14,600	13,495	(1,105)			
DISBURSEMENTS						
Law Library	10,000	11,109	(1,109)			
Total Disbursements	10,000	11,109	(1,109)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,600	2,386	(2,214)			
CASH, JANUARY 1	9,176	10,256	1,080			
CASH, DECEMBER 31	\$ 13,776	12,642	(1,134)			

The accompanying Notes to the Financial
Statements are an integral part of this statement.

Notes to the Financial Statements

WARREN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Domestic Violence Fund	1999
Sheriff's Forfeiture Fund	1999
Law Library Fund	1999
Family Access Fund	2000 and 1999
RADE Fund	1999
DARE Fund	2000 and 1999

Warrants issued were in excess of budgeted amounts for the Sheriff's Forfeiture Fund and the Law Library Fund for the year ended December 31, 2000. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 2000 and 1999, included all funds presented in the accompanying financial statements.

However, for the Senate Bill 40 Board Fund, the county's published financial statements for the years ended December 31, 2000 and 1999, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy. The policy permits investment in securities having principal and interest guaranteed by the United States government, collateralized time and demand deposits, and certain tax exempt bonds.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

Of the Senate Bill 40 Board's bank balance at December 31, 2000, \$186,054 was covered by federal depositary insurance, and \$8,641 was uninsured and uncollateralized.

The Senate Bill 40 Board's deposits at December 31, 1999 were entirely covered by federal depositary insurance.

Furthermore, because of significantly higher bank balances at certain times during the year, the amount of uninsured and under collateralized balances were substantially higher at those times than such amount at year end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

WARREN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Economic Development -				
14.228	Community Development Block Grants/State's Program	97-ND-11 2000PF007	\$ 147,106 17,413	153,467 0
	Program Total		<u>164,519</u>	<u>153,467</u>
U.S. DEPARTMENT OF JUSTICE				
Direct program:				
16.710	Public Safety Partnership and Community Policing Grants	95CFWX0355-52	57,233	82,040
Passed through:				
State Department of Public Safety -				
16.554	National Criminal History Improvement Program	95-RU-RX-K011	0	15,438
16.592	Local Law Enforcement Block Grants Program	99-LBG-095	8,996	0
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	772	539
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-109(8)	12,873	227,681
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	0	18
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.268	Immunization Grants	N/A	19,383	15,677
		PG0064-9210IAP	0	1,281
	Program Total		<u>19,383</u>	<u>16,958</u>

Schedule

 WARREN COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	17,658	15,451
	Department of Health -			
93.575	Child Care and Development Block Grant	PGA067-1210C	2,779	2,576
93.940	HIV Prevention Activities - Health Department Based	N/A	18	13
93.991	Preventive Health and Health Services Block Grant	N/A	231	187
93.994	Maternal and Child Health Services Block Grant to the States	ERO146-9210MCH	0	8,582
		N/A	1,154	933
	Program Total		<u>1,154</u>	<u>9,515</u>
	Total Expenditures of Federal Awards		<u>\$ 285,616</u>	<u>523,883</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

WARREN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Warren County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. In addition, amounts for the National Criminal History Improvement Program (CFDA number 16.554) represent the original acquisition cost of equipment

received.

Of the amounts for Immunization Grants (CFDA number 93.268), \$19,383 and \$15,677 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$231 and \$187 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,154 and \$933 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$17,413 to a subrecipient under the Community Development Block Grants/State's Program (CFDA number 14.228) during the year ended December 31, 2000.

FEDERAL AWARDS
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Warren County, Missouri

Compliance

We have audited the compliance of Warren County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Warren County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999.

Internal Control Over Compliance

The management of Warren County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Warren County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

March 8, 2001 (fieldwork completion date)

Schedule

WARREN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2000 AND 1999

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted?

 yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133?

 yes x no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
16.710	Public Safety Partnership and Community Policing Grants

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

WARREN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Warren County, Missouri, on the applicable finding in our prior audit report issued for the two years ended December 31, 1998.

98-1. Revenues Reconciliation

The County Treasurer recorded monies received on a one-write receipt ledger and entered the receipts onto the county's computer system. The County Clerk did not receive copies of the receipt slips or perform a reconciliation between the manual and computer systems to ensure accuracy.

Recommendation:

The County Clerk perform a monthly reconciliation of revenues with the County Treasurer.

Status:

Partially implemented. While reconciliation procedures were not evident during the audit period, improvements were made in January 2001. While not repeated in the current finding, our recommendation remains as stated above. See additional comments regarding reconciliation procedures in the Letter on Other Matters.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

WARREN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

98-2. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Commerce
Pass- Through Grantor:	Not Applicable
Federal CFDA Number:	11.300
Program Title:	Economic Development - Grants for Public Works and Infrastructure Development
Pass- Through Entity	
Identifying Number:	Not Applicable
Award Year:	1997
Questioned Costs:	Not Applicable
Federal Grantor:	U.S. Department of Justice
Pass- Through Grantor:	Not Applicable
Federal CFDA Number:	16.710
Program Title:	Public Safety Partnership and Community Policing ("Cops") Grants
Pass- Through Entity	
Identifying Number:	Not Applicable
Award Years:	1998 and 1997
Questioned Costs:	Not Applicable

The county did not have a procedure in place to adequately track federal assistance for preparation of the SEFA.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

Status:

Partially implemented. The county has made significant improvement in preparation of this schedule; however, it still contained errors and omissions. Although this finding is not repeated in the current Schedule of Findings and Questioned Costs, the County Clerk should continue to work to prepare a complete and accurate Schedule of Expenditures of Federal Awards to submit to the State Auditor's Office as part of the annual budget.

SECTION ON OTHER MATTERS

WARREN COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 8, 2001. We also have audited the compliance of Warren County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 8, 2001.

We did not audit the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be audited and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These matters resulted from our audit of the special-purpose financial statements of Warren County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Financial Record Reconciliation

The ending cash balance for several funds per the Treasurer's records did not agree to the ending cash balance on the County Clerk's records for both years of the audit period. The County Clerk and County Treasurer did not properly follow-up and correct these differences in the ending cash balances.

2. Budgetary Reporting

The county did not appear to have a reasonable basis for the budgeted amounts for several funds. Budgeted projections clearly exceeded prior historical information and, as a result, the budgets lacked reasonableness and could not be used as a monitoring tool.

This Letter on Other Matters is intended for the information of the management of Warren County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
TWO YEARS ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-39
May 15, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2001

www.auditor.state.mo.us

The following areas of concern were discovered as a result of a review conducted by our office of the Department of Revenue, Division of Taxation and Collection, Sales and Use Tax Refunds.

Missouri state law authorizes the Department of Revenue (DOR), Division of Taxation, to issue sales and use tax refunds due to an overpaid return, or an audited return. Our audit report, Review of Department of Revenue, Division of Taxation and Collection, Sales and Use Tax Refunds (report no. 2000-36) found that during fiscal year ended June 30, 1999, the department disbursed sales and use tax refunds, including interest, of more than \$47 million. This report noted that since fiscal year 1990, refund amounts increased more than 400%.

During that review we noted 128 sales and use tax refunds totaling approximately \$20,855,000 for which there was no indication in the files that the vendor was going to return the sales tax or the interest to the original customer. We contacted six contiguous states regarding their policies related to returning refunds to the original customer. Each of these states have regulations, state laws, or policies which provide that refunds must be returned to the original customer. Additionally, we reviewed tax refund files that did indicate the refund would be returned to the original customer; however, there was no documentation the department had ensured the refunds were actually returned to the original customer. Because of the problems noted, that report recommended, and we still recommend, the department pursue legislation which would require sales tax refunds and related interest be returned to the original consumer.

This concern had been noted in reports as far back as 1994.

The Department of Revenue has not pursued legislation on its own; however, the department indicated support for legislation pertaining to this issue. House Bill 286 and Senate Bill 195 were introduced during the 2001 legislative session. The bills provide that the vendor must “demonstrate to the satisfaction of the director of revenue” that the tax was or will be returned to original customers.

Legislation introduced in the past would have prohibited the refund or credit of sales or use tax erroneously collected by a retailer, unless it was demonstrated that all erroneously collected amounts would be refunded to the person that originally paid the tax. However, this provision was not approved by the General Assembly.

YELLOW SHEET

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION

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DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Carol Russell Fischer, Director
Department of Revenue
and
Stan Farmer, Director
Division of Taxation and Collection
Jefferson City, MO 65102

We have audited the accompanying special-purpose financial statements of the various funds of the sales and use tax collections of the Department of Revenue, Division of Taxation and Collection for the years ended June 30, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts of and distributions to the various state funds; the receipts, distributions, and changes in cash and investments of the various local funds; and the additions, deductions, and changes in cash and investments of the various custodial accounts and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the agency.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts of and distributions to the various state funds; the receipts, distributions, and changes in cash and investments of the various local funds; and the additions, deductions, and changes in cash and investments of the various custodial accounts as of and for the years ended June 30, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 15, 2000, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the agency's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

December 15, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Robyn Lamb
Audit Staff:	Stacy Wright
	Emmanuel Appiah
	Andrea Higgins
	Linda Cockrell



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Carol Russell Fischer, Director
Department of Revenue
and
Stan Farmer, Director
Division of Taxation and Collection
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the sales and use tax collections of the Department of Revenue, Division of Taxation and Collection as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated December 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the sales and use tax collections of the Department of Revenue, Division of Taxation and Collection are free of material misstatement, we performed tests of the agency's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the sales and use tax collections of the Department of Revenue, Division of Taxation and Collection, we

considered the agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Department of Revenue, Division of Taxation and Collection and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

December 15, 2000 (fieldwork completion date)

Financial Statements

Exhibit A-1

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS AND DISTRIBUTIONS - STATE FUNDS
YEAR ENDED JUNE 30, 2000

	General Revenue Fund-State	Aviation Trust Fund	Conservation Commission Fund	Department of Revenue Information Fund	Highway Department Fund	Motor Fuel Tax Fund	Parks Sales Tax Fund	School District Trust Fund	Soil and Water Sales Tax Fund	State Road Fund	State Transportation Fund	Total (Memorandum Only)
RECEIPTS												
Highway use tax	\$ 0	0	1,610,005	0	38,641,233	13,120,696	644,002	0	644,002	0	0	54,659,938
Marine and ATV sales and use tax	7,825,966	0	326,072	0	0	0	130,429	2,608,655	130,430	0	0	11,021,552
Motor vehicle sales tax	110,058,626	0	9,171,290	52,958	0	146,744,835	3,668,515	36,686,210	3,668,517	0	0	310,050,951
Sales and use tax	1,660,502,241	4,822,310	75,934,083	3,925	0	3,421,914	30,372,047	603,913,783	30,372,047	7,919,179	154,179	2,417,415,708
Total Receipts	<u>1,778,386,833</u>	<u>4,822,310</u>	<u>87,041,450</u>	<u>56,883</u>	<u>38,641,233</u>	<u>163,287,445</u>	<u>34,814,993</u>	<u>643,208,648</u>	<u>34,814,996</u>	<u>7,919,179</u>	<u>154,179</u>	<u>2,793,148,149</u>
DISTRIBUTIONS												
Transmitted to State Treasurer	<u>1,778,386,833</u>	<u>4,822,310</u>	<u>87,041,450</u>	<u>56,883</u>	<u>38,641,233</u>	<u>163,287,445</u>	<u>34,814,993</u>	<u>643,208,648</u>	<u>34,814,996</u>	<u>7,919,179</u>	<u>154,179</u>	<u>2,793,148,149</u>
Total Distributions	<u>1,778,386,833</u>	<u>4,822,310</u>	<u>87,041,450</u>	<u>56,883</u>	<u>38,641,233</u>	<u>163,287,445</u>	<u>34,814,993</u>	<u>643,208,648</u>	<u>34,814,996</u>	<u>7,919,179</u>	<u>154,179</u>	<u>2,793,148,149</u>
RECEIPTS OVER (UNDER) DISTRIBUTIONS	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COM BINED STATEMENT OF RECEIPTS AND DISTRIBUTIONS-STATE FUNDS
YEAR ENDED JUNE 30, 1999

	General Revenue Fund-State	Conservation Commission Fund	Department of Revenue Information Fund	Highway Department Fund	Motor Fuel Tax Fund	Parks Sales Tax Fund	School District Trust Fund	Soil and Water Sales Tax Fund	Total (Memorandum Only)
RECEIPTS									
Highway use tax	\$ 0	1,508,391	0	36,202,421	12,329,119	603,356	0	603,356	51,246,643
Marine and ATV sales and use tax	7,319,240	305,003	0	0	0	122,001	2,440,096	122,002	10,308,342
Motor vehicles sales tax	102,858,891	8,571,309	45,926	0	151,026,977	3,428,523	34,286,215	3,428,524	303,646,365
Sales and use tax	1,554,240,026	71,976,419	4,725	0	0	28,789,640	572,335,922	28,789,640	2,256,136,372
Total Receipts	<u>1,664,418,157</u>	<u>82,361,122</u>	<u>50,651</u>	<u>36,202,421</u>	<u>163,356,096</u>	<u>32,943,520</u>	<u>609,062,233</u>	<u>32,943,522</u>	<u>2,621,337,722</u>
DISTRIBUTIONS									
Transmitted to State Treasurer	1,664,418,157	82,361,122	50,651	36,202,421	163,356,096	32,943,520	609,062,233	32,943,522	2,621,337,722
Total Distributions	<u>1,664,418,157</u>	<u>82,361,122</u>	<u>50,651</u>	<u>36,202,421</u>	<u>163,356,096</u>	<u>32,943,520</u>	<u>609,062,233</u>	<u>32,943,522</u>	<u>2,621,337,722</u>
RECEIPTS OVER (UNDER) DISTRIBUTIONS	\$ <u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS, DISTRIBUTIONS, AND CHANGES IN CASH AND INVESTMENTS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2000

	City Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Local Use Tax Trust Fund	Local Option Use Tax Trust Fund	Local Motor Vehicle Sales Tax Fund	Total (Memorandum Only)
RECEIPTS											
Sales tax	\$ 373,528,347	222,483,677	132,808,992	172,818,677	197,659,723	236,238,038	285,799	0	0	0	1,335,823,253
Use tax	0	0	0	0	0	0	0	0	43,196,707	0	43,196,707
Reimbursements/withholdings from political subdivisions	0	0	0	0	0	0	0	964,985	0	0	964,985
Interest income	1,079,038	649,683	354,036	532,761	618,904	718,777	974	28,332	109,159	0	4,091,664
Transfers in	39,805,603	26,024,255	17,018,016	31,665,630	38,970,452	25,003,195	72,465	0	15,110	0	178,574,726
Total Receipts	<u>414,412,988</u>	<u>249,157,615</u>	<u>150,181,044</u>	<u>205,017,068</u>	<u>237,249,079</u>	<u>261,960,010</u>	<u>359,238</u>	<u>993,317</u>	<u>43,320,976</u>	<u>0</u>	<u>1,562,651,335</u>
DISTRIBUTIONS											
Political subdivisions	407,825,760	244,347,976	147,442,888	201,698,315	233,220,769	254,842,888	338,861	0	42,661,552	0	1,532,379,009
General Revenue Fund - State	4,119,452	2,468,162	1,489,322	2,037,357	2,212,974	2,574,171	3,423	0	430,925	0	15,335,786
Transfers to General Revenue Fund - State	0	0	0	0	0	0	0	781,083	0	0	781,083
Transfers to Motor Vehicle Clearing Account	0	0	0	0	0	0	0	0	0	3,940,555	3,940,555
Total Distributions	<u>411,945,212</u>	<u>246,816,138</u>	<u>148,932,210</u>	<u>203,735,672</u>	<u>235,433,743</u>	<u>257,417,059</u>	<u>342,284</u>	<u>781,083</u>	<u>43,092,477</u>	<u>3,940,555</u>	<u>1,552,436,433</u>
RECEIPTS OVER (UNDER) DISTRIBUTIONS	2,467,776	2,341,477	1,248,834	1,281,396	1,815,336	4,542,951	16,954	212,234	228,499	(3,940,555)	10,214,902
CASH AND INVESTMENTS, JULY 1	36,404,926	21,195,378	12,874,503	18,056,973	20,677,194	20,324,582	24,184	315,771	2,648,731	3,940,555	132,522,242
CASH AND INVESTMENTS, JUNE 30	<u>\$ 38,872,702</u>	<u>23,536,855</u>	<u>14,123,337</u>	<u>19,338,369</u>	<u>22,492,530</u>	<u>24,867,533</u>	<u>41,138</u>	<u>528,005</u>	<u>2,877,230</u>	<u>0</u>	<u>142,737,144</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF RECEIPTS, DISTRIBUTIONS, AND CHANGES IN CASH AND INVESTMENTS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1999

	City Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Local Use Tax Trust Fund	Local Option Use Tax Trust Fund	Local Motor Vehicle Sales Tax Fund	Total (Memorandum Only)
RECEIPTS											
Sales tax	\$ 357,054,849	211,640,718	126,526,773	164,700,531	185,873,776	171,762,805	129,857	0	0	162,179,891	1,379,869,200
Use tax	0	0	0	0	0	0	0	0	30,389,792	0	30,389,792
Reimbursements/withholdings from political subdivisions	0	0	0	0	0	0	0	68,025,761	0	0	68,025,761
Interest income	1,023,996	634,522	358,000	482,679	588,140	496,471	372	244,565	73,413	(25,540)	3,876,618
Transfers in/out	37,061,619	24,476,768	16,306,110	29,248,353	35,524,459	17,915,867	52,668	0	18,717	(160,604,561)	0
Total Receipts	<u>395,140,464</u>	<u>236,752,008</u>	<u>143,190,883</u>	<u>194,431,563</u>	<u>221,986,375</u>	<u>190,175,143</u>	<u>182,897</u>	<u>68,270,326</u>	<u>30,481,922</u>	<u>1,549,790</u>	<u>1,482,161,371</u>
DISTRIBUTIONS											
Political subdivisions	390,610,753	235,453,023	142,758,967	192,171,549	219,247,568	184,158,628	157,126	304,276	29,457,723	0	1,394,319,613
General Revenue Fund - State	3,945,564	2,378,313	1,442,010	1,941,127	2,078,289	1,860,188	1,587	0	297,553	0	13,944,631
Transfers to General Revenue Fund - State	0	0	0	0	0	0	0	77,448,055	0	0	77,448,055
Refunds to taxpayers	0	0	0	0	0	0	0	0	0	1,261,325	1,261,325
Total Distributions	<u>394,556,317</u>	<u>237,831,336</u>	<u>144,200,977</u>	<u>194,112,676</u>	<u>221,325,857</u>	<u>186,018,816</u>	<u>158,713</u>	<u>77,752,331</u>	<u>29,755,276</u>	<u>1,261,325</u>	<u>1,486,973,624</u>
RECEIPTS OVER (UNDER) DISTRIBUTIONS	584,147	(1,079,328)	(1,010,094)	318,887	660,518	4,156,327	24,184	(9,482,005)	726,646	288,465	(4,812,253)
CASH AND INVESTMENTS, JULY 1	<u>35,820,779</u>	<u>22,274,706</u>	<u>13,884,597</u>	<u>17,738,086</u>	<u>20,016,676</u>	<u>16,168,255</u>	<u>0</u>	<u>9,797,776</u>	<u>1,922,085</u>	<u>3,652,090</u>	<u>141,275,050</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 36,404,926</u>	<u>21,195,378</u>	<u>12,874,503</u>	<u>18,056,973</u>	<u>20,677,194</u>	<u>20,324,582</u>	<u>24,184</u>	<u>315,771</u>	<u>2,648,731</u>	<u>3,940,555</u>	<u>136,462,797</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C-1

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS-CUSTODIAL ACCOUNTS
YEAR ENDED JUNE 30, 2000

	Cabaret Sales Tax Account (2)	Motor Vehicle Clearing Account (2)	Motor Vehicle Protest Account (2)	Protested Sales Tax General Revenue Account (1)	Protested Sales Tax Miscellaneous Account (2)	Sales Tax Bond Account (1)	St. Louis Special Escrow Account (2)	Suspense Holding (Sales Tax) Account (2)	Total (Memorandum Only)
ADDITIONS									
Miscellaneous tax collections	\$ 68,717	596,678,097	0	0	0	0	882	1,166,541,396	1,763,289,092
Protested tax collections	0	0	0	1,944,508	1,793,310	0	0	0	3,737,818
Bond collections	0	0	0	0	0	3,758,546	0	0	3,758,546
Interest	4,823	330,041	302	671,163	523,191	0	4,334	360,022	1,893,876
Transfers from Local Motor Vehicle Sales Tax Fund	0	3,940,555	0	0	0	0	0	0	3,940,555
Total Additions	<u>73,540</u>	<u>600,948,693</u>	<u>302</u>	<u>2,615,671</u>	<u>2,316,501</u>	<u>3,758,546</u>	<u>5,216</u>	<u>1,166,901,418</u>	<u>1,776,619,887</u>
DEDUCTIONS									
Miscellaneous taxes and interest	0	586,506,911	0	0	0	0	0	1,175,696,657	1,762,203,568
Protested taxes and interest	0	0	0	589,760	467,224	0	0	0	1,056,984
Bonds and interest	0	0	0	0	0	3,677,318	0	0	3,677,318
Total Deductions	<u>0</u>	<u>586,506,911</u>	<u>0</u>	<u>589,760</u>	<u>467,224</u>	<u>3,677,318</u>	<u>0</u>	<u>1,175,696,657</u>	<u>1,766,937,870</u>
ADDITIONS OVER (UNDER) DEDUCTIONS	73,540	14,441,782	302	2,025,911	1,849,277	81,228	5,216	(8,795,239)	9,682,017
CASH AND INVESTMENTS, JULY 1	73,398	0	6,621	12,599,968	9,267,613	30,461,629	84,437	11,581,779	64,075,445
CASH AND INVESTMENTS, JUNE 30	<u>\$ 146,938</u>	<u>14,441,782</u>	<u>6,923</u>	<u>14,625,879</u>	<u>11,116,890</u>	<u>30,542,857</u>	<u>89,653</u>	<u>2,786,540</u>	<u>73,757,462</u>

FOOTNOTES:

(1) Held by the state treasurer in trust.

(2) Held by the department in trust.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX

COMBINED STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS-CUSTODIAL ACCOUNTS

YEAR ENDED JUNE 30, 1999

	Cabaret Sales Tax Account (2)	Motor Vehicle Protest Account (2)	Protested Sales Tax General Revenue Account (1)	Protested Sales Tax Miscellaneous Account (2)	Sales Tax Bond Account (1)	St. Louis Special Escrow Account (2)	Suspense Holding (Sales Tax) Account (2)	TIF Districts Account (2)	Total (Memorandum Only)
ADDITIONS									
Miscellaneous tax collections	\$ 61,973	0	0	0	0	481	1,390,885,534	165,591	1,391,113,579
Protested tax collections	0	6,415	3,110,217	3,257,825	0	0	0	0	6,374,457
Bond collections	0	0	0	0	3,870,576	0	0	0	3,870,576
Interest	1,347	207	588,129	361,232	0	3,716	401,923	14,273	1,370,827
Total Additions	<u>63,320</u>	<u>6,622</u>	<u>3,698,346</u>	<u>3,619,057</u>	<u>3,870,576</u>	<u>4,197</u>	<u>1,391,287,457</u>	<u>179,864</u>	<u>1,402,729,439</u>
DEDUCTIONS									
Miscellaneous taxes and interest	0	0	0	0	0	0	1,386,876,781	819,598	1,387,696,379
Protested taxes and interest	0	4,280	1,263,079	827,941	0	0	0	0	2,095,300
Bonds and interest	0	0	0	0	3,919,905	0	0	0	3,919,905
Total Deductions	<u>0</u>	<u>4,280</u>	<u>1,263,079</u>	<u>827,941</u>	<u>3,919,905</u>	<u>0</u>	<u>1,386,876,781</u>	<u>819,598</u>	<u>1,393,711,584</u>
ADDITIONS OVER (UNDER) DEDUCTIONS	63,320	2,342	2,435,267	2,791,116	(49,329)	4,197	4,410,676	(639,734)	9,017,855
CASH AND INVESTMENTS, JULY 1	<u>10,078</u>	<u>4,279</u>	<u>10,164,701</u>	<u>6,476,497</u>	<u>30,510,958</u>	<u>80,240</u>	<u>7,171,103</u>	<u>639,734</u>	<u>55,057,590</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 73,398</u>	<u>6,621</u>	<u>12,599,968</u>	<u>9,267,613</u>	<u>30,461,629</u>	<u>84,437</u>	<u>11,581,779</u>	<u>0</u>	<u>64,075,445</u>

FOOTNOTES:

(1) Held by the state treasurer in trust.

(2) Held by the department in trust.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
NOTES TO THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Basis of Presentation

These special-purpose financial statements relating to sales and use tax collections of the Division of Taxation and Collection of the Department of Revenue present the receipts and distributions of the various state funds as reflected on Exhibit A; the receipts and distributions of the various local funds as reflected on Exhibit B; and the additions, deductions, and changes in cash and investments of the various custodial accounts as reflected on Exhibit C.

The Department of Revenue is a component unit of the State of Missouri and, as such, prepares a Comprehensive Annual Financial Report (CAFR). The special-purpose financial statements presented in this financial report are supporting schedules for the department's CAFR and do not contain all financial data contained in the CAFR. Therefore, users of these financial statements are advised to refer to the department's CAFR for the financial position and results of operations.

The "Total (Memorandum Only)" column shown on these special-purpose financial statements is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with the reference to the details of each fund.

Appropriations for the operation of the Division of Taxation and Collection are maintained by the Division of Administration of the Department of Revenue, and therefore, operating expenditures are not presented.

General fixed assets utilized by the Division of Taxation and Collection is included in the accounts of the Division of Administration of the Department of Revenue, and therefore, no statements of general fixed assets are presented.

B. Basis of Accounting

These special-purpose financial statements are presented on a cash basis of accounting and, as such, are prepared in conformity with an other comprehensive basis of accounting as described in the American Institute of Certified Public Accountant's Statement on Auditing Standards Number 62, which addresses special reports.

In the Combined Statement of Receipts and Distributions - State Funds and the Combined Statement of Receipts and Distributions - Local Funds, revenues are recognized when received. Distributions reflect the actual disbursement of receipts to various state and local funds; local political subdivisions and taxpayers except for sales tax withholdings from political subdivisions for their share of the local use tax refund liability.

In the Combined Statement of Additions and Deductions - Custodial Accounts additions reflect actual cash receipts. Deductions reflect actual disposition of cash receipts to various state and local funds, local political subdivisions and taxpayers.

C. Fiscal Authority and Responsibility

Sales and use tax and motor vehicle sales tax receipts, collected from businesses and individuals (for motor vehicle sales tax), are deposited into various state and local funds. One hundred percent of the state sales and use tax collections are deposited into the General Revenue Fund-State, School District Trust Fund, Conservation Commission Fund, Parks Sales Tax Fund, Soil and Water Sales Tax Fund, State Transportation Fund, and State Road Fund. For the following local funds: City Sales Tax Trust Fund, Public Mass Transportation Sales Tax Trust Funds, St. Louis County Sales Tax Trust Fund, County Sales Tax Trust Fund, County Alternate Sales Tax Trust Fund, City Alternate Sales Tax Trust Fund, Districts Sales Tax Trust Fund, Local Use Tax Trust Fund, and Local Option Use Tax Trust Fund, actual tax proceeds are deposited in interest-bearing bank accounts until distributed. Subsequently, ninety-nine percent of the collections and ninety-nine percent of earned interest are distributed to the various political subdivisions with the remaining one percent going to the state's General Revenue Fund-State for a collection fee.

Highway use tax receipts, collected on vehicles purchased outside of Missouri but titled in Missouri, are deposited into the Highway Department Fund, Motor Fuel Tax Fund, Conservation Commission Fund, Parks Sales Tax Fund, and the Soil and Water Sales Tax Fund.

For operating purposes, the Division of Taxation and Collection of the Department of Revenue, has been charged with the responsibility of administering transactions in the funds and accounts listed below. The State Treasurer, as fund custodian, and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly for all state funds.

- 1) General Revenue Fund-State: This state fund, as authorized by Section 144.700, RSMo, receives three-fourths of the collections from the four percent state sales and use tax. This fund also receives payments from common carriers in interstate air transportation, as authorized by Section 144.807, RSMo, and receives three-eighths of the collections from the four percent motor vehicle sales tax as authorized by Section 144.070, RSMo.

- 2) Aviation Trust Fund: This state fund, as authorized by Section 155.090, RSMo, receives use tax receipts imposed on each gallon of aviation gasoline used in propelling aircraft with reciprocating engines and collected by distributors of aviation fuel.
- 3) Conservation Commission Fund: This state fund, as authorized by Article IV, Section 43(a), Constitution of Missouri, receives collections of the one-eighth percent state sales and use tax, motor vehicle sales tax, and highway use tax.
- 4) Department of Revenue Information Fund: This state fund, as authorized by Section 32.067, RSMo, receives collections from individuals, businesses, and governmental units for the dissemination of information and publications.
- 5) Highway Department Fund: This state fund, as authorized by Section 144.440, RSMo, and by Article IV, Section 29, Constitution of Missouri, receives seventy-five percent of the four percent highway use tax.
- 6) Motor Fuel Tax Fund: This state fund, authorized by Section 144.440, RSMo, and by Article IV, Section 29, Constitution of Missouri, receives twenty-five percent of the four percent state sales tax on the leasing of motor vehicles, motor vehicle sales tax, and highway use tax.
- 7) Parks Sales Tax Fund: This state fund, as authorized by Article IV, Sections 47(a) and 47(b), Constitution of Missouri, receives fifty percent of the collections from a one-tenth percent state sales and use tax, motor vehicle sales tax, and highway use tax.
- 8) School District Trust Fund: This state fund, as authorized by Section 144.701, RSMo, receives one-fourth of the collections from the four percent state sales and use tax and one-eighth of the collections from the four percent motor vehicle sales tax.
- 9) Soil and Water Sales Tax Fund: This state fund, as authorized by Article IV, Sections 47(a) and 47(b), Constitution of Missouri, receives fifty percent of the collections from a one-tenth percent state sales and use tax, motor vehicle sales tax, and highway use tax.
- 10) State Road Fund and State Transportation Fund: These state funds, as authorized by Section 144.070, RSMo, and Article IV, Section 30(b), Constitution of Missouri, receive the collections of the four percent state sales tax on the leasing of motor vehicles and motor vehicle sales tax.

The Division of Taxation and Collection of the Department of Revenue has the sole responsibility for maintaining and disbursing fund resources for all local funds.

- 1) City Sales Tax Trust Fund: This local fund, as authorized by Section 94.550, RSMo, receives collections generated from city sales taxes and subsequently distributes the taxes and interest to the cities.
- 2) Public Mass Transportation Sales Tax Trust Fund: This local fund, as authorized by Sections 92.410, 94.625 and 94.725, RSMo, receives collections generated from public mass transportation sales taxes and subsequently distributes the taxes and interest to the public mass transportation systems.
- 3) St. Louis County Sales Tax Trust Fund: This local fund, as authorized by Chapters 66 and 94, RSMo, receives collections generated from St. Louis County sales taxes and subsequently distributes the taxes and interest to St. Louis County to be distributed by St. Louis County to the appropriate cities within the county.
- 4) County Sales Tax Trust Fund: This local fund, as authorized by Section 67.525, RSMo, receives collections generated from county sales taxes and subsequently distributes the taxes and interest to the counties.
- 5) County Alternate Sales Tax Trust Fund: This local fund, as authorized by Chapters 67, 190, and 644, RSMo, receives collections generated by various types of local sales taxes. The taxes and interest are subsequently distributed to the counties.
- 6) City Alternate Sales Tax Trust Fund: This local fund, as authorized by Chapters 92, 162, 321, and 644, RSMo, receives collections generated from an additional City of St. Louis sales tax, and subsequently distributes the taxes and interest to the City of St. Louis. The collections and subsequent distributions of the city capital improvements sales tax, as authorized by Section 94.577, RSMo, are also accounted for in this fund.
- 7) Districts Sales Tax Trust Fund: This local fund, as authorized by Section 321.246, RSMo, receives collections generated from fire protection districts sales taxes. Net taxes and interest are subsequently distributed to the districts.
- 8) Local Use Tax Trust Fund: This local fund, as authorized by Section 144.748, RSMo, receives collections generated by an additional one and one-half percent use tax upon all transactions which are subject to the taxes imposed under Sections 144.600 to 144.745, RSMo. Net taxes and interest are subsequently distributed to the counties and cities.

Local Use Tax was declared unconstitutional by the Missouri Supreme Court in fiscal year 1996. The Department of Revenue began refunding local use taxes in fiscal year 1998.

- 9) Local Option Use Tax Trust Fund: This local fund, as authorized by Section 144.759, RSMo, receives collections generated by a use tax, based on the local sales tax in effect, upon all transactions subject to taxes imposed under Sections 144.600 to 144.745, RSMo. Net taxes and interest are subsequently distributed to the counties and cities.
- 10) Local Motor Vehicle Sales Tax Fund: This local fund is a depository collection account for the local sales taxes collected by the department at the motor vehicle fee and branch offices. The department transfers this money to the Local Sales Tax Fund for distribution to the various political subdivisions.

Effective July 1, 1999, these motor vehicle collections are presented in the Motor Vehicle Clearing Account as a custodial account.

The Division of Taxation and Collection of the Department of Revenue has shared responsibility with the State Treasurer for maintaining and disbursing account resources for all custodial accounts as explained in further detail.

- 1) Cabaret Sales Tax Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Cabaret Sales Tax Account and actual custody of account resources ultimately rests with the department.

The Cabaret Sales Tax Account is an interest-bearing bank account where collections from a cabaret sales tax are being escrowed because of a court challenge. Following a final court decision the escrowed funds will be distributed and/or refunded and the account will be closed.

- 2) Motor Vehicle Clearing Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Motor Vehicle Clearing Account and actual custody of account resources ultimately rests with the department.

The Motor Vehicle Clearing Account is an interest-bearing bank account that receives currently unidentifiable collections from motor vehicle fee and branch offices for various taxes and fees. When these receipts are identified they are transferred to various state and local funds.

Prior to July 1, 1999, these motor vehicle collections were presented in the Local Motor Vehicle Sales Tax Fund as a local fund.

- 3) Motor Vehicle Protest Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Motor Vehicle Protest Account and actual custody of account resources ultimately rests with the department.

The Motor Vehicle Protest Account, as authorized by Section 144.700, RSMo, receives motor vehicle sales and use taxes paid under protest. Protest proceeds are deposited into an interest-bearing bank account.

Protested motor vehicle sales and use taxes and the related earned interest are either returned to the taxpayer or remitted to the state and the appropriate political subdivisions based upon decisions reached by the department, the Administrative Hearing Commission, or various courts.

- 4) Protested Sales Tax Accounts: The Department of Revenue has been charged with the responsibility of administering transactions in the Protested Sales Tax Account.

The Protested Sales Tax Account, as authorized by Section 144.700, RSMo, receives sales taxes paid under protest. The three percent General Revenue Fund-State portion of state sales taxes paid under protest are transferred to the state's General Revenue Fund-State, which is in the custody of the State Treasurer. All other state and local sales taxes paid under protest are deposited into an interest-bearing bank account, which is in the custody of the Department of Revenue. Protested sales taxes and the related earned interest are either returned to the taxpayer or remitted to the state and the appropriate political subdivisions based upon decisions reached by the department, the Administrative Hearing Commission, or various courts.

- 5) Sales Tax Bond Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Sales Tax Bond Account.

The Sales Tax Bond Account, as authorized by Section 144.087, RSMo, receives cash bonds posted by taxpayers. All bond collections are deposited into the state's General Revenue Fund-State, which is in the custody of the State Treasurer. Cash bonds and related interest at the rate of five and one-

fourth percent are refunded to the taxpayers after two years if they are determined to have satisfactory sales tax compliance and if their bond was posted before January 1, 1984. If the bond was posted on or after January 1, 1984, the Attorney General has ruled that no interest should be refunded. In the event of uncollectible sales tax liabilities, the bonds and related interest, if any, are forfeited to the Department of Revenue, which subsequently distributes the monies to the state and the appropriate political subdivisions.

- 6) St. Louis Special Escrow Account: The St. Louis Special Escrow Account is an interest-bearing bank account where the department has escrowed funds to cover claims for refund of a three-eighths percent sales tax levied by the City of St. Louis.

The Missouri Supreme Court [ACI Plastics, Inc. vs. City of St. Louis, Citation No. 724S.W.2d513 (Mo. Banc 1987)] ruled the additional three-eighths percent sales tax was not legally levied during the period July 1, 1984, through March 17, 1987.

The amount was withheld from monthly distributions to the City of St. Louis during the year ended June 30, 1990, and placed in this account under the custody of the Director of Revenue pending resolution. The department has determined that this account will be closed after a six-month period of inactivity.

- 7) Suspense Holding (Sales Tax) Account: The Department of Revenue has been charged with the responsibility of administering transactions in the Suspense Holding Account and actual custody of account resources ultimately rests with the department.

The Suspense Holding Account is an interest-bearing bank account where unidentified sales and use tax receipts are temporarily deposited when they are unable to be posted to the automated Missouri Integrated Tax System (MITS). When these receipts become identifiable, they are posted to MITS and are then transferred out of the Suspense Holding Account into the appropriate sales tax funds.

- 8) T.I.F. Districts Account: The Department of Revenue has been charged with the responsibility of administering transactions in the T.I.F. Districts Account. The T.I.F. Districts Account is an interest-bearing bank account where the department had escrowed funds pending a decision in the circuit court of St. Louis County, Court Case No. 692403. The court reached a decision, the funds were disbursed, and the account was closed in February 1999.

D. Cash and Investments

Cash and investments consist of the following:

		Year Ended June 30,	
		2000	1999
Held by the state treasurer	\$	45,168,736	43,061,597
Held by the department		175,266,425	157,476,645
Total	\$	220,435,161	200,538,242

For reporting purposes, cash and investments includes bank accounts and all short-term investments such as repurchase agreements and federal agency securities. These are stated at cost, which approximate market. Cash resources are combined to form a pool for investment purposes. Investments are managed by the department's investing agent in accordance with an agreement entered into in July 1998. Interest income earned as a result of pooling is distributed to the appropriate accounts based on each account's equity in the pooled investments.

Department of Revenue Administrative Rule 12 CSR 10-43.020 authorizes the department to invest in the following instruments: U.S. Treasury Bills, Time Deposits, Repurchase Agreements, Federal National Mortgage Association Securities, Student Loan Marketing Association Securities, Federal Home Loan Bank Securities and Federal Home Loan Mortgage Corporation Securities.

All deposits are insured by the FDIC up to \$100,000; the balance is secured by collateral pledged to the department and held by the department's agent in the department's name. All investments in repurchase agreements and securities are 100 percent secured by the underlying Federal Government Securities. The investing agent guarantees no loss of principal or interest to the department.

At June 30, 2000, cash and investments held by the department consisted of:

Description	\$	Book Balance	Bank Balance
Cash		4,213,182	191,453
Total Cash		4,213,182	191,453

<u>Investments</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreements-		
Securities held by the		
Department's agent in the		
Department's name	\$ 94,079,190	94,079,190
Agency securities-		
Securities held by the		
Department's agent in the		
Department's name	\$ 76,974,053	77,658,267
Total Investments	<u>171,053,243</u>	<u>171,737,457</u>
Total Cash and Investments	<u>\$ 175,266,425</u>	<u>171,928,910</u>

At June 30, 1999, cash and investments held by the department consisted of:

<u>Description</u>	<u>\$</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Cash		8,771,835	1,094,983
Total Cash		<u>8,771,835</u>	<u>1,094,983</u>

<u>Investments</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreements-		
Securities held by the		
Department's agent in the		
Department's name	\$ 43,337,245	43,337,245
Agency securities-		
Securities held by the		
Department's agent in the		
Department's name	\$ 105,367,565	105,515,970
Total Investments	<u>148,704,810</u>	<u>148,853,215</u>
Total Cash and Investments	<u>\$ 157,476,645</u>	<u>149,948,198</u>

2. Transfers-In/(Out)

These amounts represent local sales tax collected by the Division of Motor Vehicles and Drivers Licensing central office and local branch and fee offices. During the year ended June 30, 1999, the collections were credited to the Local Motor Vehicle Sales Tax Account and subsequently transferred to the Local Sales Tax Clearing Bank Account and the Local Option Use Tax Clearing Account. During the year ended June 30, 2000, the collections

were credited to the Motor Vehicle Clearing Account (a custodial account) and subsequently transferred to the Local Sales Tax Clearing Bank Account and the Local Option Use Tax Clearing Account. These amounts are included in the monthly distributions to the local taxing authorities.

3. Refunds of Overpayment of Taxes

- A. Refund amounts of overpayment of state and local sales and use taxes and state motor vehicle sales taxes including interest for the years ending June 30, 2000 and 1999, are listed below. These refunds were paid from refund appropriations maintained by the Division of Administration of the Department of Revenue. These refunds are not reflected in the schedules and do not necessarily relate to the receipts in the years issued.

	Amount of Refunds	
	Year Ended June 30,	
	2000	1999
Sales and Use Tax	\$ 59,198,129	47,608,776
Local Use Tax	802,972	79,080,051
Motor Vehicle Sales and Use Tax	5,368,792	3,798,459

- B. The refunds to taxpayers amount shown on the Combined Statements of Receipts, Distributions, and Changes in Cash and Investments-Local Funds represents refunds made to taxpayers because of overpayment of taxes. These refunds were paid from the Local Motor Vehicle Sales Tax Disbursement Bank Account. This account is maintained by the Division of Taxation and Collection of the Department of Revenue.

Supplementary Data

Schedule 1-A

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2000

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
CITIES:									
Adrian	\$ 86,959	0	0	0	0	0	0	0	86,959
Advance	130,424	65,218	0	3,308	0	0	0	0	198,950
Airport Drive	131,951	64,232	0	0	0	0	0	0	196,183
Alba	17,476	0	0	0	0	0	0	0	17,476
Albany	138,138	69,064	0	0	0	0	0	0	207,202
Alexandria	11,637	0	0	0	0	0	0	0	11,637
Alton	81,516	39,349	0	0	0	0	0	0	120,865
Amsterdam	12,259	0	0	0	0	0	0	0	12,259
Anderson	163,055	0	78,245	0	0	0	0	0	241,300
Annapolis	17,157	8,580	8,580	0	0	0	0	0	34,317
Appleton City	141,217	0	0	0	0	0	0	0	141,217
Arbyrd	26,370	0	0	0	0	0	0	0	26,370
Arcadia	63,338	0	0	0	0	0	0	0	63,338
Archie	32,477	0	0	0	0	0	0	0	32,477
Argyle	7,968	0	0	0	0	0	0	0	7,968
Arnold	3,254,757	788,760	0	0	0	0	0	0	4,043,517
Arrow Rock	8,065	4,033	0	0	0	0	0	0	12,098
Ash Grove	105,079	0	0	5,125	0	0	0	0	110,204
Ashland	220,675	105,318	0	0	0	0	0	0	325,993
Atlanta	13,453	0	0	0	0	0	0	0	13,453
Augusta	47,768	23,810	0	0	0	0	0	0	71,578
Aurora	786,949	0	375,984	0	0	0	0	0	1,162,933
Auxvasse	66,420	0	30,991	0	0	0	0	0	97,411
Ava	236,129	236,145	0	17,213	0	0	0	0	489,487
Avondale	14,530	0	0	0	0	0	0	0	14,530
Bagnell	6,847	0	0	0	0	0	0	0	6,847
Bakersfield	10,202	0	0	0	0	0	0	0	10,202
Ballwin	0	1,376,476	0	0	0	0	0	0	1,376,476
Bates City	80,739	40,339	0	13,798	0	0	0	0	134,876
Battlefield	27,646	0	22,587	0	0	0	0	0	50,233
Bel-Nor	0	97,919	0	5,846	0	0	0	0	103,765
Bel-Ridge	0	238,140	0	0	0	0	0	0	238,140
Bella Villa	0	43,502	0	2,599	0	0	0	0	46,101
Bellefontaine Neighbors	0	590,671	0	0	0	0	0	0	590,671
Bell City	13,035	0	0	0	0	0	0	0	13,035

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DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2000

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Belle	113,671	0	50,927	0	0	0	0	0	164,598
Bellflower	14,114	6,079	6,078	0	0	0	0	0	26,271
Belton	1,653,243	1,651,947	826,620	0	0	0	0	0	4,131,810
Benton	54,078	0	0	0	0	0	0	0	54,078
Berger	6,442	0	0	0	0	0	0	0	6,442
Berkeley	0	671,617	0	0	0	0	0	0	671,617
Bernie	93,361	46,686	0	0	0	0	0	0	140,047
Bethany	506,221	289,213	0	0	0	0	0	0	795,434
Beverly Hills	0	59,066	0	0	0	0	0	0	59,066
Bevier	36,280	0	14,429	0	0	0	0	0	50,709
Biehle	69,195	0	0	0	0	0	0	0	69,195
Billings	67,170	0	0	0	0	0	0	0	67,170
Birch Tree	31,077	7,842	14,451	0	0	0	0	0	53,370
Birmingham	12,629	0	0	0	0	0	0	0	12,629
Bismarck	77,742	0	34,985	0	0	0	0	0	112,727
Black Jack	0	331,317	0	19,792	0	0	0	0	351,109
Blackburn	6,956	0	0	0	0	0	0	0	6,956
Blairstown	13,296	0	0	0	0	0	0	0	13,296
Bland	28,412	13,126	0	0	0	0	0	0	41,538
Bloomfield	102,463	13,551	0	16,163	0	0	0	0	132,177
Blue Springs	5,709,413	0	2,723,506	0	0	0	0	0	8,432,919
Bolivar	1,367,504	677,602	662,063	0	0	0	0	0	2,707,169
Bonne Terre	389,342	92,824	185,660	0	0	0	0	0	667,826
Boonville	730,659	347,865	0	0	0	0	0	0	1,078,524
Bourbon	127,807	0	61,619	0	0	0	0	0	189,426
Bowling Green	402,520	51,812	184,544	0	0	0	0	0	638,876
Branson	7,672,885	0	3,819,827	0	0	0	0	0	11,492,712
Branson West	611,876	305,957	161,016	0	0	0	0	0	1,078,849
Braymer	50,029	0	0	0	0	0	0	0	50,029
Breckenridge Hills	17,263	14,096	0	16,725	0	0	0	0	48,084
Brentwood	0	3,093,857	0	0	0	0	0	0	3,093,857
Bridgeton	0	3,707,636	0	0	0	0	0	0	3,707,636
Brookfield	660,572	1,606	315,605	45,163	0	0	0	0	1,022,946
Brookline Station	13,698	0	0	0	0	0	0	0	13,698
Browning	8,326	0	0	0	0	0	0	0	8,326
Brumley	7,400	0	0	0	0	0	0	0	7,400

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DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2000

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Brunswick	111,254	0	243	0	0	0	0	0	111,497
Bucklin	28,714	0	0	10,217	0	0	0	0	38,931
Buckner	154,894	77,342	0	0	0	0	0	0	232,236
Buffalo	553,760	0	0	0	0	0	0	0	553,760
Bull Creek Village	5,265	0	0	0	0	0	0	0	5,265
Bunker	17,271	0	0	0	0	0	0	0	17,271
Butler	560,727	0	281,160	0	0	0	0	0	841,887
Bynes Mill	103,887	0	0	0	0	0	0	0	103,887
Cabool	247,848	9,077	0	0	0	0	0	0	256,925
Caledonia	10,669	0	0	0	0	0	0	0	10,669
Calhoun	11,020	4,447	0	0	0	0	0	0	15,467
California	431,071	0	0	0	0	0	0	0	431,071
Callao	7,694	0	0	0	0	0	0	0	7,694
Camdenton	995,998	497,941	489,160	0	0	0	0	0	1,983,099
Cameron	1,090,956	545,278	0	0	0	0	0	0	1,636,234
Campbell	118,575	0	0	0	0	0	0	0	118,575
Canton	139,341	52,246	0	0	0	0	0	0	191,587
Cape Girardeau	7,542,471	3,768,635	3,681,403	0	0	0	0	0	14,992,509
Cardwell	16,731	0	0	0	0	0	0	0	16,731
Carl Junction	186,095	0	79,259	0	0	0	0	0	265,354
Carrollton	356,273	0	178,088	0	0	0	0	0	534,361
Carterville	57,127	28,568	23,147	6,904	0	0	0	0	115,746
Carthage	1,569,613	752,292	754,990	0	0	0	0	0	3,076,895
Caruthersville	502,592	251,303	0	0	0	0	0	0	753,895
Cassville	548,353	352,858	0	0	0	0	0	0	901,211
Center	36,318	0	0	0	0	0	0	0	36,318
Centertown	22,354	0	0	0	0	0	0	0	22,354
Centerville	9,100	0	0	0	0	0	0	0	9,100
Centralia	276,473	0	77,005	0	0	0	0	0	353,478
Chaffee	157,249	78,617	0	0	0	0	0	0	235,866
Chamais	19,700	0	0	0	0	0	0	0	19,700
Charlack	0	75,007	0	0	0	0	0	0	75,007
Charleston	535,246	0	255,619	0	0	0	0	0	790,865
Chesterfield	0	3,616,314	0	0	0	0	0	0	3,616,314
Chilhowee	15,775	0	0	0	0	0	0	0	15,775
Chillicothe	1,389,671	667,161	667,636	0	0	0	0	0	2,724,468

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DEPARTMENT OF REVENUE
 DIVISION OF TAXATION AND COLLECTION
 SALES AND USE TAX
 COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
 YEAR ENDED JUNE 30, 2000

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Clarence	75,863	0	0	0	0	0	0	0	75,863
Clarksville	32,208	0	0	0	0	0	0	0	32,208
Clarkton	2,146	0	0	0	0	0	0	0	2,146
Clayton	0	2,545,365	0	0	0	0	0	0	2,545,365
Cleveland	35,532	0	0	0	0	0	0	0	35,532
Clever	39,808	0	0	0	0	0	0	0	39,808
Climax Springs	2,401	0	0	0	0	0	0	0	2,401
Clinton	1,498,799	1,108,992	717,763	154,397	0	0	0	0	3,479,951
Cole Camp	120,522	0	0	0	0	0	0	0	120,522
Collins	49,711	0	0	2,164	0	0	0	0	51,875
Columbia	14,530,813	3,528,074	7,061,015	0	0	0	0	0	25,119,902
Concordia	285,857	211,214	66,902	0	0	0	0	0	563,973
Conway	50,981	25,491	0	0	0	0	0	0	76,472
Corder	11,138	5,569	0	2,740	0	0	0	0	19,447
Cottleville	183,590	0	0	0	0	0	0	0	183,590
Country Club Hills	0	72,845	0	0	0	0	0	0	72,845
Country Club Village	13,451	0	0	0	0	0	0	0	13,451
Craig	10,861	0	0	0	0	0	0	0	10,861
Crane	98,990	0	46,458	16,442	0	0	0	0	161,890
Creighton	8,953	0	0	0	0	0	0	0	8,953
Crestwood	0	1,790,446	0	0	0	0	0	0	1,790,446
Creve Coeur	0	2,317,119	0	0	0	0	0	0	2,317,119
Crocker	85,780	0	0	0	0	0	0	0	85,780
Crystal City	718,301	348,206	0	0	0	0	0	0	1,066,507
Crystal Lake	5,137	0	0	0	0	0	0	0	5,137
Crystal Lake Park	0	27,452	0	0	0	0	0	0	27,452
Cuba	554,111	0	276,983	0	0	0	0	0	831,094
De Soto	794,563	382,465	0	0	0	0	0	0	1,177,028
Dearborn	20,928	0	0	0	0	0	0	0	20,928
Deepwater	13,661	0	0	0	0	0	0	0	13,661
Dellwood	0	515,581	0	0	0	0	0	0	515,581
Delta	28,212	945	0	0	0	0	0	0	29,157
Des Peres	0	1,589,977	0	96,664	0	0	0	0	1,686,641
Desloge	604,560	289,902	289,902	0	0	0	0	0	1,184,364
Dexter	961,022	526,368	0	0	0	0	0	0	1,487,390
Diamond	36,290	0	16,035	0	0	0	0	0	52,325

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DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Diggins	16,520	0	0	0	0	0	0	0	16,520
Dixon	138,553	0	63,059	0	0	0	0	0	201,612
Doniphan	392,787	0	187,405	0	0	0	0	0	580,192
Doolittle	22,585	0	0	0	0	0	0	0	22,585
Drexel	79,233	39,620	0	0	0	0	0	0	118,853
Dudley	31,527	0	0	0	0	0	0	0	31,527
Duenweg	55,250	0	0	0	0	0	0	0	55,250
Duquesne	125,650	0	0	0	0	0	0	0	125,650
Eagleville	76,085	38,045	19,022	0	0	0	0	0	133,152
East Lynne	6,308	3,154	0	0	0	0	0	0	9,462
East Prairie	204,402	0	43,678	0	0	0	0	0	248,080
Easton	7,117	0	0	0	0	0	0	0	7,117
Edgar Springs	11,376	0	0	0	0	0	0	0	11,376
Edgerton	22,806	0	0	0	0	0	0	0	22,806
Edina	111,353	0	0	0	0	0	0	0	111,353
Edmundson	0	354,491	0	8,672	0	0	0	0	363,163
El Dorado Springs	376,792	187,761	0	0	0	0	0	0	564,553
Eldon	807,456	475,436	5	0	0	0	0	0	1,282,897
Ellington	252,132	61,673	0	0	0	0	0	0	313,805
Ellisville	0	1,425,747	0	0	0	0	0	0	1,425,747
Ellsinore	25,980	12,348	0	0	0	0	0	0	38,328
Elsberry	142,602	0	64,059	7,652	0	0	0	0	214,313
Eminence	62,052	29,819	0	0	0	0	0	0	91,871
Emma	12,884	0	0	0	0	0	0	0	12,884
Eolia	19,846	0	0	0	0	0	0	0	19,846
Essex	16,410	0	0	0	0	0	0	0	16,410
Esther	30	0	15	0	0	0	0	0	45
Eureka	0	898,987	0	0	0	0	0	0	898,987
Everton	10,140	0	0	0	0	0	0	0	10,140
Ewing	19,736	0	0	0	0	0	0	0	19,736
Excelsior Springs	1,257,903	628,904	602,168	151,954	0	0	0	0	2,640,929
Exeter	19,824	0	0	0	0	0	0	0	19,824
Fair Grove	77,981	38,885	38,885	0	0	0	0	0	155,751
Fair Play	0	9,208	9,208	0	0	0	0	0	18,416
Fairfax	34,544	0	0	0	0	0	0	0	34,544
Fairview	15,099	0	0	0	0	0	0	0	15,099

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Farber	23,600	0	0	0	0	0	0	0	23,600
Farmington	2,445,026	1,222,370	0	0	0	0	0	0	3,667,396
Fayette	156,008	0	0	0	0	0	0	0	156,008
Fenton	0	2,137,491	0	0	0	0	0	0	2,137,491
Ferguson	0	1,301,739	0	0	0	0	0	0	1,301,739
Ferrelview	19,823	0	0	0	0	0	0	0	19,823
Festus	2,167,494	530,651	1,060,513	0	0	0	0	0	3,758,658
Fisk	31,028	14,640	0	0	0	0	0	0	45,668
Flat River	21	0	11	0	0	0	0	0	32
Flint Hill	70,622	0	0	0	0	0	0	0	70,622
Flordell Hills	0	52,364	0	3,128	0	0	0	0	55,492
Florissant	0	4,367,866	0	0	0	0	0	0	4,367,866
Foley	10,472	0	0	0	0	0	0	0	10,472
Fordland	32,612	0	0	0	0	0	0	0	32,612
Forest City	12,434	0	0	0	0	0	0	0	12,434
Foristell	116,050	58,031	0	19,118	0	0	0	0	193,199
Forsyth	223,517	108,494	0	0	0	0	0	0	332,011
Frankford	11,319	0	0	0	0	0	0	0	11,319
Franklin	4,456	2,228	2,228	0	0	0	0	0	8,912
Fredericktown	429,248	0	201,956	0	0	0	0	0	631,204
Freeburg	115,694	28,923	0	0	0	0	0	0	144,617
Freeman	27,089	0	0	0	0	0	0	0	27,089
Fremont Hills	18	0	0	2,389	0	0	0	0	2,407
Frontenac	0	734,983	0	0	0	0	0	0	734,983
Fulton	1,206,677	603,801	603,321	0	0	0	0	0	2,413,799
Gainesville	151,964	0	0	0	0	0	0	0	151,964
Galena	22,869	0	0	0	0	0	0	0	22,869
Gallatin	125,191	0	0	8,984	0	0	0	0	134,175
Garden City	94,023	0	40,672	0	0	0	0	0	134,695
Gasconade	4,364	0	0	0	0	0	0	0	4,364
Gerald	110,731	0	52,957	0	0	0	0	0	163,688
Gerster	324	0	0	0	0	0	0	0	324
Gideon	22,219	0	0	0	0	0	0	0	22,219
Gilliam	3,910	489	0	0	0	0	0	0	4,399
Gilman City	6,888	0	0	0	0	0	0	0	6,888
Gladstone	3,341,968	1,595,699	1,595,755	0	0	0	0	0	6,533,422

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Glasgow	100,003	24,967	46,667	0	0	0	0	0	171,637
Glendale	0	448,854	0	19,192	0	0	0	0	468,046
Golden City	36,670	20,949	20,954	0	0	0	0	0	78,573
Goodman	55,569	0	0	0	0	0	0	0	55,569
Gower	69,043	17,233	0	19,825	0	0	0	0	106,101
Grain Valley	381,091	177,072	177,073	0	0	0	0	0	735,236
Granby	161,749	30,318	0	0	0	0	0	0	192,067
Grandin	3,528	0	0	0	0	0	0	0	3,528
Grandview	2,754,998	1,379,038	1,308,894	0	0	0	0	0	5,442,930
Grant City	61,349	0	0	0	0	0	0	0	61,349
Grantwood	0	48,852	0	2,918	0	0	0	0	51,770
Gravois Mills	27,975	0	0	0	0	0	0	0	27,975
Green City	39,393	19,687	0	0	0	0	0	0	59,080
Green Ridge	27,197	0	0	0	0	0	0	0	27,197
Greenfield	113,923	0	0	0	0	0	0	0	113,923
Greentop	18,733	0	0	0	0	0	0	0	18,733
Greenville	33,077	30,964	0	0	0	0	0	0	64,041
Greenwood	259,369	119,088	119,110	0	0	0	0	0	497,567
Hale	23,378	11,656	11,656	0	0	0	0	0	46,690
Hallsville	53,393	0	0	0	0	0	0	0	53,393
Hamilton	113,820	0	56,907	0	0	0	0	0	170,727
Hannibal	2,266,222	2,266,349	0	0	0	0	0	0	4,532,571
Hardin	18,275	0	0	0	0	0	0	0	18,275
Harrisburg	18,110	0	0	0	0	0	0	0	18,110
Harrisonville	1,688,831	1,306,772	0	0	0	0	0	0	2,995,603
Hartville	64,368	32,132	0	0	0	0	0	0	96,500
Hawk Point	39,445	0	0	0	0	0	0	0	39,445
Hayti	276,998	138,517	129,524	0	0	0	0	0	545,039
Hayti Heights	15,151	5,670	0	0	0	0	0	0	20,821
Hazelwood	0	1,449,830	0	362,657	0	0	0	0	1,812,487
Henrietta	20,506	0	0	0	0	0	0	0	20,506
Herculaneum	452,779	0	0	0	0	0	0	0	452,779
Hermann	358,196	86,199	172,415	0	0	0	0	0	616,810
Hermitage	89,573	44,006	0	7,236	0	0	0	0	140,815
Higbee	18,066	0	9,034	0	0	0	0	0	27,100
Higginsville	518,412	136,788	237,876	0	0	0	0	0	893,076

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
High Hill	9,702	0	0	0	0	0	0	0	9,702
Highlandville	16,592	0	0	0	0	0	0	0	16,592
Hillsboro	220,745	82,774	0	0	0	0	0	0	303,519
Hillsdale	0	105,269	0	0	0	0	0	0	105,269
Holcomb	33,371	0	0	0	0	0	0	0	33,371
Holden	198,888	0	91,494	0	0	0	0	0	290,382
Hollister	471,286	235,643	12,815	0	0	0	0	0	719,744
Holt	32,211	46,305	0	0	0	0	0	0	78,516
Holts Summit	231,438	108,514	108,515	43,007	0	0	0	0	491,474
Homestown	1,810	0	0	0	0	0	0	0	1,810
Hornersville	28,624	0	0	0	0	0	0	0	28,624
Houston	437,515	231	105,513	0	0	0	0	0	543,259
Howardville	3,762	0	0	805	0	0	0	0	4,567
Humansville	45,666	27,502	0	0	0	0	0	0	73,168
Hunnewell	5,054	0	0	0	0	0	0	0	5,054
Huntsville	49,381	0	24,690	0	0	0	0	0	74,071
Hurley	1,908	0	0	0	0	0	0	0	1,908
Iberia	79,935	38,148	0	0	0	0	0	0	118,083
Illmo-Scott City	58	0	0	0	0	0	0	0	58
Independence	15,348,976	7,666,114	0	0	0	0	0	0	23,015,090
Indian Point (Village of)	123,555	61,778	0	0	0	0	0	0	185,333
Innsbrook (Village of)	18,098	0	0	0	0	0	0	0	18,098
Ironton	215,749	95,830	96,613	0	0	0	0	0	408,192
Jackson	1,502,335	0	719,198	0	0	0	0	0	2,221,533
Jamesport	51,717	0	0	0	0	0	0	0	51,717
Jasper	117,420	58,709	56,170	0	0	0	0	0	232,299
Jefferson City	7,758,938	3,779,844	456	0	0	0	0	0	11,539,238
Jennings	0	856,243	0	0	0	0	0	0	856,243
Jonesburg	61,609	29,066	0	0	0	0	0	0	90,675
Joplin	10,112,701	0	5,056,715	0	0	0	0	0	15,169,416
Josephville	4,475	0	0	0	0	0	0	0	4,475
Kahoka	153,373	0	0	0	0	0	0	0	153,373
Kansas City	58,826,481	30,066,031	29,413,659	29,980,704	0	0	0	0	148,286,875
Kearney	677,826	316,272	322,133	0	0	0	0	0	1,316,231
Kelso	42,609	0	0	0	0	0	0	0	42,609
Kennett	1,138,798	0	0	0	0	0	0	0	1,138,798

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Kidder	25,536	0	0	0	0	0	0	0	25,536
Kimberling City	314,998	302,058	0	11	0	0	0	0	617,067
Kimmswick	47,647	0	23,823	0	0	0	0	0	71,470
King City	82,284	0	0	0	0	0	0	0	82,284
Kingdom City	212,399	106,185	0	0	0	0	0	0	318,584
Kinloch	0	146,015	0	0	0	0	0	0	146,015
Kirksville	2,114,235	1,530,404	1,023,089	0	0	0	0	0	4,667,728
Kirkwood	0	2,972,776	0	91,417	0	0	0	0	3,064,193
Knob Noster	137,962	63,087	63,385	21,282	0	0	0	0	285,716
Koshkonong	0	4,216	0	0	0	0	0	0	4,216
La Belle	35,894	0	0	0	0	0	0	0	35,894
La Grange	30,157	0	0	0	0	0	0	0	30,157
La Monte	68,928	0	0	0	0	0	0	0	68,928
La Plata	77,279	0	0	0	0	0	0	0	77,279
Ladonia	0	12,655	12,655	0	0	0	0	0	25,310
Ladue	0	811,231	0	0	0	0	0	0	811,231
Lake Ozark	430,869	211,251	211,258	0	0	0	0	0	853,378
Lake St. Louis	475,105	0	237,571	0	0	0	0	0	712,676
Lakeside	451	0	0	0	0	0	0	0	451
Lakeview	2	0	0	0	0	0	0	0	2
Lamar	502,867	251,410	251,409	0	0	0	0	0	1,005,686
Lanagan	13,207	0	2	0	0	0	0	0	13,209
Lancaster	67,116	0	0	0	0	0	0	0	67,116
Lathrop	104,217	51,844	0	0	0	0	0	0	156,061
Laurie	378,570	47,850	0	0	0	0	0	0	426,420
Lawson	147,800	73,903	0	0	0	0	0	0	221,703
Leadington	157,689	78,845	78,844	18,176	0	0	0	0	333,554
Leadwood	27,838	0	0	0	0	0	0	0	27,838
Lebanon	2,611,351	1,280,372	1,281,897	0	0	0	0	0	5,173,620
Lee's Summit	7,478,308	6,410,422	3,545,319	0	0	0	0	0	17,434,049
Leeton	25,560	12,741	0	0	0	0	0	0	38,301
Levasy	5,819	0	0	0	0	0	0	0	5,819
Lexington	349,797	335,716	0	0	0	0	0	0	685,513
Liberal	31,755	0	0	0	0	0	0	0	31,755
Liberty	3,092,959	1,475,891	0	0	0	0	0	0	4,568,850
Licking	209,670	104,833	0	0	0	0	0	0	314,503

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Lilbourn	58,092	0	0	1,748	0	0	0	0	59,840
Lincoln	77,225	36,705	0	12,705	0	0	0	0	126,635
Linn	172,755	0	0	0	0	0	0	0	172,755
Linn Creek	76,079	38,043	0	16,516	0	0	0	0	130,638
Lockwood	72,963	0	0	4,850	0	0	0	0	77,813
Loma Linda	12,695	0	0	0	0	0	0	0	12,695
Lone Jack	38,688	0	0	0	0	0	0	0	38,688
Louisiana	437,683	0	0	0	0	0	0	0	437,683
Lowry City	41,410	0	0	1,956	0	0	0	0	43,366
Macks Creek	8,419	0	0	0	0	0	0	0	8,419
Macon	672,788	168	0	0	0	0	0	0	672,956
Madison	26,711	0	0	0	0	0	0	0	26,711
Malden	565,241	135,092	0	0	0	0	0	0	700,333
Malta Bend	7,791	0	0	0	0	0	0	0	7,791
Manchester	0	803,734	0	0	0	0	0	0	803,734
Mansfield	121,932	69,618	0	0	0	0	0	0	191,550
Maplewood	0	1,451,663	0	71,290	0	0	0	0	1,522,953
Marble Hill	219,127	109,575	0	0	0	0	0	0	328,702
Marceline	177,674	0	80,906	0	0	0	0	0	258,580
Marionville	116,963	28,706	58,486	0	0	0	0	0	204,155
Marquand	10,786	0	0	0	0	0	0	0	10,786
Marshall	1,285,212	0	0	0	0	0	0	0	1,285,212
Marshfield	763,511	380,599	0	0	0	0	0	0	1,144,110
Marthasville	0	25,172	25,171	3,788	0	0	0	0	54,131
Marston	61,404	30,728	0	6,122	0	0	0	0	98,254
Martinsburg	26,490	0	0	0	0	0	0	0	26,490
Maryland Heights	0	4,647,010	0	0	0	0	0	0	4,647,010
Maryville	1,321,552	820,443	0	0	0	0	0	0	2,141,995
Matthews	48,008	0	0	0	0	0	0	0	48,008
Maysville	56,593	14,149	28,299	0	0	0	0	0	99,041
Memphis	235,853	0	0	0	0	0	0	0	235,853
Merriam Woods	15,256	0	0	0	0	0	0	0	15,256
Meta	21,985	0	0	0	0	0	0	0	21,985
Mexico	1,345,697	642,816	0	0	0	0	0	0	1,988,513
Middletown	11,957	0	0	0	0	0	0	0	11,957
Milan	198,453	0	0	0	0	0	0	0	198,453

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Miller	36,259	0	16,563	0	0	0	0	0	52,822
Miner	429,607	423,251	0	19,919	0	0	0	0	872,777
Moberly	1,816,503	1,743,925	871,277	0	0	0	0	0	4,431,705
Mokane	10,340	0	0	0	0	0	0	0	10,340
Monett	1,353,880	674,436	0	0	0	0	0	0	2,028,316
Monroe City	268,903	126,599	0	0	0	0	0	0	395,502
Montgomery City	286,150	0	131,516	0	0	0	0	0	417,666
Montrose	23,252	11,627	0	0	0	0	0	0	34,879
Morehouse	28,935	0	0	0	0	0	0	0	28,935
Morley	12,956	0	0	0	0	0	0	0	12,956
Morrison	10,274	0	0	0	0	0	0	0	10,274
Mosby	127,883	0	0	0	0	0	0	0	127,883
Moscow Mills	225,752	0	109,660	0	0	0	0	0	335,412
Mound City	50,690	50,681	0	0	0	0	0	0	101,371
Mount Vernon	471,928	235,978	0	0	0	0	0	0	707,906
Mountain Grove	817,432	408,743	0	0	0	0	0	0	1,226,175
Mountain View	391,117	0	189,470	0	0	0	0	0	580,587
Naylor	18,534	8,281	8,305	4,534	0	0	0	0	39,654
Neelyville	8,092	0	0	0	0	0	0	0	8,092
Neosho	1,775,115	861,384	647,432	0	0	0	0	0	3,283,931
Nevada	1,163,315	755,118	582,624	0	0	0	0	0	2,501,057
New Bloomfield	17,620	0	0	0	0	0	0	0	17,620
New Cambria	6,318	0	0	0	0	0	0	0	6,318
New Florence	71,680	33,962	33,962	0	0	0	0	0	139,604
New Franklin	33,731	16,867	13,923	0	0	0	0	0	64,521
New Haven	178,523	0	84,884	0	0	0	0	0	263,407
New London	84,221	0	25,089	0	0	0	0	0	109,310
New Madrid	207,246	0	0	27,819	0	0	0	0	235,065
New Melle	22,905	0	0	2,635	0	0	0	0	25,540
Newburg	16,880	7,495	7,495	0	0	0	0	0	31,870
Niangua	12,628	0	0	0	0	0	0	0	12,628
Nixa	1,329,762	0	664,882	0	0	0	0	0	1,994,644
Noel	111,506	41,803	52,594	0	0	0	0	0	205,903
Norborne	38,174	0	0	0	0	0	0	0	38,174
Normandy	0	103,726	0	0	0	0	0	0	103,726
North Kansas City	3,175,555	0	1,581,230	0	0	0	0	0	4,756,785

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DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
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YEAR ENDED JUNE 30, 2000

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Northmoor	174,163	0	0	0	0	0	0	0	174,163
Northwoods	0	275,927	0	0	0	0	0	0	275,927
Norwood	29,001	0	0	0	0	0	0	0	29,001
O'Fallon	6,374,428	0	3,074,338	0	0	0	0	0	9,448,766
Oak Grove	547,382	271,755	271,756	0	0	0	0	0	1,090,893
Oakland	0	86,075	0	0	0	0	0	0	86,075
Oakview	57,435	27,513	0	3,400	0	0	0	0	88,348
Odessa	701,308	438,141	0	0	0	0	0	0	1,139,449
Old Monroe	32,109	7,741	7,741	0	0	0	0	0	47,591
Olivette	0	483,751	0	59,854	0	0	0	0	543,605
Oran	47,177	23,603	0	0	0	0	0	0	70,780
Oronogo	21,113	0	0	0	0	0	0	0	21,113
Orrick	34,145	0	14,864	0	0	0	0	0	49,009
Osage Beach	3,249,848	1,609,754	1,610,101	0	0	0	0	0	6,469,703
Osceola	63,341	36,175	0	0	0	0	0	0	99,516
Otterville	23,079	0	0	0	0	0	0	0	23,079
Owensville	489,520	238,735	238,743	0	0	0	0	0	966,998
Ozark	1,122,908	560,149	0	0	0	0	0	0	1,683,057
Pacific	651,423	0	0	0	0	0	0	0	651,423
Pagedale	0	186,453	0	0	0	0	0	0	186,453
Palmyra	310,742	150,386	0	0	0	0	0	0	461,128
Paris	106,464	46,431	46,431	0	0	0	0	0	199,326
Park Hills	557,016	259,964	259,964	0	0	0	0	0	1,076,944
Parkville	474,598	0	229,518	0	0	0	0	0	704,116
Parkway	14,502	0	0	0	0	0	0	0	14,502
Parma	25,812	0	0	2,145	0	0	0	0	27,957
Pasadena Hills	0	62,956	0	3,761	0	0	0	0	66,717
Pasadena Park	0	28,749	0	0	0	0	0	0	28,749
Pattonsburg	26,323	0	0	4,105	0	0	0	0	30,428
Peculiar	220,860	110,443	101,473	0	0	0	0	0	432,776
Peerless Park	0	27,177	0	835	0	0	0	0	28,012
Perry	76,143	0	35,820	0	0	0	0	0	111,963
Perryville	1,247,538	465,479	623,741	0	0	0	0	0	2,336,758
Pevely	328,862	0	156,163	0	0	0	0	0	485,025
Piedmont	365,089	173,954	173,953	0	0	0	0	0	712,996
Pierce City	51,800	0	29,579	0	0	0	0	0	81,379

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YEAR ENDED JUNE 30, 2000

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Pilot Grove	38,770	0	19,385	17,852	0	0	0	0	76,007
Pilot Knob	52,286	26,146	24,556	0	0	0	0	0	102,988
Pine Lawn	0	327,258	0	0	0	0	0	0	327,258
Pineville	48,466	24,236	0	15,999	0	0	0	0	88,701
Platte City	469,464	469,488	0	0	0	0	0	0	938,952
Platte Woods	72,160	0	36,080	0	0	0	0	0	108,240
Plattsburg	165,468	83,040	0	0	0	0	0	0	248,508
Pleasant Hill	433,157	216,533	198,138	0	0	0	0	0	847,828
Pleasant Hope	42,194	8,401	8,401	2,938	0	0	0	0	61,934
Pleasant Valley	171,138	85,556	42,778	0	0	0	0	0	299,472
Polo	27,541	0	26,556	0	0	0	0	0	54,097
Poplar Bluff	3,475,495	1,755,813	0	0	0	0	0	0	5,231,308
Portage Des Sioux	14,616	0	0	0	0	0	0	0	14,616
Portageville	302,045	142,497	0	0	0	0	0	0	444,542
Potosi	514,247	0	0	0	0	0	0	0	514,247
Princeton	89,043	0	0	0	0	0	0	0	89,043
Purdy	45,856	0	0	0	0	0	0	0	45,856
Puxico	97,171	0	0	0	0	0	0	0	97,171
Queen City	26,587	0	0	0	0	0	0	0	26,587
Qulin	27,050	13,118	0	0	0	0	0	0	40,168
Randolph	73,490	0	0	0	0	0	0	0	73,490
Raymore	1,020,768	964,438	481,848	0	0	0	0	0	2,467,054
Raytown	2,903,765	681,080	0	0	0	0	0	0	3,584,845
Redings Mill	2,019	0	0	0	0	0	0	0	2,019
Reeds Spring	72,606	24,966	0	0	0	0	0	0	97,572
Republic	757,970	379,078	378,985	0	0	0	0	0	1,516,033
Rich Hill	69,316	0	0	0	0	0	0	0	69,316
Richland	135,410	61,949	62,008	0	0	0	0	0	259,367
Richmond	706,203	0	0	0	0	0	0	0	706,203
Richmond Heights	0	4,637,619	0	0	0	0	0	0	4,637,619
Ridgeway	28,091	0	0	0	0	0	0	0	28,091
Risco	15,830	0	0	0	0	0	0	0	15,830
River Bend	26,171	0	0	0	0	0	0	0	26,171
Riverside	983,579	0	0	92,692	0	0	0	0	1,076,271
Riverview	0	174,524	0	10,424	0	0	0	0	184,948
Rocheport	18,338	9,169	0	0	0	0	0	0	27,507

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Rock Hill	0	350,150	0	0	0	0	0	0	350,150
Rock Port	165,281	82,648	0	24,615	0	0	0	0	272,544
Rockaway Beach	35,262	16,271	16,270	0	0	0	0	0	67,803
Rockville	6,939	0	0	0	0	0	0	0	6,939
Rogersville	178,479	89,160	84,060	0	0	0	0	0	351,699
Rolla	2,971,373	2,964,566	1,485,664	0	0	0	0	0	7,421,603
Rosebud	35,149	0	16,711	0	0	0	0	0	51,860
Russellville	47,109	0	0	0	0	0	0	0	47,109
Rutledge	10,317	0	0	0	0	0	0	0	10,317
Saginaw	15,603	0	0	0	0	0	0	0	15,603
Salem	848,101	423,820	0	0	0	0	0	0	1,271,921
Salisbury	149,777	0	0	0	0	0	0	0	149,777
Sarcoxi	92,732	0	41,871	0	0	0	0	0	134,603
Savannah	559,229	0	0	0	0	0	0	0	559,229
Scotsdale	0	5,952	0	0	0	0	0	0	5,952
Scott City	369,398	86,763	173,787	0	0	0	0	0	629,948
Sedalia	3,533,020	3,019,316	1,708,311	0	0	0	0	0	8,260,647
Seligman	72,854	36,029	0	0	0	0	0	0	108,883
Senath	52,303	0	0	0	0	0	0	0	52,303
Seneca	151,175	70,715	70,736	0	0	0	0	0	292,626
Seymour	149,984	0	0	0	0	0	0	0	149,984
Shelbina	231,367	57,713	0	0	0	0	0	0	289,080
Shelbyville	29,450	0	0	0	0	0	0	0	29,450
Sheldon	21,325	0	0	0	0	0	0	0	21,325
Shrewsbury	0	1,113,178	0	0	0	0	0	0	1,113,178
Sikeston	2,398,768	1,197,404	1,199,154	0	0	0	0	0	4,795,326
Silex	22,249	0	0	4,452	0	0	0	0	26,701
Silver Creek	11,852	0	0	0	0	0	0	0	11,852
Slater	100,826	50,419	50,419	0	0	0	0	0	201,664
Smithton	13,208	0	0	0	0	0	0	0	13,208
Smithville	634,040	0	303,677	47,434	0	0	0	0	985,151
Southwest City	79,973	0	38,272	38,819	0	0	0	0	157,064
Sparta	53,433	0	0	0	0	0	0	0	53,433
Spickard	5,564	0	0	0	0	0	0	0	5,564
Springfield	31,836,337	7,777,599	3,881,877	3,252,391	0	0	0	0	46,748,204
St. Ann	0	1,811,369	0	0	0	0	0	0	1,811,369

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
St. Charles	9,030,259	4,372,380	0	0	0	0	0	0	13,402,639
St. Clair	531,171	265,410	0	0	0	0	0	0	796,581
St. Elizabeth	21,554	0	0	0	0	0	0	0	21,554
St. James	369,043	0	189,418	0	0	0	0	0	558,461
St. John	0	458,943	0	0	0	0	0	0	458,943
St. Joseph	9,463,730	4,730,483	1,418,569	0	0	0	0	0	15,612,782
St. Louis	49,228,450	50,055,073	26,828,969	0	0	0	0	0	126,112,492
St. Martins	37,102	0	0	0	0	0	0	0	37,102
St. Mary	22,168	0	10,986	0	0	0	0	0	33,154
St. Peters	9,812,132	0	4,906,059	0	0	0	0	0	14,718,191
St. Robert	851,296	425,588	416,443	0	0	0	0	0	1,693,327
St. Thomas	9,972	0	0	0	0	0	0	0	9,972
Ste. Genevieve	587,665	281,515	281,501	52,241	0	0	0	0	1,202,922
Steele	122,891	0	0	0	0	0	0	0	122,891
Steelville	194,169	51,574	0	0	0	0	0	0	245,743
Stella	61	0	0	0	0	0	0	0	61
Stewartsville	31,156	0	0	0	0	0	0	0	31,156
Stockton	177,823	88,908	88,908	17,723	0	0	0	0	373,362
Stoutland	10,564	0	0	0	0	0	0	0	10,564
Stover	89,200	0	42,193	0	0	0	0	0	131,393
Strafford	178,485	89,248	0	0	0	0	0	0	267,733
Sturgeon	46,149	0	20,784	0	0	0	0	0	66,933
Sugar Creek	313,185	0	0	53,093	0	0	0	0	366,278
Sullivan	1,224,589	611,870	0	0	0	0	0	0	1,836,459
Summersville	40,909	0	0	0	0	0	0	0	40,909
Sunrise Beach	106,286	0	0	14,718	0	0	0	0	121,004
Sunset Hills	0	1,283,301	0	0	0	0	0	0	1,283,301
Sweet Springs	95,896	43,453	43,452	0	0	0	0	0	182,801
Table Rock Townsite	12,281	0	0	0	0	0	0	0	12,281
Taneyville	7,455	0	0	0	0	0	0	0	7,455
Taos	20,323	0	0	0	0	0	0	0	20,323
Tarkio	192,869	0	0	0	0	0	0	0	192,869
Thayer	335,380	0	0	0	0	0	0	0	335,380
Theodosia	45,621	0	0	0	0	0	0	0	45,621
Tipton	176,954	60,522	0	0	0	0	0	0	237,476
Town and Country	0	2,847,455	0	0	0	0	0	0	2,847,455

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Trenton	699,884	341,103	0	0	0	0	0	0	1,040,987
Troy	1,641,463	0	806,144	0	0	0	0	0	2,447,607
Truesdale	41,954	0	0	0	0	0	0	0	41,954
Tuscumbia	7,839	0	0	0	0	0	0	0	7,839
Twin Oaks	0	264,781	0	0	0	0	0	0	264,781
Union	1,173,676	293,339	586,802	0	0	0	0	0	2,053,817
Unionville	149,167	0	0	0	0	0	0	0	149,167
University City	0	2,169,994	0	129,410	0	0	0	0	2,299,404
Urbana	29,979	0	0	0	0	0	0	0	29,979
Urich	52,290	25,711	0	0	0	0	0	0	78,001
Uplands Park	0	26,966	0	1,611	0	0	0	0	28,577
Valley Park	0	592,577	0	0	0	0	0	0	592,577
Van Buren	110,360	52,064	0	0	0	0	0	0	162,424
Vandalia	300,586	150,147	0	0	0	0	0	0	450,733
Vandiver	109,027	0	0	0	0	0	0	0	109,027
Velda	0	86,301	0	0	0	0	0	0	86,301
Velda Village Hills	0	71,062	0	0	0	0	0	0	71,062
Verona	24,747	0	0	0	0	0	0	0	24,747
Versailles	415,562	407,960	0	0	0	0	0	0	823,522
Viburnum	64,578	0	0	0	0	0	0	0	64,578
Vienna	90,364	0	43,848	8,916	0	0	0	0	143,128
Village of Four Seasons	110,850	0	0	13,615	0	0	0	0	124,465
Vinita Park	0	197,884	0	0	0	0	0	0	197,884
Vinita Terrace	0	18,265	0	0	0	0	0	0	18,265
Walnut Grove	34,886	0	0	0	0	0	0	0	34,886
Wardell	11,770	0	0	0	0	0	0	0	11,770
Wardsville	30,153	0	0	0	0	0	0	0	30,153
Warrensburg	2,066,611	1,033,475	0	236,839	0	0	0	0	3,336,925
Warrenton	1,148,405	287,103	574,202	0	0	0	0	0	2,009,710
Warsaw	463,152	231,585	224,893	0	0	0	0	0	919,630
Warson Woods	0	219,966	0	0	0	0	0	0	219,966
Washburn	17,681	8,841	8,841	0	0	0	0	0	35,363
Washington	2,540,866	1,270,414	0	179,718	0	0	0	0	3,990,998
Waverly	39,023	0	17,157	0	0	0	0	0	56,180
Wayland	16,766	0	0	0	0	0	0	0	16,766
Waynesville	420,821	100,361	200,806	0	0	0	0	0	721,988

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Weaubleau	20,396	0	0	0	0	0	0	0	20,396
Webb City	929,008	440,775	441,352	0	0	0	0	0	1,811,135
Webster Groves	0	1,533,952	0	0	0	0	0	0	1,533,952
Weldon Spring	128,157	0	0	0	0	0	0	0	128,157
Wellsville	60,815	17,025	30,408	0	0	0	0	0	108,248
Wellston	0	195,191	0	0	0	0	0	0	195,191
Wentzville	1,436,111	702,438	214,723	409,335	0	0	0	0	2,762,607
West Plains	2,406,444	1,786,976	0	0	0	0	0	0	4,193,420
Weston	146,989	0	73,151	12,427	0	0	0	0	232,567
Westphalia	34,585	0	0	2,556	0	0	0	0	37,141
Wheatland	13,831	0	0	0	0	0	0	0	13,831
Wheaton	37,118	0	0	0	0	0	0	0	37,118
Wilbur Park	0	28,209	0	0	0	0	0	0	28,209
Wildwood	0	589,841	0	0	0	0	0	0	589,841
Willard	238,537	119,269	0	10,604	0	0	0	0	368,410
Williamsville	20,924	7,768	0	0	0	0	0	0	28,692
Willow Springs	230,734	115,383	0	0	0	0	0	0	346,117
Windsor	203,576	0	0	0	0	0	0	0	203,576
Winfield	47,334	0	22,518	0	0	0	0	0	69,852
Winona	83,635	20,611	19,732	0	0	0	0	0	123,978
Woods Heights	28,638	0	0	1,618	0	0	0	0	30,256
Woodson Terrace	0	330,770	0	13,978	0	0	0	0	344,748
Wright City	152,691	36,551	73,174	0	0	0	0	0	262,416
Wyaconda	7,684	0	0	0	0	0	0	0	7,684
Wyatt	10,889	0	0	0	0	0	0	0	10,889
COUNTIES:									
Adair	0	0	0	0	1,250,663	1,246,316	0	0	2,496,979
Andrew	0	0	0	112,135	405,785	811,583	0	0	1,329,503
Atchison	0	0	0	0	0	639,596	0	0	639,596
Audrain	0	0	0	0	1,028,339	2,056,274	0	0	3,084,613
Barry	0	0	0	0	1,437,278	1,437,485	0	0	2,874,763
Barton	0	0	0	0	430,541	430,483	0	0	861,024
Bates	0	0	0	46,016	0	515,683	0	0	561,699
Benton	0	0	0	0	571,736	620,954	0	0	1,192,690
Bollinger	0	0	0	0	262,403	262,450	0	0	524,853
Boone	0	0	0	0	8,708,027	8,701,197	0	0	17,409,224

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Buchanan	0	0	0	0	4,974,382	5,968,914	0	0	10,943,296
Butler	0	0	0	0	2,322,205	2,321,427	0	0	4,643,632
Caldwell	0	0	0	43,564	195,482	390,957	0	0	630,003
Callaway	0	0	0	0	0	1,410,558	0	0	1,410,558
Camden	0	0	0	0	3,479,918	3,477,503	0	0	6,957,421
Cape Girardeau	0	0	0	0	5,101,102	80	0	0	5,101,182
Carroll	0	0	0	17,505	275,438	21,644	0	0	314,587
Carter	0	0	0	0	160,754	160,781	0	0	321,535
Cass	0	0	0	0	3,573,391	1,950,391	0	0	5,523,782
Cedar	0	0	0	0	424,439	0	0	0	424,439
Chariton	0	0	0	31,004	226,354	226,155	0	0	483,513
Christian	0	0	0	0	1,898,466	2,855,020	0	0	4,753,486
Clark	0	0	0	0	186,971	560,553	0	0	747,524
Clay	0	0	0	0	12,650,907	12,680,443	0	0	25,331,350
Clinton	0	0	0	74,461	460,529	460,490	0	0	995,480
Cole	0	0	0	387,669	0	4,358,906	0	0	4,746,575
Cooper	0	0	0	0	573,857	1,434,128	0	0	2,007,985
Crawford	0	0	0	0	778,599	1,090,730	0	0	1,869,329
Dade	0	0	0	26,828	214,400	214,401	0	0	455,629
Dallas	0	0	0	0	497,773	1,450,660	0	0	1,948,433
Daviess	0	0	0	35,418	0	622,054	0	0	657,472
Dekalb	0	0	0	0	546,256	546,351	0	0	1,092,607
Dent	0	0	0	0	621,651	0	0	0	621,651
Douglas	0	0	0	0	331,593	331,607	0	0	663,200
Dunklin	0	0	0	0	0	1,255,288	0	0	1,255,288
Franklin	0	0	0	0	4,388,569	6,584,556	0	0	10,973,125
Gasconade	0	0	0	0	650,520	650,520	0	0	1,301,040
Gentry	0	0	0	0	0	393,716	0	0	393,716
Greene	0	0	0	0	18,313,953	13,726,938	0	0	32,040,891
Grundy	0	0	0	0	418,647	418,513	0	0	837,160
Harrison	0	0	0	0	0	817,687	0	0	817,687
Henry	0	0	0	68,760	1,023,710	0	0	0	1,092,470
Hickory	0	0	0	0	219,789	439,517	0	0	659,306
Holt	0	0	0	0	143,965	503,546	0	0	647,511
Howard	0	0	0	0	236,704	680,458	0	0	917,162
Howell	0	0	0	0	1,820,254	0	0	0	1,820,254

Schedule 1-A

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2000

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Iron	0	0	0	0	307,083	0	0	0	307,083
Jackson	0	0	0	0	38,205,711	28,956,194	0	0	67,161,905
Jasper	0	0	0	0	4,916,999	4,587,852	0	0	9,504,851
Jefferson	0	0	0	0	8,026,255	16,054,478	0	0	24,080,733
Johnson	0	0	0	0	1,715,595	3,311,267	0	0	5,026,862
Knox	0	0	0	0	110,956	332,462	0	0	443,418
Laclede	0	0	0	0	1,639,777	1,636,642	0	0	3,276,419
Lafayette	0	0	0	0	1,216,367	1,216,821	0	0	2,433,188
Lawrence	0	0	0	0	1,086,702	1,086,784	0	0	2,173,486
Lewis	0	0	0	125,074	223,716	469,469	0	0	818,259
Lincoln	0	0	0	0	1,536,563	3,957,467	0	0	5,494,030
Linn	0	0	0	78,714	547,607	547,631	0	0	1,173,952
Livingston	0	0	0	0	792,906	0	0	0	792,906
Macon	0	0	0	0	536,141	937,963	0	0	1,474,104
Madison	0	0	0	0	377,618	161,704	0	0	539,322
Maries	0	0	0	66,844	214,582	428,977	0	0	710,403
Marion	0	0	0	0	1,450,413	2,175,721	0	0	3,626,134
McDonald	0	0	0	0	617,624	571,961	0	0	1,189,585
Mercer	0	0	0	0	120,895	120,895	0	0	241,790
Miller	0	0	0	117,576	1,040,727	1,039,316	0	0	2,197,619
Mississippi	0	0	0	0	440,776	1,537,887	0	0	1,978,663
Moniteau	0	0	0	0	417,365	407,174	0	0	824,539
Monroe	0	0	0	56,362	223,932	223,956	0	0	504,250
Montgomery	0	0	0	0	363,341	544,673	0	0	908,014
Morgan	0	0	0	0	825,507	873,595	0	0	1,699,102
New Madrid	0	0	0	0	1,407,035	0	0	0	1,407,035
Newton	0	0	0	0	1,828,601	2,438,113	0	0	4,266,714
Nodaway	0	0	0	0	833,037	832,968	0	0	1,666,005
Oregon	0	0	0	0	326,384	326,386	0	0	652,770
Osage	0	0	0	0	398,002	0	0	0	398,002
Ozark	0	0	0	0	226,976	496,747	0	0	723,723
Pemiscot	0	0	0	0	605,616	905,474	0	0	1,511,090
Perry	0	0	0	0	974,954	924,572	0	0	1,899,526
Pettis	0	0	0	160,534	2,171,472	0	0	0	2,332,006
Phelps	0	0	0	0	2,004,140	1,128,054	0	0	3,132,194
Pike	0	0	0	0	559,417	1,226,327	0	0	1,785,744

Schedule 1-A

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 2000

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	Districts Sales Tax Trust Fund	Total (Memorandum Only)
Platte	0	0	0	1,572,163	4,319,609	5,354,286	0	0	11,246,058
Polk	0	0	0	0	0	2,086,620	0	0	2,086,620
Pulaski	0	0	0	0	1,162,493	620	0	0	1,163,113
Putnam	0	0	0	0	0	390,483	0	0	390,483
Ralls	0	0	0	0	370,552	370,483	0	0	741,035
Randolph	0	0	0	0	1,112,956	0	0	0	1,112,956
Ray	0	0	0	0	641,865	1,283,714	0	0	1,925,579
Ripley	0	0	0	0	0	373,660	0	0	373,660
Saline	0	0	0	0	872,745	872,644	0	0	1,745,389
Schuyler	0	0	0	0	128,251	256,563	0	0	384,814
Scotland	0	0	0	0	0	391,112	0	0	391,112
Scott	0	0	0	0	1,267,730	0	0	0	1,267,730
Shannon	0	0	0	0	189,313	0	0	0	189,313
Shelby	0	0	0	55,090	216,424	432,368	0	0	703,882
St. Charles	0	0	0	3,162,300	15,877,218	31,756,268	0	0	50,795,786
St. Clair	0	0	0	0	238,047	0	0	0	238,047
St. Francois	0	0	0	0	2,614,034	3,734,402	0	0	6,348,436
St. Louis	0	0	110,172,711	0	0	0	147,442,888	0	257,615,599
Ste. Genevieve	0	0	0	0	649,882	650,162	0	0	1,300,044
Stoddard	0	0	0	0	1,011,766	0	0	0	1,011,766
Stone	0	0	0	234,897	1,592,575	4,093,893	0	0	5,921,365
Sullivan	0	0	0	0	199,862	417,345	0	0	617,207
Taney	0	0	0	0	5,028,127	10,057,061	0	0	15,085,188
Texas	0	0	0	0	698,462	0	0	0	698,462
Vernon	0	0	0	0	779,163	0	0	0	779,163
Warren	0	0	0	0	1,022,154	3,065,896	0	0	4,088,050
Washington	0	0	0	70,251	551,337	1,653,578	0	0	2,275,166
Wayne	0	0	0	0	393,138	393,157	0	0	786,295
Webster	0	0	0	0	935,623	1,311,219	0	0	2,246,842
Worth	0	0	0	0	57,683	89,192	0	0	146,875
Wright	0	0	0	0	671,164	0	0	0	671,164
DISTRICTS:									
SNI Valley Fire District	0	0	0	0	0	0	0	338,861	338,861
TOTALS	\$ 407,825,760	254,842,888	244,347,976	42,661,552	201,698,315	233,220,769	147,442,888	338,861	1,532,379,009

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DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1999

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
CITIES:									
Adrian	\$ 81,437	0	0	0	0	0	0	0	81,437
Advance	132,291	66,150	0	0	0	0	0	0	198,441
Airport Drive	116,793	56,860	0	0	0	0	0	0	173,653
Alba	14,139	0	0	0	0	0	0	0	14,139
Albany	140,315	70,155	0	0	0	0	0	0	210,470
Alexandria	13,247	0	0	0	0	0	0	0	13,247
Alton	73,343	34,729	0	0	0	0	0	0	108,072
Amsterdam	11,606	0	0	0	0	0	0	0	11,606
Anderson	158,871	0	76,025	0	0	0	0	0	234,896
Annapolis	19,988	9,758	9,758	0	0	0	0	0	39,504
Appleton City	131,172	0	0	0	0	0	0	0	131,172
Arbyrd	25,748	0	0	0	0	0	0	0	25,748
Arcadia	61,198	0	0	0	0	0	0	0	61,198
Archie	34,098	0	0	0	0	0	0	0	34,098
Argyle	7,688	0	0	0	0	0	0	0	7,688
Arnold	3,080,235	738,911	0	0	0	0	0	0	3,819,146
Arrow Rock	8,384	4,192	0	0	0	0	0	0	12,576
Ash Grove	103,944	0	0	5,320	0	0	0	0	109,264
Ashland	226,567	108,181	0	0	0	0	0	0	334,748
Atlanta	11,169	0	0	0	0	0	0	0	11,169
Augusta	47,362	4,304	0	0	0	0	0	0	51,666
Aurora	784,181	0	374,519	0	0	0	0	0	1,158,700
Auxvasse	62,627	0	28,974	0	0	0	0	0	91,601
Ava	221,323	218,921	0	16,050	0	0	0	0	456,294
Avondale	13,418	0	0	0	0	0	0	0	13,418
Bagnell	5,710	0	0	0	0	0	0	0	5,710
Bakersfield	11,565	0	0	0	0	0	0	0	11,565
Ballwin	0	1,523,398	0	0	0	0	0	0	1,523,398
Bates City	76,134	19,891	0	7,849	0	0	0	0	103,874
Battlefield	24,380	0	19,235	0	0	0	0	0	43,615
Bel-Nor	0	23,729	0	444	0	0	0	0	24,173
Bel-Ridge	0	138,934	0	0	0	0	0	0	138,934
Bella Villa	0	8,970	0	368	0	0	0	0	9,338
Bellefontaine Neighbors	0	340,764	0	0	0	0	0	0	340,764

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DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1999

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Bell City	12,984	0	0	0	0	0	0	0	12,984
Belle	120,484	0	54,421	0	0	0	0	0	174,905
Bellflower	13,224	5,436	5,435	0	0	0	0	0	24,095
Belton	1,448,535	1,460,839	724,266	0	0	0	0	0	3,633,640
Benton	48,154	0	0	0	0	0	0	0	48,154
Berger	7,785	0	0	0	0	0	0	0	7,785
Berkleley	0	587,199	0	0	0	0	0	0	587,199
Bernie	90,105	44,832	0	0	0	0	0	0	134,937
Bethany	495,598	281,640	0	0	0	0	0	0	777,238
Beverly Hills	0	62,752	0	0	0	0	0	0	62,752
Bevier	34,230	0	1,735	0	0	0	0	0	35,965
Biehle	92,728	0	0	0	0	0	0	0	92,728
Billings	54,098	0	0	0	0	0	0	0	54,098
Birch Tree	32,467	0	15,120	0	0	0	0	0	47,587
Birmingham	19,336	0	0	0	0	0	0	0	19,336
Bismarck	76,685	0	34,276	0	0	0	0	0	110,961
Black Jack	0	85,927	0	5,891	0	0	0	0	91,818
Blackburn	6,277	0	0	0	0	0	0	0	6,277
Blairstown	11,515	0	0	0	0	0	0	0	11,515
Bland	22,101	9,054	0	0	0	0	0	0	31,155
Bloomfield	100,015	13,108	0	15,058	0	0	0	0	128,181
Blue Springs	5,311,067	0	2,519,600	0	0	0	0	0	7,830,667
Bolivar	1,240,503	359,619	598,500	0	0	0	0	0	2,198,622
Bonne Terre	351,801	83,125	166,250	0	0	0	0	0	601,176
Boonville	707,807	334,998	0	0	0	0	0	0	1,042,805
Bourbon	125,996	0	60,582	0	0	0	0	0	186,578
Bowling Green	387,483	0	182,911	0	0	0	0	0	570,394
Branson	7,297,687	0	3,636,318	0	0	0	0	0	10,934,005
Branson West	601,743	299,092	0	0	0	0	0	0	900,835
Braymer	44,382	0	0	0	0	0	0	0	44,382
Breckenridge	15,640	0	0	2,105	0	0	0	0	17,745
Brentwood	0	3,087,394	0	0	0	0	0	0	3,087,394
Bridgeton	0	3,466,999	0	0	0	0	0	0	3,466,999
Brookfield	611,281	140,136	290,930	25,245	0	0	0	0	1,067,592
Brookline	3,725	0	0	0	0	0	0	0	3,725

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DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1999

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Brookline Station	9,657	0	0	0	0	0	0	0	9,657
Browning	8,048	0	0	10,086	0	0	0	0	18,134
Brumley	7,433	0	0	0	0	0	0	0	7,433
Brunswick	107,459	0	119	0	0	0	0	0	107,578
Bucklin	27,193	0	0	8,311	0	0	0	0	35,504
Buckner	147,382	73,121	0	0	0	0	0	0	220,503
Buffalo	515,629	0	0	0	0	0	0	0	515,629
Bull Creek Village	4,786	0	0	0	0	0	0	0	4,786
Bunker	20,207	0	0	0	0	0	0	0	20,207
Butler	539,532	0	269,815	0	0	0	0	0	809,347
Bynes Mill	65,417	0	0	0	0	0	0	0	65,417
Cabool	259,211	1,125	0	0	0	0	0	0	260,336
Caledonia	9,757	0	0	0	0	0	0	0	9,757
Calhoun	10,254	3,988	0	0	0	0	0	0	14,242
California	406,576	0	0	0	0	0	0	0	406,576
Callao	6,990	0	0	0	0	0	0	0	6,990
Camdenton	950,640	473,903	467,683	0	0	0	0	0	1,892,226
Cameron	1,020,990	507,913	0	0	0	0	0	0	1,528,903
Campbell	108,868	0	0	0	0	0	0	0	108,868
Canton	143,051	53,288	0	0	0	0	0	0	196,339
Cape Girardeau	7,399,105	3,697,968	3,601,112	0	0	0	0	0	14,698,185
Cardwell	15,225	0	0	0	0	0	0	0	15,225
Carl Junction	172,805	0	72,466	0	0	0	0	0	245,271
Carrollton	336,687	0	168,181	0	0	0	0	0	504,868
Carterville	54,632	27,323	22,992	3,722	0	0	0	0	108,669
Carthage	1,534,898	755,084	738,750	0	0	0	0	0	3,028,732
Caruthersville	506,398	253,173	0	0	0	0	0	0	759,571
Cassville	561,316	280,707	0	0	0	0	0	0	842,023
Cedar City	0	0	0	0	0	0	0	0	0
Center	31,235	0	0	0	0	0	0	0	31,235
Centertown	26,149	0	0	0	0	0	0	0	26,149
Centerville	9,664	0	0	0	0	0	0	0	9,664
Centralia	291,335	0	0	0	0	0	0	0	291,335
Chaffee	158,001	79,013	0	0	0	0	0	0	237,014
Chamois	18,561	0	0	0	0	0	0	0	18,561

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DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1999

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Charlack	0	62,366	0	0	0	0	0	0	62,366
Charleston	515,585	0	245,199	0	0	0	0	0	760,784
Chesterfield	0	3,904,185	0	0	0	0	0	0	3,904,185
Chilhowee	13,193	0	0	0	0	0	0	0	13,193
Chillicothe	1,377,175	659,424	659,872	0	0	0	0	0	2,696,471
Clarence	77,181	0	0	0	0	0	0	0	77,181
Clarksville	30,692	0	0	0	0	0	0	0	30,692
Clayton	0	2,727,980	0	0	0	0	0	0	2,727,980
Cleveland	30,934	0	0	0	0	0	0	0	30,934
Clever	38,944	0	0	0	0	0	0	0	38,944
Climax Springs	2,862	0	0	0	0	0	0	0	2,862
Clinton	1,351,329	995,377	642,864	3,475	0	0	0	0	2,993,045
Cole Camp	111,826	0	0	0	0	0	0	0	111,826
Collins	41,237	0	0	2,576	0	0	0	0	43,813
Columbia	13,844,951	3,356,386	6,714,087	0	0	0	0	0	23,915,424
Concordia	287,193	150,414	4,983	0	0	0	0	0	442,590
Conway	44,866	22,432	0	0	0	0	0	0	67,298
Corder	11,344	5,673	0	1,418	0	0	0	0	18,435
Cottleville	111,043	0	0	0	0	0	0	0	111,043
Country Club Hills	0	26,460	0	0	0	0	0	0	26,460
Craig	3,431	0	0	0	0	0	0	0	3,431
Crane	90,912	0	42,403	10,621	0	0	0	0	143,936
Creighton	8,429	0	0	0	0	0	0	0	8,429
Crestwood	0	2,039,453	0	0	0	0	0	0	2,039,453
Creve Coeur	0	2,578,397	0	0	0	0	0	0	2,578,397
Crocker	80,104	0	0	0	0	0	0	0	80,104
Crystal City	653,729	319,559	0	0	0	0	0	0	973,288
Crystal Lake	5,553	0	0	0	0	0	0	0	5,553
Crystal Lake Park	0	4,667	0	0	0	0	0	0	4,667
Cuba	515,299	0	257,675	0	0	0	0	0	772,974
De Soto	764,470	204,398	0	0	0	0	0	0	968,868
Dearborn	31,340	0	0	0	0	0	0	0	31,340
Deepwater	11,868	0	0	0	0	0	0	0	11,868
Dellwood	0	334,297	0	0	0	0	0	0	334,297
Delta	27,459	0	0	0	0	0	0	0	27,459

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DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1999

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Des Peres	0	1,793,343	0	73,143	0	0	0	0	1,866,486
Desloge	576,058	275,765	275,765	0	0	0	0	0	1,127,588
Dexter	951,466	520,019	0	0	0	0	0	0	1,471,485
Diamond	36,149	0	15,796	0	0	0	0	0	51,945
Diggins	14,567	0	0	0	0	0	0	0	14,567
Dixon	134,373	0	62,183	0	0	0	0	0	196,556
Doniphan	374,436	0	178,945	0	0	0	0	0	553,381
Doolittle	23,616	0	0	0	0	0	0	0	23,616
Drexel	78,130	39,072	0	0	0	0	0	0	117,202
Dudley	31,921	0	0	0	0	0	0	0	31,921
Duenweg	62,930	0	0	0	0	0	0	0	62,930
Duquesne	118,893	0	0	0	0	0	0	0	118,893
Eagleville	71,688	35,865	17,933	0	0	0	0	0	125,486
East Lynne	8,041	4,021	0	0	0	0	0	0	12,062
East Prairie	190,025	0	85,600	0	0	0	0	0	275,625
Easton	6,615	0	0	0	0	0	0	0	6,615
Edgar Springs	13,535	0	0	0	0	0	0	0	13,535
Edgerton	20,249	0	0	0	0	0	0	0	20,249
Edina	107,750	0	0	0	0	0	0	0	107,750
Edmundson	0	290,440	0	8,832	0	0	0	0	299,272
El Dorado Springs	368,664	182,432	0	0	0	0	0	0	551,096
Eldon	751,608	378,524	29	0	0	0	0	0	1,130,161
Ellington	242,471	59,574	0	0	0	0	0	0	302,045
Ellisville	0	1,376,073	0	0	0	0	0	0	1,376,073
Ellsinore	27,631	13,035	0	0	0	0	0	0	40,666
Elsberry	131,720	0	58,208	4,994	0	0	0	0	194,922
Eminence	65,010	31,031	0	0	0	0	0	0	96,041
Emma	13,539	0	0	0	0	0	0	0	13,539
Eolia	20,099	0	0	0	0	0	0	0	20,099
Essex	16,750	0	0	0	0	0	0	0	16,750
Esther	0	0	0	0	0	0	0	0	0
Everton	3,394	0	0	0	0	0	0	0	3,394
Ewing	23,357	0	0	0	0	0	0	0	23,357
Excelsior Springs	1,206,005	602,891	576,610	2,840	0	0	0	0	2,388,346
Exeter	17,209	0	0	0	0	0	0	0	17,209

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Eureka	0	974,033	0	0	0	0	0	0	974,033
Fair Grove	72,610	20,190	20,190	0	0	0	0	0	112,990
Fair Play	0	9,624	9,624	0	0	0	0	0	19,248
Fairfax	35,774	0	0	0	0	0	0	0	35,774
Fairview	13,579	0	0	0	0	0	0	0	13,579
Farber	25,799	0	0	0	0	0	0	0	25,799
Farmington	2,294,578	1,147,216	0	0	0	0	0	0	3,441,794
Fayette	150,050	0	0	0	0	0	0	0	150,050
Fenton	0	2,025,844	0	0	0	0	0	0	2,025,844
Ferguson	0	1,390,639	0	0	0	0	0	0	1,390,639
Ferrelview	17,711	0	0	0	0	0	0	0	17,711
Festus	2,082,697	507,841	1,017,526	0	0	0	0	0	3,608,064
Fisk	34,603	16,225	0	0	0	0	0	0	50,828
Flat River	23	0	11	0	0	0	0	0	34
Flint Hill	66,283	0	0	0	0	0	0	0	66,283
Flordell Hills	0	24,409	0	5,204	0	0	0	0	29,613
Florissant	0	3,747,559	0	0	0	0	0	0	3,747,559
Foley	12,812	0	0	0	0	0	0	0	12,812
Fordland	27,172	0	0	0	0	0	0	0	27,172
Forest City	11,519	0	0	0	0	0	0	0	11,519
Foristell	117,006	58,514	0	15,518	0	0	0	0	191,038
Forsyth	232,449	113,025	0	0	0	0	0	0	345,474
Frankford	9,899	0	0	0	0	0	0	0	9,899
Franklin	3,909	1,955	1,955	0	0	0	0	0	7,819
Fredericktown	422,680	0	198,979	0	0	0	0	0	621,659
Freeburg	96,138	24,020	0	0	0	0	0	0	120,158
Freeman	28,664	0	0	0	0	0	0	0	28,664
Fremont Hills	16,364	0	0	1,546	0	0	0	0	17,910
Frontenac	0	825,972	0	0	0	0	0	0	825,972
Fulton	1,124,330	561,848	562,036	0	0	0	0	0	2,248,214
Gainesville	157,503	0	0	0	0	0	0	0	157,503
Galena	20,710	0	0	0	0	0	0	0	20,710
Gallatin	128,930	0	0	5,200	0	0	0	0	134,130
Garden City	89,858	0	2,753	0	0	0	0	0	92,611
Gasconade	4,624	0	0	0	0	0	0	0	4,624

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Gerald	120,519	0	57,726	0	0	0	0	0	178,245
Gerster	202	0	0	0	0	0	0	0	202
Gilliam	2,881	333	0	0	0	0	0	0	3,214
Gladstone	3,174,195	1,513,717	1,516,386	0	0	0	0	0	6,204,298
Glasgow	92,417	23,096	43,061	0	0	0	0	0	158,574
Glendale	0	172,218	0	62,359	0	0	0	0	234,577
Golden City	37,583	10,829	21,476	0	0	0	0	0	69,888
Goodman	48,567	0	0	0	0	0	0	0	48,567
Gower	70,673	5,713	0	5,080	0	0	0	0	81,466
Grain Valley	364,521	168,427	168,458	0	0	0	0	0	701,406
Granby	164,113	30,761	0	0	0	0	0	0	194,874
Grandin	3,825	0	0	0	0	0	0	0	3,825
Grandview	2,688,821	414,570	1,275,850	0	0	0	0	0	4,379,241
Grant City	61,987	0	0	0	0	0	0	0	61,987
Grantwood	0	27,586	0	2,367	0	0	0	0	29,953
Gravois Mills	25,701	0	0	0	0	0	0	0	25,701
Green City	39,689	19,842	0	0	0	0	0	0	59,531
Green Ridge	22,428	0	0	0	0	0	0	0	22,428
Greenfield	108,421	0	0	0	0	0	0	0	108,421
Greentop	18,149	0	0	0	0	0	0	0	18,149
Greenville	33,356	31,208	0	0	0	0	0	0	64,564
Greenwood	227,414	59,502	103,913	0	0	0	0	0	390,829
Hale	20,380	10,157	10,157	0	0	0	0	0	40,694
Hallsville	55,662	0	0	0	0	0	0	0	55,662
Hamilton	113,682	0	56,626	0	0	0	0	0	170,308
Hannibal	2,219,424	2,216,078	0	0	0	0	0	0	4,435,502
Hardin	19,345	0	0	0	0	0	0	0	19,345
Harrisburg	34,346	0	0	0	0	0	0	0	34,346
Harrisonville	1,563,764	761,281	0	0	0	0	0	0	2,325,045
Hartville	62,198	30,088	0	0	0	0	0	0	92,286
Hawk Point	36,205	0	0	0	0	0	0	0	36,205
Hayti	256,857	128,428	119,518	0	0	0	0	0	504,803
Hayti Heights	16,131	5,922	0	0	0	0	0	0	22,053
Hazelwood	0	1,325,216	0	520,927	0	0	0	0	1,846,143
Henrietta	16,730	0	0	0	0	0	0	0	16,730

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Herculaneum	404,360	0	0	0	0	0	0	0	404,360
Hermann	364,164	86,927	175,021	0	0	0	0	0	626,112
Hermitage	93,526	45,955	0	6,168	0	0	0	0	145,649
Higbee	13,557	0	6,780	0	0	0	0	0	20,337
Higginsville	481,646	120,455	226,695	0	0	0	0	0	828,796
High Hill	13,241	0	0	0	0	0	0	0	13,241
Highlandville	20,668	0	0	0	0	0	0	0	20,668
Hillsboro	194,032	72,754	0	0	0	0	0	0	266,786
Hillsdale	0	84,920	0	0	0	0	0	0	84,920
Holcomb	34,463	0	0	0	0	0	0	0	34,463
Holden	163,764	0	73,962	0	0	0	0	0	237,726
Hollister	446,536	223,269	0	0	0	0	0	0	669,805
Holt	31,631	45,691	0	0	0	0	0	0	77,322
Holts Summit	213,527	99,133	99,134	27,412	0	0	0	0	439,206
Homestown	1,637	0	0	0	0	0	0	0	1,637
Hornersville	27,051	0	0	0	0	0	0	0	27,051
Houston	398,461	128	95,619	0	0	0	0	0	494,208
Howardville	3,266	0	0	494	0	0	0	0	3,760
Humansville	49,340	16,798	0	0	0	0	0	0	66,138
Hunnewell	5,509	0	0	0	0	0	0	0	5,509
Huntsville	45,275	0	22,637	0	0	0	0	0	67,912
Iberia	74,002	35,714	4	0	0	0	0	0	109,720
Illmo-Scott City	3	0	0	0	0	0	0	0	3
Independence	14,329,074	2,211,520	0	0	0	0	0	0	16,540,594
Innsbrook (Village of)	1,780	0	0	0	0	0	0	0	1,780
Ironton	180,017	6,362	83,770	0	0	0	0	0	270,149
Jackson	1,311,273	0	624,430	0	0	0	0	0	1,935,703
Jamesport	50,074	0	0	0	0	0	0	0	50,074
Jasper	53,273	26,495	24,026	0	0	0	0	0	103,794
Jefferson City	7,662,421	3,724,399	343	0	0	0	0	0	11,387,163
Jennings	0	423,316	0	0	0	0	0	0	423,316
Jonesburg	58,897	27,764	0	0	0	0	0	0	86,661
Joplin	9,830,470	0	4,916,111	0	0	0	0	0	14,746,581
Josephville	5,451	0	0	0	0	0	0	0	5,451
Kahoka	155,929	0	0	0	0	0	0	0	155,929

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Kansas City	58,549,980	2,153,088	29,274,961	18,411,365	0	0	0	0	108,389,394
Kearney	582,789	273,790	273,113	0	0	0	0	0	1,129,692
Kelso	21,030	0	0	0	0	0	0	0	21,030
Kennett	1,102,286	0	0	0	0	0	0	0	1,102,286
Kidder	21,795	0	0	0	0	0	0	0	21,795
Kimberling City	280,433	264,715	0	43,217	0	0	0	0	588,365
Kimmswick	48,125	0	24,062	0	0	0	0	0	72,187
King City	75,071	0	0	0	0	0	0	0	75,071
Kingdom City	206,728	103,348	0	0	0	0	0	0	310,076
Kinloch	0	12,418	0	0	0	0	0	0	12,418
Kirksville	2,044,350	1,052,716	987,039	0	0	0	0	0	4,084,105
Kirkwood	0	2,352,679	0	99,169	0	0	0	0	2,451,848
Knob Noster	131,176	60,484	60,523	30,082	0	0	0	0	282,265
Koshkonong	0	1,800	0	0	0	0	0	0	1,800
La Belle	24,901	0	0	0	0	0	0	0	24,901
La Grange	32,918	0	0	0	0	0	0	0	32,918
La Monte	71,031	0	0	0	0	0	0	0	71,031
La Plata	81,518	0	0	0	0	0	0	0	81,518
Ladonia	0	10,788	10,788	0	0	0	0	0	21,576
Ladue	0	837,716	0	0	0	0	0	0	837,716
Lake Ozark	381,912	187,004	187,004	0	0	0	0	0	755,920
Lake St. Louis	409,325	0	204,690	0	0	0	0	0	614,015
Lakeside	620	0	0	0	0	0	0	0	620
Lakeview	2,252	0	0	0	0	0	0	0	2,252
Lamar	478,522	239,177	239,177	0	0	0	0	0	956,876
Lanagan	7,292	0	1,921	0	0	0	0	0	9,213
Lancaster	65,315	0	0	0	0	0	0	0	65,315
Lathrop	100,926	4,098	0	0	0	0	0	0	105,024
Laurie	360,582	0	0	0	0	0	0	0	360,582
Lawson	132,886	66,443	0	0	0	0	0	0	199,329
Leadington	133,026	66,513	66,513	14,123	0	0	0	0	280,175
Leadwood	24,332	0	0	0	0	0	0	0	24,332
Lebanon	2,470,847	1,206,007	1,207,456	0	0	0	0	0	4,884,310
Lee's Summit	6,686,275	5,751,597	3,152,372	0	0	0	0	0	15,590,244
Leeton	20,999	10,499	0	0	0	0	0	0	31,498

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Levasy	5,327	0	0	0	0	0	0	0	5,327
Lexington	329,060	314,238	0	0	0	0	0	0	643,298
Liberal	29,785	0	0	0	0	0	0	0	29,785
Liberty	2,813,087	1,337,782	8	0	0	0	0	0	4,150,877
Licking	187,287	93,060	0	0	0	0	0	0	280,347
Lilbourn	54,033	0	0	2,062	0	0	0	0	56,095
Lincoln	75,919	35,967	0	13,857	0	0	0	0	125,743
Linn	170,846	0	0	0	0	0	0	0	170,846
Linn Creek	51,955	25,983	0	10,406	0	0	0	0	88,344
Lockwood	62,401	0	0	4,515	0	0	0	0	66,916
Loma Linda	9,870	0	0	0	0	0	0	0	9,870
Lone Jack	35,245	0	0	0	0	0	0	0	35,245
Louisiana	409,489	0	0	0	0	0	0	0	409,489
Lowry City	42,684	0	0	1,149	0	0	0	0	43,833
Lutesville	0	0	0	0	0	0	0	0	0
Macks Creek	6,653	0	0	0	0	0	0	0	6,653
Macon	671,825	2,324	0	0	0	0	0	0	674,149
Madison	22,873	0	0	0	0	0	0	0	22,873
Malden	551,244	11,231	0	0	0	0	0	0	562,475
Malta Bend	6,556	0	0	0	0	0	0	0	6,556
Manchester	0	922,638	0	0	0	0	0	0	922,638
Mansfield	118,224	67,499	0	0	0	0	0	0	185,723
Maplewood	0	1,380,788	0	109,505	0	0	0	0	1,490,293
Marble Hill	188,475	94,255	0	0	0	0	0	0	282,730
Marceline	168,985	0	40,866	0	0	0	0	0	209,851
Marionville	114,004	1,861	56,997	0	0	0	0	0	172,862
Marquand	10,867	0	0	0	0	0	0	0	10,867
Marshall	1,276,777	0	0	0	0	0	0	0	1,276,777
Marshfield	746,022	369,416	0	0	0	0	0	0	1,115,438
Marthasville	0	0	23,152	3,951	0	0	0	0	27,103
Marston	65,123	17,978	0	4,099	0	0	0	0	87,200
Marthasville	0	23,153	0	0	0	0	0	0	23,153
Martinsburg	25,106	0	0	0	0	0	0	0	25,106
Maryland Heights	0	4,986,580	0	0	0	0	0	0	4,986,580
Maryville	1,261,969	642,382	0	0	0	0	0	0	1,904,351

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Maysville	60,503	14,629	29,396	0	0	0	0	0	104,528
Memphis	229,126	0	0	0	0	0	0	0	229,126
Merriam Woods	17,266	0	0	0	0	0	0	0	17,266
Meta	22,774	0	0	0	0	0	0	0	22,774
Mexico	1,342,892	638,438	0	0	0	0	0	0	1,981,330
Middletown	12,975	0	0	0	0	0	0	0	12,975
Milan	206,482	0	0	0	0	0	0	0	206,482
Miller	32,564	0	14,655	0	0	0	0	0	47,219
Miner	454,322	447,969	0	9,147	0	0	0	0	911,438
Moberly	1,724,241	1,076,489	824,673	0	0	0	0	0	3,625,403
Mokane	11,149	0	0	0	0	0	0	0	11,149
Monett	1,179,567	195,463	0	0	0	0	0	0	1,375,030
Monroe City	296,528	140,070	0	0	0	0	0	0	436,598
Montgomery City	288,128	0	132,057	0	0	0	0	0	420,185
Montrose	20,516	10,260	0	0	0	0	0	0	30,776
Morehouse	28,377	0	0	0	0	0	0	0	28,377
Morley	4,604	0	0	0	0	0	0	0	4,604
Morrison	12,348	0	0	0	0	0	0	0	12,348
Mosby	106,251	0	0	0	0	0	0	0	106,251
Moscow Mills	221,364	0	107,765	0	0	0	0	0	329,129
Mound City	50,885	27,324	0	0	0	0	0	0	78,209
Mount Vernon	425,018	212,536	0	0	0	0	0	0	637,554
Mountain Grove	780,859	390,309	0	0	0	0	0	0	1,171,168
Mountain View	387,863	0	187,784	0	0	0	0	0	575,647
Naylor	17,232	7,319	7,321	2,151	0	0	0	0	34,023
Neelyville	9,124	0	0	0	0	0	0	0	9,124
Neosho	1,653,026	800,015	601,855	0	0	0	0	0	3,054,896
Nevada	1,145,486	572,516	573,697	0	0	0	0	0	2,291,699
New Bloomfield	16,582	0	0	0	0	0	0	0	16,582
New Cambria	5,124	0	0	0	0	0	0	0	5,124
New Florence	68,488	32,394	32,393	0	0	0	0	0	133,275
New Franklin	35,082	17,541	14,383	0	0	0	0	0	67,006
New Haven	173,725	0	82,234	0	0	0	0	0	255,959
New London	80,450	0	23,554	0	0	0	0	0	104,004
New Madrid	183,786	0	0	42,754	0	0	0	0	226,540

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New Melle	30,168	0	0	2,776	0	0	0	0	32,944
Newburg	16,315	7,162	7,162	0	0	0	0	0	30,639
Niangua	14,459	0	0	0	0	0	0	0	14,459
Nixa	964,248	0	482,123	0	0	0	0	0	1,446,371
Noel	122,853	45,901	58,206	0	0	0	0	0	226,960
Norborne	38,415	0	0	0	0	0	0	0	38,415
Normandy	0	118,946	0	0	0	0	0	0	118,946
North Kansas City	3,266,291	0	1,620,606	0	0	0	0	0	4,886,897
Northmoor	126,473	0	0	0	0	0	0	0	126,473
Northwoods	0	132,770	0	0	0	0	0	0	132,770
Norwood	26,062	0	0	0	0	0	0	0	26,062
O'Fallon	5,193,204	0	2,495,323	0	0	0	0	0	7,688,527
Oak Grove	567,371	202,028	201,733	0	0	0	0	0	971,132
Oakland	0	22,081	0	0	0	0	0	0	22,081
Oakview	44,929	21,399	0	7,875	0	0	0	0	74,203
Odessa	690,131	431,287	0	0	0	0	0	0	1,121,418
Old Monroe	32,998	7,699	7,914	0	0	0	0	0	48,611
Olivette	0	551,567	0	64,438	0	0	0	0	616,005
Oran	44,497	22,126	0	0	0	0	0	0	66,623
Oronogo	20,006	0	0	0	0	0	0	0	20,006
Orrick	37,890	0	16,545	0	0	0	0	0	54,435
Osage Beach	3,016,011	1,493,662	1,493,662	0	0	0	0	0	6,003,335
Osceola	65,318	37,258	0	0	0	0	0	0	102,576
Oterville	23,587	0	0	0	0	0	0	0	23,587
Owensville	485,196	236,004	237,068	0	0	0	0	0	958,268
Ozark	1,110,819	549,566	0	0	0	0	0	0	1,660,385
Pacific	621,325	0	0	0	0	0	0	0	621,325
Pagedale	0	210,972	0	0	0	0	0	0	210,972
Palmyra	304,072	81,700	0	0	0	0	0	0	385,772
Paris	102,494	44,286	44,670	0	0	0	0	0	191,450
Park Hills	577,310	268,805	268,804	0	0	0	0	0	1,114,919
Parkville	456,048	0	218,100	0	0	0	0	0	674,148
Parkway	17,056	0	0	0	0	0	0	0	17,056
Parma	25,134	0	0	1,724	0	0	0	0	26,858
Pasadena Hills	0	7,781	0	241	0	0	0	0	8,022

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Pasadena Park	0	3,301	0	0	0	0	0	0	3,301
Pattonsburg	21,548	0	0	2,643	0	0	0	0	24,191
Peculiar	193,834	96,746	88,644	0	0	0	0	0	379,224
Peerless Park	0	125,687	0	5,132	0	0	0	0	130,819
Perry	70,701	0	33,083	0	0	0	0	0	103,784
Perryville	1,118,213	38,692	559,062	0	0	0	0	0	1,715,967
Pevely	309,511	0	146,147	0	0	0	0	0	455,658
Piedmont	347,446	165,211	165,211	0	0	0	0	0	677,868
Pierce City	48,187	0	27,493	0	0	0	0	0	75,680
Pilot Grove	37,200	0	18,626	22,002	0	0	0	0	77,828
Pilot Knob	55,386	27,578	25,937	0	0	0	0	0	108,901
Pine Lawn	0	73,139	0	0	0	0	0	0	73,139
Pineville	47,870	23,914	0	16,792	0	0	0	0	88,576
Platte City	449,487	440,684	0	0	0	0	0	0	890,171
Platte Woods	55,629	0	27,823	0	0	0	0	0	83,452
Plattsburg	149,294	73,585	0	0	0	0	0	0	222,879
Pleasant Hill	410,617	205,471	187,493	1,710	0	0	0	0	805,291
Pleasant Hope	39,475	2,532	2,532	0	0	0	0	0	44,539
Pleasant Valley	158,138	79,043	39,546	0	0	0	0	0	276,727
Polo	26,472	0	25,376	0	0	0	0	0	51,848
Poplar Bluff	3,286,526	1,601,708	0	0	0	0	0	0	4,888,234
Portage Des Sioux	15,226	0	0	0	0	0	0	0	15,226
Portageville	295,139	138,845	0	0	0	0	0	0	433,984
Potosi	496,676	0	0	0	0	0	0	0	496,676
Princeton	74,005	0	0	0	0	0	0	0	74,005
Purdy	48,941	0	0	0	0	0	0	0	48,941
Puxico	96,569	0	0	0	0	0	0	0	96,569
Queen City	22,947	0	0	0	0	0	0	0	22,947
Qulin	29,882	1,188	0	0	0	0	0	0	31,070
Randolph	95,419	0	0	0	0	0	0	0	95,419
Raymore	939,785	888,080	443,830	0	0	0	0	0	2,271,695
Raytown	2,752,274	656,992	0	0	0	0	0	0	3,409,266
Redings Mill	648	0	0	0	0	0	0	0	648
Reeds Spring	92,397	0	0	0	0	0	0	0	92,397
Republic	710,758	355,222	355,378	0	0	0	0	0	1,421,358

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Rich Hill	67,725	0	0	0	0	0	0	0	67,725
Richland	121,843	54,530	55,457	0	0	0	0	0	231,830
Richmond	683,604	0	0	0	0	0	0	0	683,604
Richmond Heights	0	4,819,670	0	0	0	0	0	0	4,819,670
Ridgeway	23,029	0	0	0	0	0	0	0	23,029
Risco	12,931	0	0	0	0	0	0	0	12,931
River Bend	14,471	0	0	0	0	0	0	0	14,471
Riverside	924,871	0	0	153,304	0	0	0	0	1,078,175
Riverview	0	23,855	0	1,081	0	0	0	0	24,936
Rocheport	17,353	8,678	0	0	0	0	0	0	26,031
Rock Hill	0	358,063	0	0	0	0	0	0	358,063
Rock Port	167,539	84,198	0	23,284	0	0	0	0	275,021
Rockaway Beach	36,252	16,676	16,211	0	0	0	0	0	69,139
Rockville	5,962	0	0	0	0	0	0	0	5,962
Rogersville	155,114	77,560	72,322	0	0	0	0	0	304,996
Rolla	2,742,622	1,787,812	1,371,297	0	0	0	0	0	5,901,731
Rosebud	36,455	0	17,368	0	0	0	0	0	53,823
Russellville	45,979	0	0	0	0	0	0	0	45,979
Rutledge	9,594	0	0	0	0	0	0	0	9,594
Saginaw	14,613	0	0	0	0	0	0	0	14,613
Salem	768,142	385,869	0	0	0	0	0	0	1,154,011
Salisbury	142,060	0	0	0	0	0	0	0	142,060
Sarcoxi	92,783	0	41,551	0	0	0	0	0	134,334
Savannah	541,054	0	0	0	0	0	0	0	541,054
Scotsdale	0	1,803	0	0	0	0	0	0	1,803
Scott City	345,972	7,189	160,865	0	0	0	0	0	514,026
Sedalia	3,364,765	2,872,908	1,624,135	0	0	0	0	0	7,861,808
Seligman	63,165	30,063	0	0	0	0	0	0	93,228
Senath	51,923	0	0	0	0	0	0	0	51,923
Seneca	139,365	64,902	64,935	0	0	0	0	0	269,202
Seymour	138,694	0	0	0	0	0	0	0	138,694
Shelbina	206,800	51,449	0	0	0	0	0	0	258,249
Shelbyville	30,071	0	0	0	0	0	0	0	30,071
Sheldon	18,521	0	0	0	0	0	0	0	18,521
Shrewsbury	0	1,312,247	0	0	0	0	0	0	1,312,247

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Sikeston	2,302,846	907,583	1,151,367	0	0	0	0	0	4,361,796
Silex	18,814	0	0	2,745	0	0	0	0	21,559
Slater	101,015	50,455	50,454	0	0	0	0	0	201,924
Smithton	10,651	0	0	0	0	0	0	0	10,651
Smithville	588,359	0	281,847	40,345	0	0	0	0	910,551
Southwest City	80,309	0	38,459	66,127	0	0	0	0	184,895
Sparta	64,081	0	0	0	0	0	0	0	64,081
Spickard	5,795	0	0	0	0	0	0	0	5,795
Springfield	30,508,317	7,465,704	3,753,575	2,841,332	0	0	0	0	44,568,928
St. Ann	0	1,585,946	0	0	0	0	0	0	1,585,946
St. Charles	8,649,563	4,178,598	0	0	0	0	0	0	12,828,161
St. Clair	507,720	253,670	0	0	0	0	0	0	761,390
St. Elizabeth	22,765	0	0	0	0	0	0	0	22,765
St. James	373,682	0	97,787	0	0	0	0	0	471,469
St. John	0	215,408	0	0	0	0	0	0	215,408
St. Joseph	9,203,449	4,598,979	1,378,245	0	0	0	0	0	15,180,673
St. Louis	47,889,977	29,540,746	26,115,567	0	0	0	0	0	103,546,290
St. Martins	36,706	0	0	0	0	0	0	0	36,706
St. Mary	25,201	0	12,403	0	0	0	0	0	37,604
St. Peters	9,567,952	0	4,783,978	0	0	0	0	0	14,351,930
St. Robert	769,684	384,840	377,778	0	0	0	0	0	1,532,302
St. Thomas	10,612	0	0	0	0	0	0	0	10,612
Ste. Genevieve	595,969	285,097	285,095	59,340	0	0	0	0	1,225,501
Steele	120,565	0	0	0	0	0	0	0	120,565
Steelville	165,905	0	0	0	0	0	0	0	165,905
Stewartsville	25,873	0	0	0	0	0	0	0	25,873
Stockton	161,528	80,774	80,774	14,430	0	0	0	0	337,506
Stoutland	8,780	0	0	0	0	0	0	0	8,780
Stover	86,994	0	40,935	0	0	0	0	0	127,929
Strafford	173,494	84,996	0	0	0	0	0	0	258,490
Sturgeon	43,213	0	19,044	0	0	0	0	0	62,257
Sugar Creek	335,725	0	0	33,536	0	0	0	0	369,261
Sullivan	1,184,439	591,812	0	0	0	0	0	0	1,776,251
Summersville	39,273	0	0	0	0	0	0	0	39,273
Sunrise Beach	86,386	0	0	9,800	0	0	0	0	96,186

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Sunset Hills	0	1,275,952	0	0	0	0	0	0	1,275,952
Sweet Springs	92,867	42,280	42,280	0	0	0	0	0	177,427
Table Rock Townsite	13,262	0	0	0	0	0	0	0	13,262
Taneyville	4,397	0	0	0	0	0	0	0	4,397
Taos	17,633	0	0	0	0	0	0	0	17,633
Tarkio	194,760	0	0	0	0	0	0	0	194,760
Thayer	334,495	0	0	0	0	0	0	0	334,495
Theodosia	44,541	0	0	0	0	0	0	0	44,541
Tipton	158,958	79,825	0	0	0	0	0	0	238,783
Town and Country	0	2,243,264	0	0	0	0	0	0	2,243,264
Trenton	670,196	334,535	0	0	0	0	0	0	1,004,731
Troy	1,554,547	0	763,533	0	0	0	0	0	2,318,080
Truesdale	29,431	0	0	0	0	0	0	0	29,431
Tuscumbia	7,723	0	0	0	0	0	0	0	7,723
Twin Oaks	0	308,657	0	0	0	0	0	0	308,657
Union	1,147,690	286,947	573,920	0	0	0	0	0	2,008,557
Unionville	146,629	0	0	0	0	0	0	0	146,629
University City	0	1,149,005	0	15,653	0	0	0	0	1,164,658
Urbana	29,946	0	0	0	0	0	0	0	29,946
Urich	48,563	1,548	0	0	0	0	0	0	50,111
Uplands Park	0	2,636	0	395	0	0	0	0	3,031
Valley Park	0	584,591	0	0	0	0	0	0	584,591
Van Buren	102,375	48,222	0	0	0	0	0	0	150,597
Vandalia	272,351	135,459	0	0	0	0	0	0	407,810
Vandiver	97,723	0	0	0	0	0	0	0	97,723
Velda	0	6,545	0	0	0	0	0	0	6,545
Velda Village Hills	0	6,023	0	0	0	0	0	0	6,023
Verona	17,048	0	0	0	0	0	0	0	17,048
Versailles	399,964	256,599	0	0	0	0	0	0	656,563
Viburnum	60,667	0	0	0	0	0	0	0	60,667
Vienna	80,911	0	39,290	6,597	0	0	0	0	126,798
Village of Four Seasons	113,558	0	0	0	0	0	0	0	113,558
Village of Indian Point	115,066	57,533	0	0	0	0	0	0	172,599
Vinita Park	0	241,224	0	11,175	0	0	0	0	252,399
Vinita Terrace	0	12,304	0	0	0	0	0	0	12,304

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	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Walnut Grove	29,235	0	0	0	0	0	0	0	29,235
Wardell	11,316	0	0	0	0	0	0	0	11,316
Wardsville	19,085	0	0	0	0	0	0	0	19,085
Warrensburg	1,963,359	981,138	0	189,604	0	0	0	0	3,134,101
Warrenton	1,126,580	281,646	563,289	0	0	0	0	0	1,971,515
Warsaw	447,085	223,266	216,376	0	0	0	0	0	886,727
Warson Woods	0	255,020	0	0	0	0	0	0	255,020
Washburn	19,123	9,562	9,562	0	0	0	0	0	38,247
Washington	2,391,442	1,195,693	0	114,084	0	0	0	0	3,701,219
Waverly	35,207	0	15,112	0	0	0	0	0	50,319
Wayland	15,248	0	0	0	0	0	0	0	15,248
Waynesville	355,964	84,466	168,883	0	0	0	0	0	609,313
Weaubleau	20,892	0	0	0	0	0	0	0	20,892
Webb City	685,958	319,280	319,179	0	0	0	0	0	1,324,417
Webster Groves	0	937,029	0	0	0	0	0	0	937,029
Weldon Spring	76,561	0	0	0	0	0	0	0	76,561
Wellsville	59,040	16,619	29,520	0	0	0	0	0	105,179
Wellston	0	53,623	0	0	0	0	0	0	53,623
Wentzville	1,340,760	653,264	0	405,561	0	0	0	0	2,399,585
West Plains	2,334,020	1,725,209	0	0	0	0	0	0	4,059,229
Weston	146,400	0	38,292	16,060	0	0	0	0	200,752
Westphalia	30,715	0	0	1,745	0	0	0	0	32,460
Wheatland	12,256	0	0	0	0	0	0	0	12,256
Wheaton	42,590	0	0	0	0	0	0	0	42,590
Wilbur Park	0	10,112	0	0	0	0	0	0	10,112
Willard	214,290	107,145	0	9,513	0	0	0	0	330,948
Williamsville	19,882	7,553	0	0	0	0	0	0	27,435
Willow Springs	219,004	107,729	0	0	0	0	0	0	326,733
Windsor	189,853	0	0	0	0	0	0	0	189,853
Winfield	48,896	0	23,193	0	0	0	0	0	72,089
Winona	74,643	37,301	35,157	0	0	0	0	0	147,101
Woods Heights	19,926	0	0	717	0	0	0	0	20,643
Woodson Terrace	0	263,059	0	5,613	0	0	0	0	268,672
Wright City	140,794	33,138	67,163	0	0	0	0	0	241,095
Wyaconda	6,442	0	0	0	0	0	0	0	6,442

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Wyatt	10,366	0	0	0	0	0	0	0	10,366
COUNTIES:									
Adair	0	0	0	0	1,155,788	1,197,197	0	0	2,352,985
Andrew	0	0	0	95,825	389,148	778,283	0	0	1,263,256
Atchison	0	0	0	0	0	539,882	0	0	539,882
Audrain	0	0	0	0	995,351	1,985,205	0	0	2,980,556
Barry	0	0	0	0	1,383,508	1,383,940	0	0	2,767,448
Barton	0	0	0	0	417,613	417,474	0	0	835,087
Bates	0	0	0	32,916	0	492,387	0	0	525,303
Benton	0	0	0	0	556,854	606,792	0	0	1,163,646
Bollinger	0	0	0	0	247,879	247,941	0	0	495,820
Boone	0	0	0	0	8,322,239	8,310,290	0	0	16,632,529
Buchanan	0	0	0	0	4,807,007	5,767,381	0	0	10,574,388
Butler	0	0	0	0	2,193,897	2,193,962	0	0	4,387,859
Caldwell	0	0	0	28,349	186,742	372,645	0	0	587,736
Callaway	0	0	0	0	0	1,328,664	0	0	1,328,664
Camden	0	0	0	0	3,258,361	3,257,745	0	0	6,516,106
Cape Girardeau	0	0	0	0	4,887,556	0	0	0	4,887,556
Carroll	0	0	0	8,066	264,077	0	0	0	272,143
Carter	0	0	0	0	158,301	158,341	0	0	316,642
Cass	0	0	0	0	3,071,991	1,640,116	0	0	4,712,107
Cedar	0	0	0	0	394,517	0	0	0	394,517
Chariton	0	0	0	51,201	217,179	216,926	0	0	485,306
Christian	0	0	0	0	1,674,192	2,546,114	0	0	4,220,306
Clark	0	0	0	0	185,574	553,979	0	0	739,553
Clay	0	0	0	0	11,957,530	11,461,649	0	0	23,419,179
Clinton	0	0	0	32,569	433,729	433,662	0	0	899,960
Cole	0	0	0	372,966	0	4,247,963	0	0	4,620,929
Cooper	0	0	0	0	553,807	1,379,612	0	0	1,933,419
Crawford	0	0	0	0	738,464	1,020,539	0	0	1,759,003
Dade	0	0	0	22,883	196,701	196,746	0	0	416,330
Dallas	0	0	0	0	488,305	1,014,034	0	0	1,502,339
Daviess	0	0	0	18,477	0	615,003	0	0	633,480
Dekalb	0	0	0	0	510,503	513,384	0	0	1,023,887
Dent	0	0	0	0	574,769	0	0	0	574,769

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COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1999

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Douglas	0	0	0	0	319,198	319,268	0	0	638,466
Dunklin	0	0	0	0	0	1,205,769	0	0	1,205,769
Franklin	0	0	0	0	4,117,413	6,184,175	0	0	10,301,588
Gasconade	0	0	0	0	630,997	630,625	0	0	1,261,622
Gentry	0	0	0	0	0	402,124	0	0	402,124
Greene	0	0	0	0	17,577,230	13,198,118	0	0	30,775,348
Grundy	0	0	0	0	401,613	401,454	0	0	803,067
Harrison	0	0	0	0	0	810,279	0	0	810,279
Henry	0	0	0	64,107	942,891	0	0	0	1,006,998
Hickory	0	0	0	0	212,677	425,166	0	0	637,843
Holt	0	0	0	0	143,335	501,511	0	0	644,846
Howard	0	0	0	0	226,602	649,617	0	0	876,219
Howell	0	0	0	0	1,768,367	0	0	0	1,768,367
Iron	0	0	0	0	309,935	0	0	0	309,935
Jackson	0	0	0	0	37,313,250	28,108,217	0	0	65,421,467
Jasper	0	0	0	0	4,683,373	4,372,047	0	0	9,055,420
Jefferson	0	0	0	0	7,639,293	15,280,695	0	0	22,919,988
Johnson	0	0	0	0	1,590,080	3,069,074	0	0	4,659,154
Knox	0	0	0	0	110,344	254,972	0	0	365,316
Laclede	0	0	0	0	1,531,743	1,528,788	0	0	3,060,531
Lafayette	0	0	0	0	1,166,630	1,168,694	0	0	2,335,324
Lawrence	0	0	0	0	1,018,022	1,018,684	0	0	2,036,706
Lewis	0	0	0	112,456	226,961	453,634	0	0	793,051
Lincoln	0	0	0	0	1,422,683	3,686,978	0	0	5,109,661
Linn	0	0	0	88,460	512,112	512,114	0	0	1,112,686
Livingston	0	0	0	0	784,107	0	0	0	784,107
Macon	0	0	0	0	529,709	925,193	0	0	1,454,902
Madison	0	0	0	0	362,311	362,211	0	0	724,522
Maries	0	0	0	37,482	208,546	415,970	0	0	661,998
Marion	0	0	0	0	1,413,717	2,118,736	0	0	3,532,453
McDonald	0	0	0	0	568,393	520,448	0	0	1,088,841
Mercer	0	0	0	0	124,720	124,736	0	0	249,456
Miller	0	0	0	71,341	973,803	974,918	0	0	2,020,062
Mississippi	0	0	0	0	414,997	1,450,673	0	0	1,865,670
Moniteau	0	0	0	0	376,516	376,138	0	0	752,654

Schedule 1-B

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1999

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Monroe	0	0	0	50,957	234,190	234,249	0	0	519,396
Montgomery	0	0	0	0	395,480	592,380	0	0	987,860
Morgan	0	0	0	0	776,845	822,617	0	0	1,599,462
New Madrid	0	0	0	0	896,733	0	0	0	896,733
Newton	0	0	0	0	1,707,970	2,277,751	0	0	3,985,721
Nodaway	0	0	0	0	792,603	792,697	0	0	1,585,300
Oregon	0	0	0	0	318,181	318,184	0	0	636,365
Osage	0	0	0	0	373,875	0	0	0	373,875
Ozark	0	0	0	0	229,742	481,685	0	0	711,427
Pemiscot	0	0	0	0	578,841	863,973	0	0	1,442,814
Perry	0	0	0	0	884,050	840,016	0	0	1,724,066
Pettis	0	0	0	168,862	2,077,313	0	0	0	2,246,175
Phelps	0	0	0	0	1,900,903	3,476	0	0	1,904,379
Pike	0	0	0	0	567,528	1,236,302	0	0	1,803,830
Platte	0	0	0	1,320,681	4,057,670	5,054,618	0	0	10,432,969
Polk	0	0	0	0	0	1,903,828	0	0	1,903,828
Pulaski	0	0	0	0	1,028,833	4,062	0	0	1,032,895
Putnam	0	0	0	0	0	323,207	0	0	323,207
Ralls	0	0	0	0	348,538	348,503	0	0	697,041
Randolph	0	0	0	0	1,043,982	0	0	0	1,043,982
Ray	0	0	0	0	614,052	1,228,216	0	0	1,842,268
Ripley	0	0	0	0	0	358,447	0	0	358,447
Saline	0	0	0	0	854,280	854,296	0	0	1,708,576
Schuyler	0	0	0	0	117,493	235,087	0	0	352,580
Scotland	0	0	0	0	0	375,900	0	0	375,900
Scott	0	0	0	0	1,707,595	0	0	0	1,707,595
Shannon	0	0	0	0	192,321	0	0	0	192,321
Shelby	0	0	0	21,079	206,107	410,447	0	0	637,633
St. Charles	0	0	0	2,776,804	14,744,313	29,492,462	0	0	47,013,579
St. Clair	0	0	0	0	218,275	0	0	0	218,275
St. Francois	0	0	0	0	2,457,439	3,496,361	0	0	5,953,800
St. Louis	0	0	107,403,417	0	0	0	142,758,967	0	250,162,384
Ste. Genevieve	0	0	0	0	626,295	626,216	0	0	1,252,511
Stoddard	0	0	0	0	973,970	0	0	0	973,970
Stone	0	0	0	203,422	1,442,351	3,392,928	0	0	5,038,701

Schedule 1-B

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
COMBINED SCHEDULE OF DISTRIBUTIONS - LOCAL FUNDS
YEAR ENDED JUNE 30, 1999

	City Sales Tax Trust Fund	City Alternate Sales Tax Trust Fund	Public Mass Transportation Sales Tax Trust Fund	Local Option Use Tax Trust Fund	County Sales Tax Trust Fund	County Alternate Sales Tax Trust Fund	St. Louis County Sales Tax Trust Fund	District Sales Tax Trust Fund	Total (Memorandum Only)
Sullivan	0	0	0	0	202,877	405,877	0	0	608,754
Taney	0	0	0	0	4,856,488	9,706,551	0	0	14,563,039
Texas	0	0	0	0	660,482	0	0	0	660,482
Vernon	0	0	0	0	762,403	0	0	0	762,403
Warren	0	0	0	0	975,707	2,920,244	0	0	3,895,951
Washington	0	0	0	69,271	537,052	1,609,682	0	0	2,216,005
Wayne	0	0	0	0	376,408	376,362	0	0	752,770
Webster	0	0	0	0	891,354	1,245,622	0	0	2,136,976
Worth	0	0	0	0	56,812	86,440	0	0	143,252
Wright	0	0	0	0	641,048	0	0	0	641,048
DISTRICTS:									
SNI Valley Fire Protection District	0	0	0	0	0	0	0	157,126	157,126
TOTALS	\$ 390,610,753	184,158,628	235,453,023	29,457,723	192,171,549	219,247,568	142,758,967	157,126	1,394,015,337

MANAGEMENT ADVISORY REPORT SECTION

Follow-Up on Prior Audit Findings

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
SALES AND USE TAX
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Revenue, Division of Taxation and Collection on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 1998. Although the unimplemented recommendations have not been repeated, the agency should consider implementing those recommendations.

1. Sales and Use Tax Overpayments

As of June 30, 1998, the Missouri Integrated Tax System (MITS) reflected overpayments totaling \$35,688,283. Of this amount, \$4,414,451 was for overpayments related to filing periods older than three years for businesses that have closed their sales and use tax registration.

Recommendation:

The department consult legal counsel to determine the appropriate disposition of overpayments related to closed businesses. In addition, overpayments related to closed businesses should be reviewed on a periodic basis.

Status:

Not implemented. After further discussion of this issue, Division of Taxation personnel indicated they will consult with legal counsel on this matter. Although not repeated as a current MAR, our recommendation remains as stated above.

2. Sales and Use Tax Refunds

- A. The General Revenue Fund-State (GRF-S) did not receive reimbursement from other funds for the proportionate share of interest paid on refunds.
- B. There was no indication in six refund files reviewed that the vendor was going to return the sales tax or the interest to the original customer. In addition, we reviewed ten sales tax refund files that did indicate the refund would be returned to the original customer; however, there was no documentation the department had ensured the refunds were actually returned to the original customer.

Recommendation:

The department:

- A. Ensure the GRF-S is reimbursed for other funds' pro rata share of interest paid on sales and use tax refunds. Consistently allocate interest paid on refunds and interest received on delinquent payments.
- B. Continue to pursue legislation which would require sales tax refunds and related interest be returned to the original customer.

Status:

- A. Not implemented. The department is considering implementing this recommendation in conjunction with a new "integrated tax system". Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Not implemented. We performed a review of the sales and use tax refunds issued during fiscal year 1999. In our audit report of Sales and Use Tax Refunds, issued in May 2000, we noted 128 sales and use tax refunds totaling approximately \$20,855,000 (including interest) for which there was no indication in the files that the vendor was going to return the tax or the interest to the original customer. The department does not intend to pursue legislation; however, the department will support legislation pertaining to this issue. House Bill 286 and Senate Bill 195 were introduced during the 2001 legislative session. The bills provide that the vendor must "demonstrate to the satisfaction of the director of revenue" that the tax was or will be returned to the original customers. These bills are currently pending. Although not repeated as a current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Department of Revenue was created by Article IV, Section 12, of the 1945 Missouri Constitution. The department serves as the central collection agency for all state revenues. The Director is appointed by the Governor with the advice and consent of the Senate.

The Division of Taxation and Collection is responsible for the administration of Missouri's tax laws and processes and administers forms and reports for the collection of revenue due the state and local taxing jurisdictions. The division has six areas and one office.

Accounting Services

Accounting Services is responsible for cashiering and deposit of tax and fee collections, divisional accounting and financial statement preparation, document security enforcement, centralized filing systems, word processing and microfilming functions and for division forms and publication orders.

Business Tax

Business Tax (BT) is responsible for the administration of sales/use, financial institutions, insurance premiums, franchise, county, excise, cigarette and other tobacco products, corporate income and withholding taxes and fees. BT also distributes locally imposed sales and use taxes to local jurisdictions, administers the registration and issuance of business licenses to taxpayers, handles correspondence and taxpayer protests, processes amended returns, writes regulations and pursues noncompliance taxpayers through its Nexus programs.

Customer Assistance

Customer Assistance is responsible for contacting individuals and businesses who have unpaid tax liabilities and performing appropriate collection procedures. Its collection activities include billing and assessing unpaid taxes, filing liens, pursuing bad checks, certifying delinquencies to local prosecuting attorneys and making referrals to independent collection agencies. This area is also responsible for providing assistance to taxpayers in eight regional offices within Missouri. This assistance includes answering questions, preparing returns, registering taxpayers, issuing business licenses, participating in taxpayer training programs and making field visits to taxpayers who are delinquent in paying their taxes.

Field Audit, Instate and Outstate

Field Audit is responsible for conducting field audits of businesses required to pay taxes to the State of Missouri. The in-state operations perform central support functions and include eight offices. The out-state operations include offices in Chicago, Dallas, and New York.

Information Technology

Information Technology (IT) is responsible for the technical analysis, design, development and implementation of the division's data processing systems. IT provides quality assurance, program maintenance and technical support for electronic data processing communications, systems programming and data base administration. IT also provides personal computer software training, in-house programmer training and system training to division personnel and administers electronic media including an Internet web site and forms by fax for the division.

Personal Tax

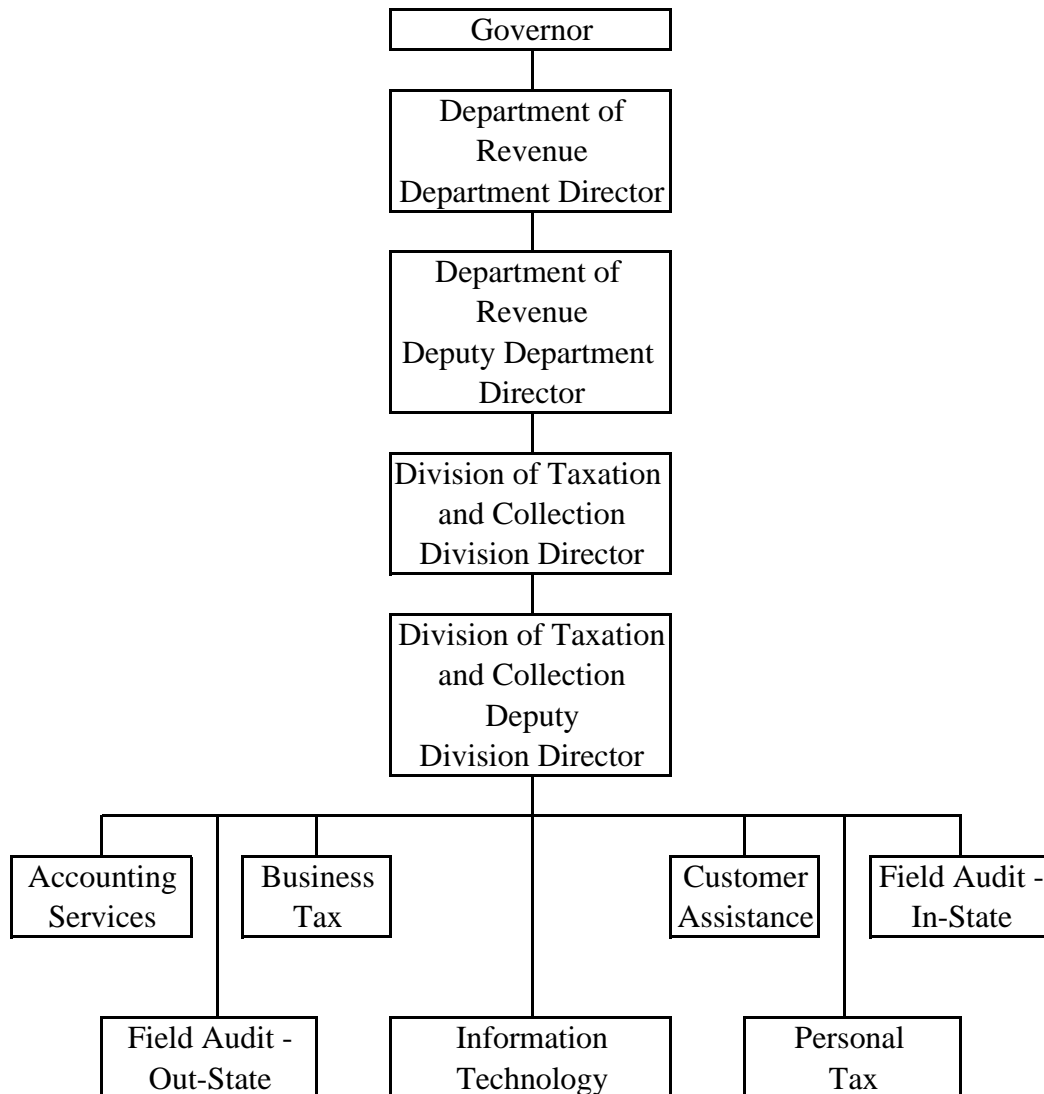
Personal Tax is responsible for administrating individual income, partnership, fiduciary and estate taxes and property tax credits. Administrative functions include tax return receipt and extraction of incoming mail, tax return analysis, data entry, tax return error correction and discovery and collection of tax liabilities.

Division Director's Office

The Division Director's Office is responsible for the overall administration of the areas described above. This includes preparation of legislative testimony, fiscal note preparation to include administrative impacts, preparation of the division's budget request, tax returns and forms design and electronic-commerce.

Carol Russell Fischer served as Division Director from June, 1998 until January 9, 2001. Stan Farmer currently serves as the Division Director.

DEPARTMENT OF REVENUE
DIVISION OF TAXATION AND COLLECTION
ORGANIZATION CHART
JUNE 30, 2000



* * * * *



**DEPARTMENT OF CONSERVATION
TWO YEARS ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-38
May 14, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Department of Conservation.

The lease agreement between the department and the Conservation Employees' Credit Union (Credit Union), a private corporation, may violate federal regulations which could make the department ineligible for future federal funding. In March 1999, the Department of Conservation entered into an agreement to lease land to the credit union for ninety-nine years, for the purpose of constructing a new office building, which is adjacent to the department's central office. Department of Conservation personnel indicated the land the department is leasing to the credit union was purchased with license fees. The lease requires an annual fee of one dollar.

Federal regulations provide that revenues from hunting and fishing license fees shall not be diverted to purposes other than administration of the state fish and wildlife agency. In addition, this lease may violate state law. Article III, Section 38(a), of the Missouri Constitution prohibits state departments from granting public money or property to any private person, association, or corporation.

The audit also noted that the department should make an effort to reduce expenditures for food costs and redirect these resources to conservation activities. During fiscal years 2000 and 1999, the department paid approximately \$271,000 and \$158,000, respectively, to various food service providers for purposes such as meals at conferences and meetings held at motels, catered luncheons, and purchases from local vendors. These amounts do not include amounts reimbursed to employees through expenses accounts.

The department should review the need to routinely incur meals costs for individuals attending training sessions and other events and develop a comprehensive policy regarding food purchases.

During the two years ended June 30, 2000, the department incurred credit card finance and late charges totaling \$1,142 related to operating expenses of the Special Investigations Unit. Requests to replenish the Special Investigations Account from the Conservation Commission Fund were not made on a timely basis, and, as a result, monies were not deposited to the account in time to pay credit card statements by the due date. Failure to pay credit card statements by the due date results in an unnecessary expense to the department.

Vehicles are not placed in service on a timely basis. Approximately 200 vehicles were ordered in November and December 1999. The delivery of these orders caused a backlog at the shops that prepare the vehicles for service. The department should have staggered orders to reduce the quantity of each delivery and to allow for vehicles to be placed in operation in a more timely manner.

YELLOW SHEET

DEPARTMENT OF CONSERVATION

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DEPARTMENT OF CONSERVATION

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Conservation Commission
and
Jerry Conley, Director
Department of Conservation
Jefferson City, MO 65102

We have audited the accompanying special-purpose financial statements of the Conservation Commission Fund of the Department of Conservation as of and for the years ended June 30, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the department's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, other financing uses, and changes in cash and investments and the appropriations and expenditures of the Conservation Commission Fund of the Department of Conservation and are not intended to be a complete presentation of the financial position and results of operations of the Conservation Commission Fund of the department.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, other financing uses, and changes in cash and investments and the appropriations and expenditures of the Conservation Commission Fund of the Department of Conservation as of and for the years ended June 30,

2000 and 1999, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 9, 2000, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the department's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

An integral part of the department's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Claire McCaskill
State Auditor

November 9, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Cheryl Colter, CPA
Audit Staff:	Martin Beck
	Julie Vollmer
	Ayanna Merchant



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Conservation Commission
and
Jerry Conley, Director
Department of Conservation
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the Department of Conservation as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated November 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Department of Conservation are free of material misstatement, we performed tests of the department's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Department of Conservation, we considered the department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would

not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Department of Conservation and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

November 9, 2000 (fieldwork completion date)

Financial Statements

Exhibit A

DEPARTMENT OF CONSERVATION
 CONSERVATION COMMISSION FUND
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING
 USES, AND CHANGES IN CASH AND INVESTMENTS

	Year Ended June 30,	
	2000	1999
RECEIPTS		
Sales and use tax	\$ 86,885,502	82,340,252
Permit sales	28,830,432	26,222,752
Sales, rentals, and leases	7,025,865	6,213,425
Federal reimbursements	13,917,026	14,237,450
Interest	1,879,082	1,019,588
Donations, refunds, and miscellaneous	2,372,321	1,523,374
Total Receipts	140,910,228	131,556,841
DISBURSEMENTS		
Personal service	56,455,520	52,445,845
Employee fringe benefits	14,991,131	15,277,344
Operations	47,089,992	31,028,337
Capital improvements and acquisitions	24,485,414	15,031,700
Total Disbursements	143,022,057	113,783,226
RECEIPTS OVER (UNDER) DISBURSEMENTS BEFORE OTHER FINANCING USES	(2,111,829)	17,773,615
OTHER FINANCING USES		
Appropriations exercised by other state agencies	(1,647,760)	(778,214)
RECEIPTS OVER (UNDER) DISBURSEMENTS AND OTHER USES	(3,759,589)	16,995,401
CASH AND INVESTMENTS, JULY 1	31,493,428	14,498,027
CASH AND INVESTMENTS, JUNE 30	\$ 27,733,839	31,493,428

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF CONSERVATION
COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,					
	2000			1999		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
CONSERVATION COMMISSION FUND						
Personal service and expense and equipment, including refunds; and for payments to counties for the unimproved value of land in lieu of property taxes for privately owned lands acquired by the Conservation Commission after July 1, 1977 and for lands classified as forest croplands	\$ 119,090,127	107,891,479	11,198,648	115,990,969	86,636,001	29,354,968
Stream access acquisition and development, lake site acquisition and development, land acquisition for upland wildlife and state forests, land purchases for wildlife and natural areas and additions to existing areas; for major improvements and repairs (including materials, supplies, and labor) to buildings, roads, hatcheries, and other departmental structures; and for soil conservation activities and erosion control on department land	50,000,000	24,510,745	25,489,255 *	32,462,920	16,038,138	16,424,782
Total Conservation Commission Fund	\$ 169,090,127	132,402,224	36,687,903	148,453,889	102,674,139	45,779,750

*

Biennial appropriations set up in the current fiscal year are re-appropriations to the next year. After the June month-end processing has been completed, the unexpended appropriation balance for a biennial appropriation is established in the new fiscal year. Therefore, there is no lapsed balance for a biennial appropriation at the end of the first year.

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule

DEPARTMENT OF CONSERVATION
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
TWO YEARS ENDED JUNE 30, 2000

	<u>Equipment</u>	<u>Buildings</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Total General Fixed Assets</u>
BALANCE, July 1, 1998	\$ 61,104,008	50,344,301	288,480,122	11,555,850	411,484,281
Additions	2,986,395	3,887,047	3,522,016	8,236,072	18,631,530
Dispositions	<u>1,971,905</u>	<u>379,229</u>	<u>2,021,794</u>	<u>3,702,450</u>	<u>8,075,378</u>
BALANCE, June 30, 1999	62,118,498	53,852,119	289,980,344	16,089,472	422,040,433
Additions	13,103,267	256,211	2,378,063	6,400,358	22,137,899
Dispositions	<u>2,492,942</u>	<u>133,158</u>	<u>294,328</u>	<u>120,376</u>	<u>3,040,804</u>
BALANCE, June 30, 2000	<u>\$ 72,728,823</u>	<u>53,975,172</u>	<u>292,064,079</u>	<u>22,369,454</u>	<u>441,137,528</u>

The accompanying Notes to the Supplementary Data are an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

DEPARTMENT OF CONSERVATION

NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the Conservation Commission Fund of the Department of Conservation.

Receipts, disbursements, other financing uses, and changes in cash and investments are presented in Exhibit A for the Conservation Commission Fund. Appropriations from this fund are expended by or for the department for restricted purposes.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related fund but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, Other Financing Uses, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit B, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period. For years ended on or before June 30, 1999, the lapse period ended August 31 for regular appropriations and December 31 for capital improvement appropriations. For years ended on or after June 30, 2000, the lapse period ends August 31 for both regular and capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances

at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The department administers transactions in the Conservation Commission Fund. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

This fund controls the monies collected and expended by the department within the restrictions imposed by the Missouri Constitution, Article IV, Section 43(b). Appropriations are made from this fund by the General Assembly to control, manage, restore, conserve, and regulate birds, fish, game, forestry, and wildlife resources of the state and to administer the related laws.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in health and optional life insurance plans provided by the department, and the state's deferred compensation and cafeteria plans. Until December 31, 1998, the health and life insurance plans were provided by the Continental Assurance Company (CAN). During the calendar year ended December 31, 1999, the health and life insurance plans were provided by American Medical Security (AMS), a division of United Wisconsin Life Insurance Company. Effective January 1, 2000, the Conservation Commission established the Conservation Employees' Benefits Trust Fund to provide health and life insurance plans for the department. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement and long-term disability benefits); social security and medicare taxes; basic life insurance; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibit A are primarily the transfers and payments from the Conservation Commission Fund for costs related to salaries and insurance paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

2. Cash and Investments

The balance of the Conservation Commission Fund is pooled with other state funds and invested by the state treasurer.

Trust account monies are combined with regular monies to make up the total balance available in the Conservation Commission Fund. At June 30, 2000 and 1999, trust accounts totaled \$1,269,507 and \$1,387,036 respectively, and represented donated funds restricted for development, maintenance and/or purchase of land.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit B as follows:

	Conservation Commission Fund	
	Year Ended June 30,	
	2000	1999
DISBURSEMENTS PER EXHIBIT A \$	143,022,057	113,783,226
Employee fringe benefits	(11,378,313)	(11,047,470)
Lapse Period expenditures:		
2000	6,350,648	N/A
1999	(5,592,168)	5,592,168
1998	0	(5,653,785)
EXPENDITURES PER EXHIBIT B \$	<u>132,402,224</u>	<u>102,674,139</u>

4. Appropriations Exercised by Other State Agencies

The Missouri General Assembly makes certain appropriations from the Conservation Commission Fund for personal services, expense and equipment, and programs administered by other state agencies. Expenditures charged to these appropriations and transfers from the fund for associated fringe benefits during fiscal years 2000 and 1999 were:

	Year Ended June 30,	
	2000	1999
Office of Administration		
Insurance and legal expense	\$ 821,561	427,026
Worker's compensation	39,759	19,057
Unemployment insurance	83,298	146,887
Office of State Auditor	38,407	36,702
Department of Revenue	664,735	148,542
Total	<u>\$ 1,647,760</u>	<u>778,214</u>

Note to the Supplementary Data:

5. General Fixed Assets

- A. The investment in general fixed assets at June 30, 2000 and 1999 was from the following funds:

	June 30,	
	2000	1999
Conservation Commission Fund \$	440,214,620	421,122,756
General Revenue Fund-State	73,139	52,508
Revenue Sharing Trust Fund	849,769	865,169
Total	<u>441,137,528</u>	<u>422,040,433</u>

- B. Except as noted, general fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets. Also not capitalized are certain improvements including hatchery pools, wetland development, and other expenditures to prepare land purchased for its intended use.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report –
State Auditor’s Findings

DEPARTMENT OF CONSERVATION
SUMMARY OF FINDINGS

1. Credit Union Lease Agreement (pages 20-21)

The department's lease agreement with the Conservation Employees' Credit Union may violate federal and state laws.

2. Vehicle Utilization (pages 21-22)

Vehicles are not placed in service on a timely basis.

3. Food Costs (page 22)

The department has not developed a comprehensive policy regarding food purchases.

4. Special Investigations Account Controls (pages 22-23)

The department incurred \$1,142 in credit card finance and late charges.

5. Information System Access Controls (pages 23-24)

The department has not developed a criteria for granting, maintaining, and monitoring SAM II access.

DEPARTMENT OF CONSERVATION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of the Department of Conservation as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated November 9, 2000.

The following Management Advisory Report presents our findings arising from our audit of the department's special-purpose financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered all-inclusive of areas needing improvement.

1.	Credit Union Lease Agreement
-----------	-------------------------------------

The lease agreement between the department and the Conservation Employees' Credit Union (Credit Union), a private corporation, may violate federal and state laws. In March 1999, the DOC entered into an agreement to lease land to the credit union for ninety-nine years for an annual fee of one dollar. The credit union constructed a new office building on the land, which is adjacent to the department's central office. DOC personnel indicated the land the department is leasing to the credit union was purchased with license fees.

Federal Regulation 50 CFR 80.4, states that revenues from license fees paid by hunters and fishermen shall not be diverted to purposes other than administration of the state fish and wildlife agency. The regulation defines administration as only those functions required to manage the fish and wildlife-oriented resources of the state. A credit union does not appear necessary to manage the state's fish and wildlife-oriented resources. Diverting license fee revenues for purposes other than the administration of the department could make the department ineligible for future federal funding.

In addition, Article III, Section 38(a), of the Missouri Constitution prohibits the state from granting public money or property to any private person, association, or corporation.

WE RECOMMEND the department discuss and resolve this situation with the appropriate federal agency. In addition, the department should request an Attorney General's opinion to determine whether the credit union lease agreement violates state laws.

AUDITEE'S RESPONSE

Our legal counsel has reviewed the lease agreement with the Conservation Employees Credit Union and determined it to comply with federal and state laws and regulations. This employee benefit is an allowable expenditure for conservation purposes.

2. Vehicle Utilization

Vehicles are not placed in service on a timely basis. During the year ending June 30, 2000, the department purchased approximately 310 vehicles. For twenty-one of twenty-five vehicle acquisitions reviewed, the department took over one month to place the vehicle in service after delivery, including six vehicles which took over three months. Many of the vehicles purchased by the department must have additional equipment, such as light bars, installed at one of three department shops. Approximately 200 vehicles were ordered during November and December 1999, resulting in large deliveries. Approximately, one hundred twenty vehicles were received during February 2000, causing a backlog at the shops that prepare vehicles for service. Many of the vehicles purchased were pickups. Office of Administration, Division of Purchasing, personnel indicated the state contracts for pickups allowed orders to be placed between November 1 and April 14. As a result, the department could have staggered the orders to reduce the quantity of each delivery.

Failure to place vehicles in service on a timely basis results in an inefficient use of assets. To ensure vehicles are placed in service on a timely basis, the department should schedule vehicle deliveries to allow for timely service preparation.

WE RECOMMEND the department place vehicles in service on a timely basis.

AUDITEE'S RESPONSE

We agree that preparation time for vehicles was excessive last year. However, duration of processing last year was an exception due to unforeseen complications in the ordering process and unanticipated delays in parts delivery. Preparation time is normally much less than we experienced in the winter and spring of 2000, and this year we were able to process vehicles much faster. However, in order to ensure vehicles are processed in a timely manner from now on we will:

- a. Stagger order dates to prevent more vehicles being delivered than can be quickly processed. (A caveat here is that staggered order dates do not necessarily mean that delivery dates will be staggered.)*
- b. Request vehicle delivery to more locations than in the past. Vehicles are being delivered to five shops now instead of three.*

- c. *Order parts for new vehicle installation earlier than in the past to allow for unanticipated delays.*
- d. *Mandate higher priorities for vehicle preparations to shops when larger numbers of vehicle replacements are approved in budgets.*

3. Food Costs

The department should make an effort to reduce expenditures for food costs and redirect these resources to conservation activities. According to the department's records, the department paid approximately \$271,000 and \$158,000 in food costs during fiscal years 2000 and 1999, respectively. These food purchases represented amounts billed to the department from various food service providers and did not include amounts reimbursed to employees through expense accounts. The department lacks a comprehensive policy regarding agency provided meal expenses at meetings and other departmental functions, including those held within the employees' official domiciles.

We reviewed supporting documentation for eleven food purchases made in fiscal year 2000. The supporting documentation for these purchases did not always indicate the business purpose and/or identify those people attending. Food purchases included meals at conferences and meetings held at motels, catered luncheons, and food purchased from local vendors.

The department should review the need to routinely incur meals costs for individuals attending training sessions and other events and develop a comprehensive policy regarding food purchases, particularly in employees' official domiciles.

WE RECOMMEND the department develop a comprehensive policy regarding food purchases, particularly employees' official domiciles, in an effort to control and reduce expenditures in this area.

AUDITEE'S RESPONSE

We are in the process of developing a policy that will address these issues. We estimate this policy will be implemented within the next six months.

4. Special Investigations Account Controls

During the two years ended June 30, 2000, the department incurred credit card finance and late charges totaling \$1,142. The department uses a checking account and two credit cards to pay some operating expenses of the Special Investigations Unit. The checking account is maintained outside the state treasury and replenished upon request from the Conservation Commission Fund. However, requests to replenish the checking account were not made on a timely basis, and, as a result, monies were not deposited to the

Special Investigations Account in time to pay credit card statements by the due date. Twenty-seven of forty-eight credit card statements reflected finance or late charges, and seven statements showed that no payment had been made for the previous billing period.

Failure to pay credit card statements by the due date results in unnecessary expense to the department.

WE RECOMMEND the department establish procedures to pay the balance due on credit card statements on a timely basis.

AUDITEE'S RESPONSE

When the Special Fund checking account balance reaches \$3,000, a request for \$5,000 from the Commission Fund will be made. This process will ensure sufficient funds to cover credit card balances.

Credit card balances will be paid within five days of the date received. This will allow sufficient time for payments to reach creditors prior to the due date.

5. Information System Access Controls
--

The department processes all financial accounting activity including budget, purchasing, revenues, and expenditures (on-line) using the Statewide Advantage for Missouri system (SAM II). The SAM II system includes over 570 on-line screens for data entry, inquiry, or modification. The significance of the information processed through SAM II requires that controls be in place to adequately restrict access to the system. To provide access control over SAM II, employees are assigned a unique user identification code (user ID). The department is responsible for determining what each user is allowed to do in SAM II, and grants these permissions by assigning specific access rights to each user ID. This control technique provides a method to limit employees' access rights, including data entry and document approval capabilities, to only the functional areas of SAM II that are necessary for the employees to perform their assigned job duties. Therefore, controls over the issuance and maintenance of user IDs and access rights are critical to the effectiveness of system access controls.

During our review of access to the SAM II system, we noted that the department has not developed criteria for determining who is allowed to access SAM II, the purpose and level of the access, and who determines and grants the access. In addition, there are no policies for documenting and reporting management authorization of new access, changes to existing access, or removal of current access when an employee terminates or transfers. As a result, assurance is lacking that management properly authorized employee access and that employees' access is limited to appropriate SAM II data.

Security standards to document the criteria to be used in granting and maintaining access to SAM II represent the minimum control standards that should be in place to ensure that

the department can safeguard its information assets and properly record authorized transactions. This is the first step and a key concept in the development of an adequate security architecture.

WE RECOMMEND the department develop security standards to document the criteria to be followed for granting, maintaining, and monitoring access to SAM II.

AUDITEE'S RESPONSE

We were very centralized in the use of SAM II and access was limited to three types and was only granted to approximately 20 employees in Fiscal Services. Due to this centralization and limitation on access, we felt we were exercising control and safeguarding our information assets. We will, however, document our criteria used in granting, maintaining, and monitoring access to SAM II.

This report is intended for the information of the management of the department and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-up on Prior Audit Findings

DEPARTMENT OF CONSERVATION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Department of Conservation on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 1998.

1. Plane Usage

- A. The department's flight logs did not list the names of all passengers. In addition, the specific purpose of the flight was not documented.
- B. The department did not document cost comparisons of commercial flights to the cost of using department planes.
- C. The department did not document cost comparisons of charter flights to the cost of using department planes or commercial flights.

Recommendation:

The department:

- A. Document the names of all passengers and the specific purpose of all flights.
- B. Document the comparison of the cost of commercial flights to the cost of using department planes when commercial flights are available and retain this with the flight information.
- C. Obtain and document cost comparisons of charter flights to the cost of using department planes or commercial flights to ensure the most economical use of state resources.

Status:

Implemented.

2. Clothing Allowance Reimbursement

During fiscal year 1999, the department provided a \$100 clothing allowance to employees who were not required to wear a uniform, purchase signature clothing, or wear signature clothing at designated events.

Recommendation:

The department evaluate the necessity and benefits of providing clothing allowances for employees who are not required to wear a uniform.

Status:

Implemented. The Commission believes this has been an important, positive management tool in building teamwork and pride. Such clothing readily identifies employees attending certain functions or in their daily contact with the public at work. The department adopted a policy requiring employees to wear signature clothing at certain designated events. Clothing allowances are currently on a reimbursement basis.

3. Suspension and Debarment Compliance

The department did not require contractors to certify that they had not been suspended or debarred.

Recommendation:

The DOC obtain certifications from parties awarded contracts of \$100,000 or more that the organization and its principals are not suspended or debarred.

Status:

Implemented.

STATISTICAL SECTION

History, Organization,
and Statistical Information

DEPARTMENT OF CONSERVATION
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Department of Conservation is constitutionally created pursuant to Article IV, Sections 40 and 46. The general functions of the department are to control, manage, restore, conserve, and regulate all bird, fish, game, forestry, and wildlife resources of the state. At June 30, 2000, the department owned 768,397 acres of land in the state.

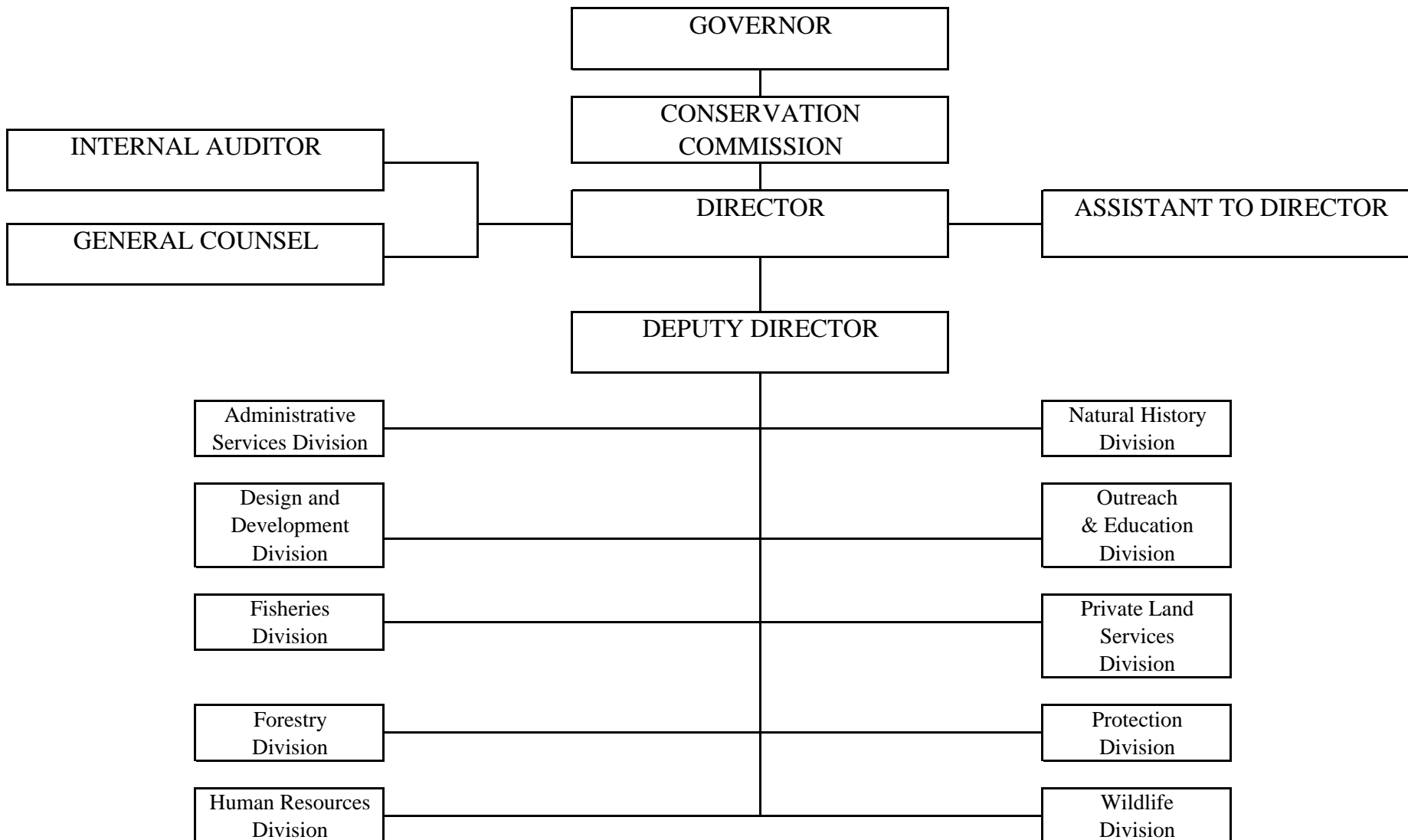
The department is headed by a four-member bipartisan commission, appointed by the Governor with the advice and consent of the Senate. They serve without compensation for staggered six-year terms. The commission members at June 30, 2000 were:

<u>Commissioner</u>	<u>Term Expires</u>
Anita B. Gorman	July 1, 2005
Randy Herzog	July 1, 2001
Ronald J. Stites	July 1, 2001
Howard L. Wood	July 1, 2003

The commission appoints a director who serves as the administrative officer of the Department of Conservation. The director appoints other employees and is assisted by a deputy director with programs carried out by the divisions of fisheries, wildlife, forestry, protection, design and development, outreach and education, administrative services, private land services, natural history, and human resources. An assistant to the director provides leadership for special projects and initiatives as assigned by the director; notably legislative liaison, partnerships with other entities, etc.

Jerry Conley was appointed Director effective January 1, 1997. At June 30, 2000, the department employed approximately 1,470 full-time and 500 part-time individuals.

DEPARTMENT OF CONSERVATION
 ORGANIZATION CHART
 JUNE 30, 2000



* * * * *



**DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
YEAR ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-37
May 10, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2001

www.auditor.state.mo.us

The following areas of concern were discovered as a result of an audit conducted by our office of the Department of Higher Education, State Guaranty Student Loan Program.

For the year ended June 30, 2000, the State Guaranty Student Loan Program of the Department of Higher Education had approximately \$720,000 in fixed assets. Our review of the program's fixed asset records and procedures indicated the following areas where improvements are needed:

- The detailed fixed asset records are not complete. The department did not record any fixed asset additions or dispositions on the detailed fixed asset listing for the year ended June 30, 2000.
- Property records are not maintained in a manner that allows beginning balances, additions, and dispositions for each year to be reconciled to balances at the end of each year.
- Reconciliations between fixed asset purchases recorded on the Statewide Advantage for Missouri (SAM II) expenditure reports and additions to the fixed assets records are not performed. Performing these reconciliations would provide assurance that fixed asset items purchased are properly included in the property records and controlled.
- Some fixed assets are not properly numbered, tagged, or otherwise identified as the department's property, and fixed asset duties are not adequately segregated. The same individual performs the annual inventory and maintains the records of fixed assets.

In our prior audit of this program (report 2000-27), we found the department experienced difficulties implementing a revision to its default aversion billing process, which caused some loans to be billed more than once and affected the calculation of default aversion fees. The Department of Higher Education received default aversion fees for providing default aversion activities on delinquent loans.

We recommended the Department of Higher Education consult with the U.S. Department of Education and ensure they were properly calculating the fees. In addition, we recommended they ensure no duplicate billing occurs. These recommendations were implemented.

YELLOW SHEET

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
The Coordinating Board for Higher Education
and
Dr. Kala M. Stroup, Commissioner
Department of Higher Education
Jefferson City, MO 65109

We have audited the accompanying financial statements of the various funds of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 2000, as identified in the table of contents. These financial statements are the responsibility of the program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State Guaranty Student Loan Program as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 15, 2001, on our consideration of the program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the program's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

An integral part of the program's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

February 15, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Alice M. Fast, CPA, CIA
In-Charge Auditor:	Tara L. Shah, CPA
Audit Staff:	Michael J. Monia
	Thomas Fox



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
The Coordinating Board for Higher Education
and
Dr. Kala M. Stroup, Commissioner
Department of Higher Education
Jefferson City, MO 65109

We have audited the financial statements of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 2000, and have issued our report thereon dated February 15, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the State Guaranty Student Loan Program are free of material misstatement, we performed tests of the program's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the State Guaranty Student Loan Program, we considered the program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters

coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the program's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Management Advisory Report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of the State Guaranty Student Loan Program and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 15, 2001 (fieldwork completion date)

Financial Statements

Exhibit A

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
COMBINED BALANCE SHEET
JUNE 30, 2000

	Special Revenue Funds				Agency Fund Automatic Transfer of Money (ATOM) Fund	Account Groups		Total (Memorandum Only)	
	Federal	Guaranty	Restricted	Restricted		General Fixed	General Long-Term	June 30,	June 30,
	Student Loan Reserve Fund	Agency Operating Fund	Reserve Fund	Interest Fund		Asset Account Group	Debt Account Group	2000	1999
ASSETS AND OTHER DEBITS									
Cash and investments	\$ 34,595,581	8,612,013	19,453,002	1,511,025	287,251	0	0	64,458,872	57,440,714
Due from federal government:									
Reinsurance	2,542,838	0	0	0	0	0	0	2,542,838	5,284,091
Loan processing and issuance fee	0	184,770	0	0	0	0	0	184,770	322,928
Account maintenance fee	0	519,509	0	0	0	0	0	519,509	0
Guarantee fees receivable	61,536	0	0	0	0	0	0	61,536	53,009
Interest receivable	5,690	1,073	0	0	0	0	0	6,763	91,110
Allowance for default aversion rebate	300,000	0	0	0	0	0	0	300,000	0
Due from other funds	4,117,008	636,981	0	0	0	0	0	4,753,989	3,478,294
Fixed assets	0	0	0	0	0	720,087	0	720,087	0
Accumulated depreciation	0	0	0	0	0	(414,922)	0	(414,922)	0
Amount to be provided for retirement of general long-term debt	0	0	0	0	0	0	91,487	91,487	0
Total Assets and Other Debits	\$ 41,622,653	9,954,346	19,453,002	1,511,025	287,251	305,165	91,487	73,224,929	66,670,146
LIABILITIES, EQUITY, AND OTHER CREDITS									
Liabilities:									
Accrued payroll	\$ 0	19,894	0	0	0	0	0	19,894	6,121
Employee fringe benefits payable	0	25,323	0	0	0	0	0	25,323	28,378
Accounts payable	2,309,961	1,654,821	0	83,118	0	0	0	4,047,900	1,692,585
Accrued leave liability	0	0	0	0	0	0	91,487	91,487	69,939
Deferred federal advances	1,874,831	0	0	0	0	0	0	1,874,831	1,874,831
Default aversion rebate allowance	0	300,000	0	0	0	0	0	300,000	0
Due to federal government	0	0	19,453,002	0	0	0	0	19,453,002	12,968,668
Due to schools	0	0	0	0	72,199	0	0	72,199	147,054
Due to lenders	0	0	0	0	38,317	0	0	38,317	52,992
Due to other funds	633,526	3,943,728	0	0	176,735	0	0	4,753,989	3,478,294
Total Liabilities	4,818,318	5,943,766	19,453,002	83,118	287,251	0	91,487	30,676,942	20,318,862
Equity and Other Credits:									
Investment in fixed assets	0	0	0	0	0	305,165	0	305,165	0
Fund balance	36,804,335	4,010,580	0	1,427,907	0	0	0	42,242,822	46,351,284
Total Equity and Other Credits	36,804,335	4,010,580	0	1,427,907	0	305,165	0	42,547,987	46,351,284
Total Liabilities, Equity, and Fund Balance	\$ 41,622,653	9,954,346	19,453,002	1,511,025	287,251	305,165	91,487	73,224,929	66,670,146

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
YEAR ENDED JUNE 30, 2000

	Special Revenue Funds				Total (Memorandum Only)	
	Federal	Guaranty	Restricted	Restricted	Year Ended	
	Student Loan Reserve Fund	Agency Operating Fund	Reserve Fund	Interest Fund	June 30, 2000	June 30, 1999
REVENUES						
Guarantee fees	\$ 79,377	0	0	0	79,377	2,951,865
Federal reimbursements:						
Reinsurance	13,362,545	0	0	0	13,362,545	30,403,004
Administrative expense allowance	0	0	0	0	0	1,309,882
Loan processing and issuance fee	0	1,715,680	0	0	1,715,680	891,118
Account maintenance fee	0	1,931,341	0	0	1,931,341	1,580,589
Supplemental preclaims assistance	0	0	0	0	0	384,835
Interest income	2,152,207	388,833	856,960	0	3,398,000	3,105,983
Loan recoveries	0	27,327,758	0	0	27,327,758	27,787,828
Loan disbursements from banks	0	0	0	0	0	181,150,100
School returns	0	0	0	0	0	4,191,826
Miscellaneous	6,847	7,871	0	0	14,718	9,168
Total Revenues	15,600,976	31,371,483	856,960	0	47,829,419	253,766,198
EXPENDITURES						
Personal service	0	1,364,032	0	0	1,364,032	1,247,545
Employee fringe benefits	0	370,850	0	0	370,850	319,981
Expense and equipment	0	6,127,372	0	434,420	6,561,792	6,528,593
Defaulted loan purchases	33,281,354	0	0	0	33,281,354	46,824,843
Loan recovery reimbursements	0	0	0	0	0	4,222,210
Collection agency fees	0	4,107,638	0	0	4,107,638	2,666,188
Payments to federal government	0	0	6,484,334	0	6,484,334	6,484,334
Payments to schools	0	0	0	0	0	183,172,688
Payments to lenders	0	0	0	0	0	2,169,238
Bank charges	0	0	0	0	0	19,189
Total Expenditures	33,281,354	11,969,892	6,484,334	434,420	52,170,000	253,654,809
REVENUES OVER (UNDER) EXPENDITURES	(17,680,378)	19,401,591	(5,627,374)	(434,420)	(4,340,581)	111,389
OTHER FINANCING SOURCES (USES)						
Operating transfers:						
In	18,874,219	1,314,170	6,484,334	856,960	27,529,683	25,281,447
Out	(7,679,178)	(18,700,939)	(856,960)	0	(27,237,077)	(25,281,447)
Appropriations exercised by other state agencies	0	(130,426)	0	0	(130,426)	(104,625)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	(6,485,337)	1,884,396	0	422,540	(4,178,401)	6,764
FUND BALANCE, JULY 1	43,289,672	2,056,245	0	1,005,367	46,351,284	46,344,520
PRIOR PERIOD ADJUSTMENT	0	69,939	0	0	69,939	0
ADJUSTED FUND BALANCE, JULY 1	43,289,672	2,126,184	0	1,005,367	46,421,223	46,351,284
FUND BALANCE, JUNE 30	\$ 36,804,335	4,010,580	0	1,427,907	42,242,822	46,340,407

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
GUARANTY AGENCY OPERATING FUND			
Missouri Guaranteed Student Loan Program			
Personal Service and/or Expense and Equipment	\$ 7,566,481	7,543,521	22,960
FEDERAL STUDENT LOAN RESERVE FUND			
Purchase of defaulted loans, payment of default aversion fees, reimbursement to federal government, and investment of funds of the Federal Student Loan Reserve Fund	85,000,000	33,878,904	51,121,096
RESTRICTED INTEREST FUND			
Missouri Guaranteed Student Loan Program			
Personal Service and/or Expense and Equipment	1,000,002	434,420	565,582
Total All Funds	<u>\$ 93,566,483</u>	<u>41,856,845</u>	<u>51,709,638</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present only selected data for each fund of the State Guaranty Student Loan Program of the Department of Higher Education (DHE).

The Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, Restricted Interest Fund, and the Automated Transfer of Money (ATOM) Fund, presented in Exhibits A and B, are separate accounting entities, recording all assets, liabilities, equities, revenues, and expenses related to the funds' activities.

Expenses presented for any fund or program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the department's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the department and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, Restricted Interest Fund, and the Automated Transfer of Money (ATOM) Fund, Exhibits A and B, are prepared in conformity with generally accepted accounting principles. The statements are presented on the modified accrual basis of accounting which recognizes revenues when they become both measurable and available to pay current liabilities and expenditures when the related liabilities are incurred.

Employees earn a specified number of vacation leave hours monthly, depending on the number of years employed. Accrued vacation leave cannot exceed the number of hours earned in two years. Compensatory time is accrued as it is earned by eligible employees under the Fair Labor Standards Act.

Upon termination, employees are paid accrued vacation leave and compensatory time. The accrued liability is recorded in the General Long-Term Debt Account Group. The accrued liability represents benefits accumulated but unused as of June 30 and is valued at the salary rates then in effect, including the state's share of related payments such as social security and medicare taxes.

Employees earn ten hours of sick leave monthly, with no limit on the number of hours that may be accrued. Since accrued sick leave is not paid to employees upon their termination, no related liability appears in the financial statements.

General fixed assets, which are recorded as an expenditure when acquired, are capitalized in the General Fixed Asset Account Group when the cost of the asset is greater or equal to \$1,000. These assets are then depreciated and shown on the Combined Balance Sheet, Exhibit A. A useful life of 36 months is used for technological assets (i.e. computers) and a life of 60 months is used for all other assets. Straight-line depreciation with no salvage value is the method of depreciation used for all capitalized assets.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The budgetary basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The department administers transactions in the funds listed below. The State Treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly except for the ATOM Fund, which is controlled entirely by the department.

SPECIAL REVENUE FUNDS:

Federal Student Loan Reserve Fund: This fund was created pursuant to the provisions of the Higher Education Act (HEA) of 1998 that requires guaranty agencies to account for transactions related to claim payment and default aversion activities in a separate fund. The legislation provides that the fund is the property of the United States government and may only be used to pay claims to lenders and pay default aversion fees to the Guaranty Agency Operating Fund.

Guaranty Agency Operating Fund: This fund was created pursuant to the provisions of the HEA of 1998 that requires guaranty agencies to account for operating revenues and expenditures in a separate fund. The legislation provides that the fund is the property of the guaranty agency and may be used to pay for the operations of the Federal Family Education Loan Program (FFELP) and other student assistance activities.

Restricted Reserve Fund: As described in Note 5 to the financial statements, this fund was established to comply with the requirements of the Balanced Budget Act of 1997 that amended the Higher Education Act of 1965. This fund represents monies which are restricted for eventual payment to the U.S. Treasury. Revenues include monies which the department earns on the investments of the reserve.

Restricted Interest Fund: This fund represents interest earned on the Restricted Reserve Fund and transferred to this fund. Interest monies are to be used solely for default prevention activities.

AGENCY FUND:

Automatic Transfer of Money (ATOM) Fund: The department serves as an escrow agent by disbursing student loan funds to schools on behalf of participating lenders. Revenues include guarantee fees charged to the lender and monies which the department earns on investment of the fund.

ACCOUNT GROUPS:

General Fixed Asset Account Group: This account group accounts for all fixed assets of the State Guaranty Student Loan Program.

General Long-Term Debt Account Group: This account group accounts for the long-term debt of the State Guaranty Student Loan Program which includes accrued leave liability.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibits A and B are the transfers from the Guaranty Agency Operating Fund for costs related to salaries paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit C.

The Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards* requires certain disclosures regarding public employee retirement systems and postemployment benefits such as health care and life insurance benefits provided to retired employees. Required disclosures for the state financial reporting entity are included in the State of Missouri Comprehensive Annual Financial Report issued by the Office of Administration.

2. Cash and Investments

The balances of the Federal Student Loan Reserve Fund, Guaranty Agency Operating Fund, Restricted Reserve Fund, and the Restricted Interest Fund are pooled with other state funds and invested by the State Treasurer.

Amounts in the ATOM Fund represent cash and investments which are in the custody of the department. The department has determined that a checking account and repurchase agreement are appropriate types of accounts and investments for its needs.

Deposits

The reported amount of the ATOM Fund's deposits was \$124 which was also the bank balance.

The ATOM Fund's deposits at June 30, 2000, were entirely covered by federal depository insurance or by collateral securities held by the program's custodial bank in the department's name.

Investments

The ATOM Fund's investment at June 30, 2000, was a repurchase agreement with a reported amount of \$287,127 and a bank balance and fair value of \$805,573.

Of the reported amount at June 30, 2000, \$287,127 represents investments that were held by an independent bank in the department's name.

3. Due from Federal Government - Reinsurance

This amount represents defaulted loan claims to be reimbursed by the U.S. Department of Education (USDE) at June 30, 2000, net of amounts due to the USDE for refunds of claims previously reimbursed, collections on defaulted loans, including administrative wage garnishments, collections on rehabilitated loans, and amounts received for loans paid in full through consolidation. The amount reimbursed by USDE for defaulted loan claims is considered to be "reinsurance" to the DHE since the agency has already purchased the defaulted loan from the lender, "insuring" the lender against further loss. Except for refunds of claims previously reimbursed, which are fully refundable to the USDE, federal regulations allow the DHE to retain a percentage of amounts collected. The percentages retained vary according to the type of collection and the reinsurance rate effective at the time of the claim payment. The difference between amounts collected and the DHE retention is due to the USDE, and is offset against amounts due to the agency from the USDE for reinsurance on defaulted loans.

For loans disbursed prior to October 1, 1993, the reinsurance agreement between the Coordinating Board for Higher Education (CBHE) and the Secretary of the USDE provides for reinsurance claims to be paid at 100 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. For loans disbursed on or after October 1, 1993, the reinsurance agreement between the CBHE and the Secretary of the USDE provides for reinsurance claims to be paid at 98 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. For loans disbursed on or after October 1, 1998, the reinsurance agreement between the CBHE and the Secretary of the USDE provides for reinsurance claims to be paid at 95 percent if the net default rate of the loan program is less than 5 percent of the total amount of loans in repayment at the end of the preceding federal fiscal year. If the net default rate exceeds 5 percent, USDE reimbursements for reinsurance are reduced. The following default rates occurred for the Missouri Student Loan Program:

<u>June 30,</u>	<u>Default Rate (%)</u>
2000	2.17
1999	2.85
1998	3.59
1997	4.08

4. Deferred Federal Advances

This amount represents advances from the USDE to supplement the fund balance which backs the department's loan guarantees. The USDE may require that the advances be repaid whenever the fund balance is determined adequate to back current outstanding loan guarantees. As of June 30, 2000, the principal amount was \$1,874,831.

5. Due to Federal Government

The Balanced Budget Act of 1997 amended the Higher Education Act of 1965 to require the U.S. Secretary of Education to recall approximately \$1 billion in funds from guaranty agencies. Under this provision, guaranty agencies are required to deposit a portion of their funds into restricted accounts for eventual transfer to the U.S. Treasury. The deposits into the restricted accounts are to be made in equal annual installments within 90 days after the beginning of federal fiscal years 1998 through 2002. All funds in the restricted accounts will be transferred to the U.S. Treasury on September 1, 2002. The following schedule represents deposits that have been or will be made to the restricted reserve fund:

<u>Fiscal Year</u>	<u>Deposit Amount</u>	<u>Cumulative Amount</u>
1998	\$ 6,484,334	\$ 6,484,334
1999	6,484,334	12,968,668
2000	6,484,334	19,453,002
2001	6,484,334	25,937,336
2002	6,484,334	32,421,670

6. Federal Reimbursements - Loan Processing and Issuance Fee

This amount represents an administrative fee paid by the USDE to the DHE that equals 0.65 percent of loans originated during the quarter. Payments are computed quarterly based on amounts reported to the National Student Loan Data System (NSLDS).

7. Federal Reimbursements - Account Maintenance Fee

This amount represents an administrative fee paid by the USDE to the DHE that equals 0.12 percent of outstanding loans. Payments are computed quarterly based upon amounts reported to the NSLDS.

8. Guarantor Servicer Fees

The DHE contracts with a guarantor servicer to provide accounting records, billings, application processing, loan maintenance, claims services, and collection services. Expense and equipment expenditures of the Guaranty Agency Operating Fund, as presented in Exhibit B, include guarantor servicer fees of \$ 3,980,152 for the year ended June 30, 2000.

In addition, the guarantor servicer performs collection activities on defaulted accounts for 120 days after default claim paid date. The servicer retains a portion of the amount collected as a collection fee. Collection agency fees expenditures of the Guaranty Agency Operating Fund, as presented in Exhibit B, include guarantor servicer commission fees of \$ 1,014,645 for the year ended June 30, 2000.

9. Default Aversion Contractor Fees

The DHE contracts with a company to provide default aversion and prevention procedures. Fees of \$ 1,067,383 paid to the default aversion contractor for the year ended June 30, 2000, are included in the expense and equipment expenditures of the Guaranty Agency Operating Fund as presented in Exhibit B.

10. Collection Agency Commissions

The DHE contracts with several collection agencies for collection services. The collection agencies keep a portion of collections as commission fees. The collection agency's commission fees, as included in the collection agency fees expenditures in Exhibit B, for the year ended June 30, 2000, were \$3,092,993.

11. Operating Transfers

A. Default Aversion Fee

The DHE collects a fee for preventing delinquent borrowers from defaulting. The DHE is eligible to collect a one-time fee on each loan where a lender files a Request for Default Aversion Assistance with the guaranty agency. The fee is calculated as 1 percent of the delinquent loan balance and may be transferred no more frequently than monthly from the Federal Student Loan Reserve Fund to the Guaranty Agency Operating Fund. Transfers in to the Guaranty Agency Operating Fund, as presented in Exhibit B, include default aversion fees of \$1,070,213 for the year ended June 30, 2000. If the DHE collects the fee on a loan that subsequently defaults, the DHE must rebate 1 percent of the loan balance at the time of claim payment to the Federal Student Loan Reserve Fund.

B. Account Maintenance Fee

In December 1999, the USDE allowed the DHE to transfer the account maintenance fee from the Federal Student Loan Reserve Fund to the Guaranty Agency Operating Fund instead of USDE paying the amount directly. Transfers in to the Guaranty Agency Operating Fund, as presented in Exhibit B, include this transfer of \$124,631.

C. ATOM Fund Interest

Interest monies earned on the ATOM Fund are transferred from the ATOM Fund to the Guaranty Agency Operating Fund. Transfers in to the Guaranty Agency Operating Fund, as presented in Exhibit B, include \$119,326 of ATOM interest.

D. Secretary's Equitable Share of Loan Recoveries

The Secretary's Equitable Share of Loan Recoveries is transferred from the Guaranty Agency Operating Fund to the Federal Student Loan Reserve Fund since all collections on defaulted loans are deposited in the Guaranty Agency Operating Fund upon receipt. Transfers in to the Federal Student Loan Reserve Fund, as presented in Exhibit B, include \$18,700,939 of secretary's equitable share of collections.

E. Guarantee Fees

Lenders were charged a 1 percent guarantee fee for all loans guaranteed by the Missouri Student Loan Program prior to July 1, 1999. The guarantee fees receipted in the ATOM Fund were transferred from the ATOM Fund to the Federal Student Loan Reserve Fund. Transfers in to the Federal Student Loan Reserve Fund, as presented in Exhibit B, include \$173,280 of guarantee fees.

F. Federal Liability

Transfers in to the Restricted Reserve Fund, as presented in Exhibit B, include \$6,484,334 for the federal recall liability as discussed in Note 5.

G. Restricted Interest

Transfers in to the Restricted Interest Fund, as presented in Exhibit B, represent interest earned on the Restricted Reserve Fund.

12. Due To Other Funds and Due From Other Funds

The amounts due to and due from other funds, as presented in Exhibit A, include the following:

Fees	Due To	Due From
Default Aversion Fees of \$633,526	Guaranty Agency Operating Fund	Federal Student Loan Reserve Fund
ATOM Fund Interest of \$3,455	Guaranty Agency Operating Fund	ATOM Fund

Secretary's Equitable Share of Loan Recoveries of \$3,922,050	Federal Loan Reserve Fund	Student	Guaranty Agency Operating Fund
Guarantee Fees of \$173,280	Federal Loan Reserve Fund	Student	ATOM Fund
State Treasurer's Interest of \$21,678	Federal Loan Reserve Fund	Student	Guaranty Agency Operating Fund

13. Appropriations Exercised by Other State Agencies

The Missouri General Assembly made appropriations from the Guaranty Agency Operating Fund for the loan program's proportionate share of the department's rental payments. These appropriations are administered by the Office of Administration, Division of Facilities Management. An additional \$30,000 was appropriated from the fund to cover the cost of cubicles located in the building rented.

14. Escheatment Funds

The guarantor servicer maintains an escheatment account which includes old outstanding checks and some old borrower payments which cannot be processed because of insufficient information. These funds are the property of the State Guaranty Student Loan Program and totaled \$44,713 at June 30, 2000. These monies are not included in the financial statements.

15. Changes in General Fixed Assets

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Cost of Assets	\$ 663,453	163,084	106,450	720,087
Less-Accumulated depreciation	(380,815)	(137,771)	(103,664)	(414,922)
Total General Fixed Assets				
Assets Account Group, Net of Depreciation	\$ 282,638	25,313	2,786	305,165

16. Changes in General Long-Term Debt

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Compensated Absences	\$ 80,816	25,313	13,829	91,487

17. Prior Period Adjustment

The Guaranty Agency Operating Fund balance has been increased by \$69,939. The accrued leave liability is now reported separately in the General Long-Term Debt Account Group.

18. Allowance for Default Aversion Rebate

When the DHE collects default aversion fees on loans that subsequently default, the DHE must rebate 1 percent of the loan balance at the time of claim payment to the Federal Student Loan Reserve Fund. The DHE calculated an allowance for the default aversion rebate expenses that they may incur.

19. ATOM Fund Revenues and Expenditures

Revenues and Expenditures of the ATOM Fund are:

REVENUES:

Guarantee fees	\$ 173,280
Interest income	139,508
Loan disbursements from banks	186,488,510
School returns	<u>4,782,943</u>
	<u>191,584,241</u>

EXPENDITURES:

Payments to schools	189,311,340
Payments to lenders	1,960,113
Bank charges	<u>20,182</u>
	<u>191,291,635</u>

OTHER FINANCING USES:

Operating transfers out	<u>(292,606)</u>
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REVENUES OVER(UNDER)
EXPENDITURES AND OTHER
FINANCING USES

\$ 0

20. Reconciliation of Total Expenditures to Appropriated Expenditures

Total expenditures for the Guaranty Agency Operating Fund, Federal Student Loan Reserve Fund, and Restricted Interest Fund on Exhibit B reconcile to appropriated expenditures on Exhibit C as follows:

		Year Ended June 30, 2000
TOTAL GUARANTY AGENCY OPERATING FUND, FEDERAL STUDENT LOAN RESERVE FUND, AND RESTRICTED INTEREST FUND		
EXPENDITURES PER EXHIBIT B	\$	45,685,666
Employee fringe benefits		(370,850)
Loan processing and issuance fee transfer		124,631
Default aversion fees		473,093
Prior accounts payable adjustment		(174)
Guarantor servicer commissions		(1,014,645)
Collection agency commissions		(3,092,993)
Other unidentified adjustments		<u>52,117</u>
EXPENDITURES PER EXHIBIT C	\$	<u><u>41,856,845</u></u>

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of the State Guaranty Student Loan Program of the Department of Higher Education as of and for the year ended June 30, 2000, and have issued our report thereon dated February 15, 2001.

The following Management Advisory Report presents our finding and recommendation arising from our audit of the program's financial statements.

Fixed Assets

For the year ended June 30, 2000, the State Guaranty Student Loan Program of the Department of Higher Education had approximately \$720,000 in fixed assets. Our review of the program's fixed asset records and procedures indicated the following areas where improvements are needed:

- A. The detailed fixed asset records are not complete. The department did not record any fixed asset additions or dispositions on the detailed fixed asset listing for the year ended June 30, 2000. Recording additions and dispositions as they occur would allow for a complete and up-to-date record of fixed assets. The Code of State Regulations, at 15 CSR 40-2.031, requires that fixed asset control records contain the identification number; description of item; acquisition cost; date of acquisition; estimated useful life at date of acquisition; physical location; and method and date of disposition for each fixed asset.

In addition, property records are not maintained in a manner that allows beginning balances, additions, and dispositions for each year to be reconciled to balances at the end of each year.

- B. Reconciliations between fixed asset purchases recorded on the Statewide Advantage for Missouri (SAM II) expenditure reports and additions to the fixed assets records are not performed. Performing these reconciliations would provide assurance that fixed asset items purchased are properly included in the property records and controlled.
- C. Some fixed assets are not properly numbered, tagged, or otherwise identified as the department's property. The Code of State Regulations, at 15 CSR 40-2.031, requires each fixed asset item to be identified by a sequential number system including a numbered tag. In addition, the code requires that property items under the threshold amounts to have a tag designating ownership affixed to the item. Property control tags should be affixed to all fixed asset items to help improve

accountability and to ensure that assets are properly identified as department property.

- D. Fixed asset duties are not adequately segregated. The same individual performs the annual inventory and maintains the records of fixed assets. To provide internal control and to properly safeguard assets from theft or misuse, the annual physical inventory should be performed by an individual(s) independent of the custodial and record keeping functions.

Adequate general fixed asset records and procedures are necessary to provide internal control over assets and to ensure proper valuation of assets.

WE RECOMMEND the DHE:

- A. Properly maintain the general fixed asset records on a current basis by recording all additions and dispositions as they occur and in accordance with state regulations. In addition, the DHE should maintain fixed asset records in a manner that allows balances to be reconciled from period to period (ie. beginning balance, plus additions, less dispositions, equals ending balance).
- B. Perform reconciliations of fixed asset additions to equipment purchases per the SAM II system reports.
- C. Ensure all fixed assets are properly tagged or identified as DHE owned property in accordance with state regulations.
- D. Ensure an individual independent of the record keeping function performs the physical inventory.

AUDITEE'S RESPONSE

We agree with these recommendations. The problems noted were exacerbated by staff turnover in the accounting area and the state's conversion to the SAM II system. We are in the process of recruiting a Director of Accounting and Personnel Services who will be responsible for developing the procedures necessary to implement the recommendations. Our target for implementing the recommendations is within six months of hiring the new Director of Accounting and Personnel Services.

This report is intended for the information of the management of the State Guaranty Student Loan Program of the Department of Higher Education and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the State Guaranty Student Loan Program of the Department of Higher Education on findings in the Management Advisory Report (MAR) of our prior audit report issued for the year ended June 30, 1999.

Default Aversion Assistance

- A. The DHE received default aversion fees for providing default aversion activities on delinquent loans. The DHE experienced difficulties implementing a revision to its default aversion billing process, which caused some loans to be billed more than once.
- B. The DHE utilized their loan program servicer to provide preclaims assistance activities. Allowing the loan servicer to provide preclaims assistance while servicing and collecting on the same loans appeared to be a conflict of interest under the final laws and regulations, 34 CFR, Part 682.404. The DHE had not established procedures to ensure the loan program servicer did not perform collection activities on those loans in the future.

Recommendation:

The DHE:

- A. Consult with the USDE and establish procedures to ensure default aversion billings are accurate and complete. In addition, adjustments should be made to correct the duplicate billings.
- B. Resolve the issue concerning the prohibition against conflicts with the USDE.

Status:

A&B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

In 1978, the Missouri General Assembly created the Missouri Student Loan Program (MSLP) to administer the Federal Family Education Loan Program (FFELP) in the state of Missouri on behalf of the Coordinating Board for Higher Education (CBHE). The CBHE has statutory authority to oversee the MSLP and to act as the guaranty agency for the FFELP. In this capacity, the CBHE, acting through the MSLP, guarantees loans made to students by eligible lending institutions.

During the first state fiscal year of operations, the CBHE guaranteed \$15,524,850 in FFELP loans to 7,289 borrowers. In contrast, as of June 30, 2000, the cumulative volume of loans guaranteed was \$3,762,670,452, representing 1,341,125 in FFELP loans. Included in this total is \$1,860,653,588 in outstanding loans.

The FFELP was created by the Higher Education Act of 1965, which is reauthorized by Congress every five years. There are currently four types of loans available to eligible borrowers under the FFELP:

- Subsidized Federal Stafford Loan
- Unsubsidized Federal Stafford Loan
- Parent Loan for Undergraduate Students
- Federal Consolidation Loan

Subsidized Federal Stafford Loans are need-based loans available to eligible undergraduate and graduate students. Generally, the federal government pays interest on the loan as long as the borrower is enrolled at least half-time and during the borrower's six-month grace period and authorized deferment periods.

Unsubsidized Federal Stafford Loans have the same terms and conditions as Subsidized Stafford Loans except that they are not need-based, and the borrower is responsible for all interest payments.

Parent Loans for Undergraduate Students (PLUS) allow parents to borrow guaranteed loans for dependent students. PLUS borrowers are responsible for all interest, and repayment generally begins within 60 days from the time the loan is fully disbursed.

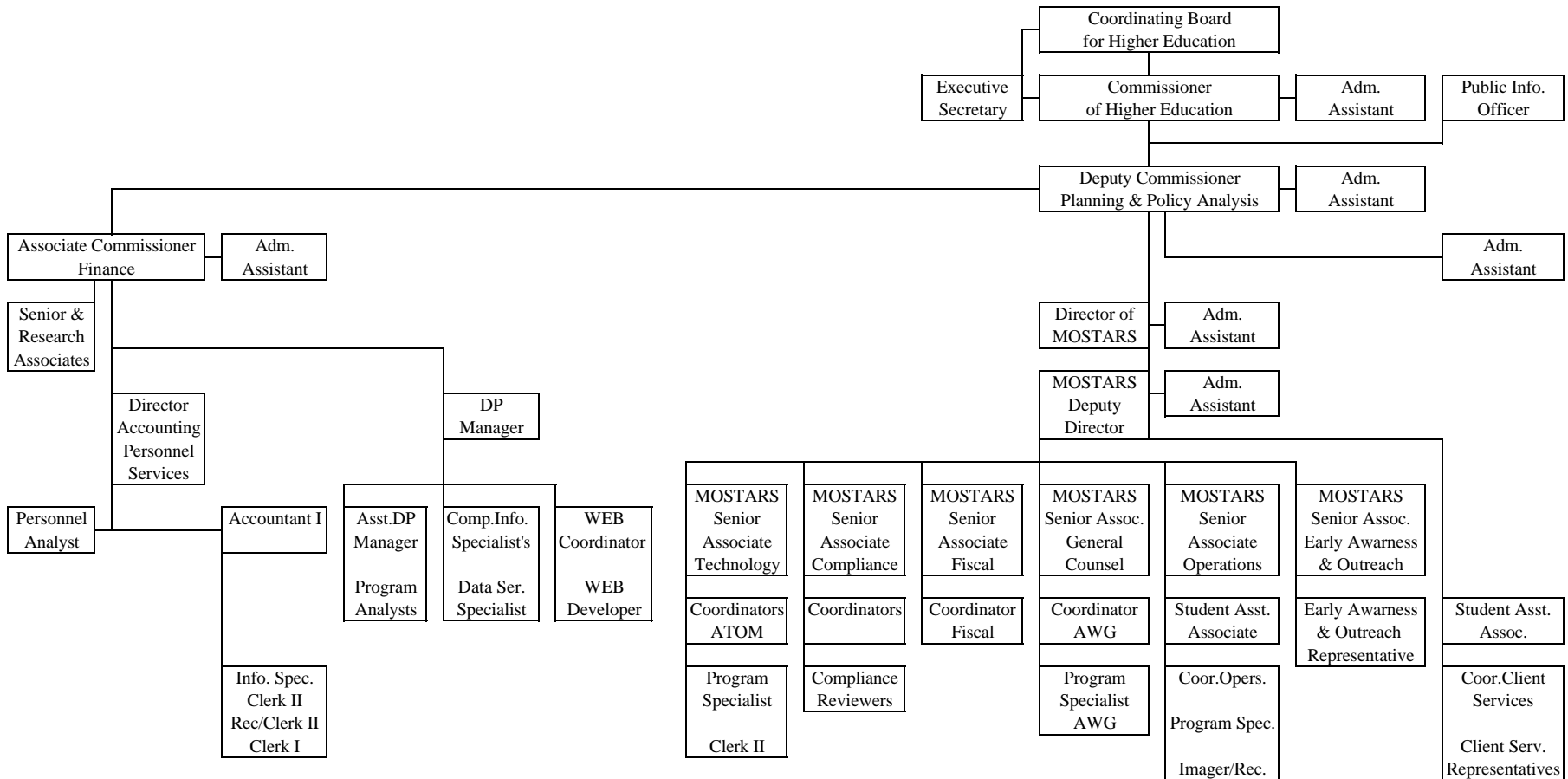
Federal Consolidation Loans are available to borrowers who wish to combine existing student loans into one new loan. Generally, this results in lower monthly payments but higher total interest costs.

In August 1995, the department established the Automated Transfer of Money (ATOM) fund in an effort to aid schools by streamlining the delivery of Missouri student loan funds. By serving as an escrow agent, the department disburses student loan funds to schools on behalf of the

participating lenders. As of June 30, 2000, the cumulative volume of disbursements to schools was 454,647 disbursements totaling \$751,807,609. Currently, there are 80 participating lenders and over 400 schools that receive the loan disbursements.

In October 1997, the CBHE approved a new organizational structure to combine the administration of the Missouri grant, scholarship, and federal loan programs into one student assistance area. The new division was named Missouri Student Assistance Resource Services (MOSTARS). MOSTARS was created as a “one stop shop” which, in coordination with high school counselors and college and university financial aid offices, provides resources and information to ensure that Missouri citizens have an opportunity to finance postsecondary education. MOSTARS employs approximately fifty-one full-time equivalent employees.

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
ORGANIZATION CHART
JUNE 30, 2000



DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
PROGRAM STATISTICS
LOANS GUARANTEED

FEDERAL SUBSIDIZED STAFFORD STUDENT LOAN PROGRAM (SSLP)

Year Ended September 30,	Loans Guaranteed During Year	Total Loans Guaranteed to Date	Average Size of Loan Guaranteed
1986 and prior	\$ 824,126,957	824,126,957	2,236
1987	109,860,344	933,987,301	2,290
1988	95,710,975	1,029,698,276	2,304
1989	104,304,308	1,134,002,584	2,318
1990	123,392,544	1,257,395,128	2,336
1991	150,441,323	1,407,836,451	2,359
1992	162,633,091	1,570,469,542	2,386
1993	187,700,329	1,758,169,871	2,431
1994	218,830,241	1,977,000,112	2,494
1995	161,814,986	2,138,815,098	2,529
1996	130,748,319	2,269,563,417	2,558
1997	149,205,698	2,418,769,115	2,590
1998	185,261,639	2,604,030,754	2,630
1999	190,388,523	2,794,419,277	2,670
2000	204,359,788	2,998,779,065	2,700

FEDERAL UNSUBSIDIZED STAFFORD STUDENT LOAN PROGRAM (USSLP)

Year Ended September 30,	Loans Guaranteed During Year	Total Loans Guaranteed to Date	Average Size of Loan Guaranteed
1993	\$ 13,695,823	13,695,823	2,320
1994	55,230,171	68,925,994	2,920
1995	66,408,588	135,334,582	2,933
1996	57,314,322	192,648,904	2,967
1997	73,907,196	266,556,100	3,034
1998	103,112,219	369,668,319	3,146
1999	120,416,869	490,085,188	3,244
2000	139,234,683	629,319,871	3,326

FEDERAL PARENT LOANS FOR UNDERGRADUATE STUDENTS PROGRAMS (PLUS)

<u>Year Ended September 30,</u>	<u>Loans Guaranteed During Year</u>	<u>Total Loans Guaranteed to Date</u>	<u>Average Size of Loan Guaranteed</u>
1986 and prior	\$ 9,892,008	9,892,008	2,658
1987	3,017,208	12,909,216	2,684
1988	4,367,589	17,276,805	2,773
1989	6,286,876	23,563,681	2,847
1990	8,471,120	32,034,801	2,917
1991	11,230,270	43,265,071	2,978
1992	13,428,488	56,693,559	3,029
1993	13,371,943	70,065,502	3,190
1994	11,522,861	81,588,363	6,285
1995	11,218,115	92,806,478	3,390
1996	9,359,878	102,166,356	3,481
1997	12,683,865	114,850,221	3,612
1998	19,340,718	134,190,939	3,790
1999	22,704,277	156,895,216	3,981
2000	27,624,226	184,519,442	4,195

FEDERAL SUPPLEMENTAL LOANS TO STUDENT PROGRAMS (SLS)

<u>Year Ended September 30,</u>	<u>Loans Guaranteed During Year</u>	<u>Total Loans Guaranteed to Date</u>	<u>Average Size of Loan Guaranteed</u>
1986 and prior	\$ 18,041,953	18,041,953	2,775
1987	5,480,183	23,522,136	2,789
1988	6,939,321	30,461,457	2,792
1989	9,759,342	40,220,799	2,752
1990	12,441,963	52,632,762	2,753
1991	21,234,781	73,867,543	2,877
1992	24,603,045	98,470,588	2,892
1993	28,337,468	126,808,056	2,940
1994	21,145,273	147,953,329	2,962
1995	13,212	147,966,541	2,962
**			

** No new SLS loans were made on or after July 1, 1994.

TOTAL LOANS GUARANTEED

Year Ended September 30,		Loans Guaranteed During Year	Total Loans Guaranteed to Date
1986 and prior	\$	852,060,918	852,060,918
1987		118,357,735	970,418,653
1988		107,017,885	1,077,436,538
1989		120,350,526	1,197,787,064
1990		144,275,627	1,342,062,691
1991		182,906,374	1,524,969,065
1992		200,664,624	1,725,633,689
1993		243,105,563	1,968,739,252
1994		306,728,546	2,275,467,798
1995		239,454,901	2,514,922,699
1996		197,422,519	2,712,345,218
1997		235,796,759	2,948,141,977
1998		307,714,576	3,255,856,553
1999		333,509,669	3,589,366,222
2000		371,218,697	3,960,584,919

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
PROGRAM STATISTICS
DEFAULT CLAIMS PAID

		<u>Stafford</u>	<u>PLUS</u>	<u>SLS</u>	<u>Unsubsidized Stafford</u>
AS OF JUNE 30, 1998	\$	328,682,607	5,163,157	32,429,300	9,393,379
Default claims paid during fiscal year 1999		<u>28,242,558</u>	<u>666,585</u>	<u>3,144,924</u>	<u>6,888,398</u>
AS OF JUNE 30, 1999		356,925,165	5,829,742	35,574,224	16,281,777
Default claims paid during fiscal year 2000		<u>12,639,398</u>	<u>340,919</u>	<u>1,002,801</u>	<u>5,418,129</u>
AS OF JUNE 30, 2000	\$	<u>369,564,563</u>	<u>6,170,661</u>	<u>36,577,025</u>	<u>21,699,906</u>

Defaulted loans represent loans which became delinquent and which the state purchased from the lender. Bankruptcy, death, and disability claims are excluded.

SERVICE FEES

During the audit period, Guarantec administered the loan program for the department. The loan servicer is compensated on a fee-per-transaction basis. Guarantec's billing rates for the period July 1, 1999 to June 30, 2000 were:

<u>Service</u>	<u>Rate</u>	
Mandatory Services		
Electronic Application Guarantee	\$ 3.55	per transaction
Hard Copy Application	5.46	per transaction
Outstanding Loans - In School and In Grace	0.22	per loan
Outstanding Loans - In Repayment	0.56	per loan
Loan Delinquency Brought Current	4.37	per loan
Claim Paid	54.64	per transaction
Optional Services		
Application/Promissory Note Generated and Mailed	1.91	per transaction
Credit Check on PLUS	5.46	per transaction

The following loan amounts were outstanding at June 30, 2000 and 1999:

		June 30,	
		2000	1999
Stafford	\$	1,175,196,491	1,147,221,774
Unsubsidized Stafford		402,767,313	317,016,498
PLUS		92,853,075	81,793,980
SLS		38,175,963	45,117,618
Consolidated		151,633,977	160,731,342
Refinanced		26,769	26,769
Total	\$	<u>1,860,653,588</u>	<u>1,751,907,981</u>

DEPARTMENT OF HIGHER EDUCATION
STATE GUARANTY STUDENT LOAN PROGRAM
PROGRAM STATISTICS
PORTFOLIO MIX

	Year Ended September 30,		
	2000	1999	1998
	Portfolio Mix	Portfolio Mix	Portfolio Mix
	<u>Percentages</u>	<u>Percentages</u>	<u>Percentages</u>
Public	34.2 %	33.0 %	35.8 %
Private	52.9	53.4	50.4
Proprietary	10.8	11.1	10.6
Other (includes professional, vocational technical, theological, and out-of-state)	2.1	2.5	3.2
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

The State Guaranty Student Loan Program monitors the program to ensure that a desirable mix is maintained.

* * * * *



**DIVISION OF FINANCE
AND
REGULATION OF INSTANT
LOAN INDUSTRY**

**From The Office Of State Auditor
Claire McCaskill**

*Consumers are not adequately protected from
the risk of unsatisfactory lenders operating in
the state.*

**Report No. 2001-36
May 9, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2001

www.auditor.state.mo.us

State laws favor instant loan lenders, often leaving loan consumers in a debt cycle and paying up to three times the loan's initial value

Current statutes do not limit the interest rates lenders charge a consumer. As a result, lenders commonly charge up to 300 percent interest on a \$500 title loan or 391 percent interest on a \$300 payday loan. (See page 3)

This audit reviewed Missouri's growing instant loan industry and the Division of Finance charged with regulating it. The aspects examined included: typical consumer profiles, instances of severe consumer debt and the adequacy of state regulation.

Loan renewals deepen consumer debt

Lenders renew loans 3.5 more times than they make new loans. These repeated renewals often result in the consumer paying additional fees every time they renew. One customer obtained a \$900 title loan and renewed it three times over three months. By then, she had paid \$902 in interest and fees, but still owed the \$900 loan. (See page 4)

Other states more tightly regulate lenders

Missouri law allows lenders to renew loans up to a year, set unlimited interest rates and concurrently loan money from various instant loan operators. Other states restrict the number of renewals, cap interest rates and prohibit multiple loans from different lenders. (See page 5)

Missouri law also does not give the Division of Finance explicit authority to suspend or revoke the license of a lender who violates state law and has vague requirements for lender examinations. (See page 17)

Lenders can choose which law to follow

Lenders can follow one of three state laws, which define allowable fees, length of term, maximum and minimum amounts, due process and annual reporting requirements. As a result, lenders are subject to inconsistent regulation. For example, title and payday lenders do not have to be audited yearly as do traditional lenders and title lenders do not have to follow consumer protection provisions. (See page 8)

YELLOW SHEET

Consumers unaware of complaint process

Lenders are not required to inform loan customers that they can call the Division of Finance with a question or complaint about a loan. When a customer does complain, the finance division only tracks complaints in which a finance division employee noted the results of the investigation. Complaints that go undocumented cannot be used to track industry activity. (See page 10)

DIVISION OF FINANCE AND REGULATION OF INSTANT LOAN INDUSTRY

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Department of Economic Development
Division of Finance
D. Eric McClure, Acting Commissioner
Jefferson City, MO 65102

We conducted an audit of state agencies' practices and procedures and of state legal provisions relating to the instant loan industry. This audit was initiated because of concerns over the exorbitant interest rates charged and the rapid growth of the industry over the last several years. This audit focused on instant loan organizations (title loan, payday loan, and traditional small loan lenders) operating within the state of Missouri. The objectives of this audit were to:

- ❑ Review certain laws related to the instant loan industry and determine if changes are needed to improve or clarify existing state laws.
- ❑ Determine whether consumer complaints related to the instant loan industry are being properly addressed.
- ❑ Review applicable state agencies' management controls and practices to determine the propriety and effectiveness of those controls and practices as they relate to the instant loan industry.

We reviewed applicable state statutes, code of state regulations, complaint files, examination reports, and personnel procedures. We interviewed applicable employees and solicited information from other states regarding their regulation of these businesses.

We concluded that current statutes allow the instant loan industry to charge consumers exorbitant fees. State laws governing the instant loan industry are inconsistent and consumers may not receive adequate protection rights. Processing of consumer complaints related to the instant loan industry need improvement and consumer awareness of the complaint process is lacking. Examination procedures and the related laws are not adequate to properly monitor and regulate the instant loan industry.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

December 27, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
Audit Manager:	David Holtmann, CPA
In-Charge Auditor:	April McHaffie, CPA
Audit Staff:	Jody Vernon, CPA

RESULTS AND RECOMMENDATIONS

1. Instant Loans Are Costly to Consumers

Instant loan consumers are faced with exorbitant fees for short-term loans, and the problem becomes more compounded if the loan is renewed. Current statutes allow the instant loan industry to charge consumers fees that according to audit surveys were in excess of 300 percent annually. The common fees charged on a \$500 loan by a title lender were 300 percent annually and the fees on a \$300 payday loan were 391 percent. Although the instant loan industry is providing a service to those in instant need of ready cash, better controls over industry practices are needed to protect consumers. Regarding car title loans, the consumer should be given due process before repossessions are made.

Profile of consumers and loans

Title and payday consumers are generally lower income individuals. Title and payday lenders estimated 70 percent of their consumers earned less than \$25,000 annually. According to the US Census Bureau, the median household income (1997 estimate) for Missourians was \$34,502. Also, the Community Financial Services Association of America, which is a national trade group for the payday loan industry, reports that the average payday loan consumer has an average annual household income of \$33,187. In our review of 17 payday consumer files at two licensed payday locations, 10 (or 59 percent) of those consumers had annual incomes less than \$15,000 reported in their financial information questionnaire.

Consumers are generally in the lower income range

The typical title loan amount is \$350 and the typical payday loan amount is \$180. Instant loan operators provide consumers with a method of borrowing to satisfy immediate financial needs without asking a lot of questions about their income, assets, or credit histories. Many title and payday lenders advertise “15-Minute Loans” and argue these short term loans are needed to pay for unexpected expenses or household emergencies and to avoid the possibility of bouncing a check or incurring late payment penalties.

How instant loans work

Car title loans offer consumers a means to get cash with their title being used as collateral. These loans are typically made for 30 days and the consumer’s title is held until the loan is paid. After 30 days, the loan is paid, renewed for another 30-day cycle, or defaulted and the vehicle is repossessed.

Car titles and personal checks serve as collateral

Payday loans allow consumers to obtain cash for a short time until his or her next payday. Consumers issue personal checks to the payday lender, which are held for a period of 14 days. At that time, either the check is deposited, the consumer returns with cash to reclaim the check, or the loan is renewed for another 2 weeks and additional fees are charged.

Consumers can go deeper in debt with instant loans, particularly if the loans are renewed

Complaints from consumers usually concern rates and other aspects of the loan or loan process as shown in the table below.

COMPLAINT	CAR TITLE LOAN	PAYDAY LOAN
Fees and interest rates too high	X	X
Repossessions without notice	X	
Have to use one loan to payoff another		X

The Attorney General's Office received a complaint from a consumer who claimed she was being charged 900 percent annual percentage rate on her title loan. In another complaint, a consumer claimed she was forced to take out five additional payday loans to cover her payday loans currently due.

It is not uncommon for title and payday loans to be renewed several times. Audit results showed that, on average, title and payday lenders make 3.5 times more renewal loans than new loans each month. In our observation of different loans, we noted the following examples that illustrate the effect of the renewal process:

Multiple loans and renewals cause trouble for consumers

- A consumer obtained a title loan for \$300 on December 4, 1999, renewed the loan 9 times over the next several months, and still owed \$33 on October 22, 2000. The consumer paid \$485 in interest and fees, plus \$267 on the principal of the loan for a total of \$752 in repayments on the \$300 loan. She obtained the loan against her 1990 Chevy Beretta valued by the company at \$1,025.
- A consumer obtained a title loan for \$900 on July 7, 2000, renewed the loan 3 times paying \$902 in interest and fees, but made no reductions in the principal amount. The consumer obtained this loan against her 1993 Buick Century. She was 67 years old, living on a fixed income, and as of October 2000 her loan was still open. She has already paid the equivalent of the loan value in fees, and still owes the \$900. This practice will continue until the consumer starts paying on the principal. In this example, the consumer is "hanging on" by paying fees but still has not been able to satisfy the loan.
- A consumer owed \$2,564 in principal, interest, repossession charges, and auction fees after he had stopped paying on his title loan balance of \$442 for approximately 1 year. His vehicle was found and repossessed by the lender and then sold at auction for \$3,000. The lender was operating under Missouri Revised Statutes 2000, (RSMo) Section 367.100, which requires refunds to the consumer for any excess amount received in a sale after the lender is made whole. Therefore, the consumer received a refund of \$436 (\$3,000-2,564).
- A consumer obtained a \$100 payday loan on August 26, 2000, renewed the loan 4 times, paid the lender \$98 in interest through October 21, 2000, and still owed \$93 on the loan in December 2000.

Consumer hangs on in never-ending cycle

- A consumer obtained a \$200 payday loan on August 22, 2000, and renewed the loan 7 times paying \$240 in fees, and still owed \$230 on the loan.
- A consumer obtained a \$200 payday loan on June 23, 2000, and renewed the loan 11 times paying \$278 in fees, and still owed \$92 on the loan in December 2000.

Missouri Statutes allow lenders to extend loans and charge fees

Missouri statutes allow the renewal process for title loans to extend title loans for more than 1 year. Section 367.512 (4), RSMo states: “The title lender shall renew the title loan agreement for additional thirty-day periods upon the consumer’s request and the payment by the consumer of any interest and fees due at the time of such renewal, however upon the third renewal of the title loan agreement, and each subsequent renewal thereafter, the consumer shall reduce the principal amount of the loan by ten percent of the original amount of the loan until such loan is paid in full.” The principal reduction requirement provides a maximum of 13 months to pay off a title loan.

State Regulation (4 CSR 140-11.010 (5)) limits the term of a payday loan to 10 months; however, as illustrated in the examples above, significant fees are accrued on these types of loans when the loans are extended for several months.

The State of Kentucky has a statute that limits title loan renewals to no more than three times in succession. Kentucky also passed legislation in 1998 capping title loan interest rates at 36 percent per year. Kentucky Division of Finance and Banking officials stated the cap on interest rates caused the title loan industry to leave the state.

Kentucky has strict laws for title and payday loans

The State of Kentucky also has a statute that prohibits payday lenders from making loans to a consumer that already has \$500 in outstanding payday loans from any lender across the state. This would prohibit consumers from obtaining additional loans in order to pay off existing payday loans from different lenders.

Reducing the number of renewals could help some consumers avoid the cycle of debt that results from continually renewing these types of loans while allowing the industry to maintain its presence in Missouri. In addition, the statutes should provide more stringent guidelines to limit the total payday loan balance that consumers can obtain from all lenders.

Cost of an instant loan

Audit results showed that the common fees charged on a \$500 loan by a title lender were 25 percent per month or 300 percent annually. The title lender fees ranged from 183 percent to 377 percent annually. The fees on a \$300 payday loan ranged from 217 percent to 391 percent with the most common fees being 391 percent.

The Community Financial Services Association of America argues that expressing the terms of an instant loan in the form of an annual percentage rate is not a fair comparison because it is a calculation made over a 12-month period and instant loans are generally made for a 30-day or

14-day period. However, as previously illustrated above, many instant loans are renewed several times often spanning several months.

Title lenders are not required to itemize their fees to illustrate that these charges are strictly to cover the ordinary cost of operations. According to Section 367.515, RSMo: “The maximum rate of interest that a title lender shall contract for and receive for making and carrying any title loan authorized by Sections 367.500, RSMo to 367.530, RSMo shall not exceed one and one-half percent per month on the amount for such loans. Title lenders may charge, contract for, and receive a fee, which shall not be deemed interest, to defray the ordinary cost of operations.” In addition to the ambiguous fees allowed by statute, the Division of Finance does not have appropriate guidance to ensure this provision is enforced and that lenders are only charging fees to defray ordinary operating costs.

Statutes are ambiguous regarding allowable fees

Section 408.500, RSMo governs the rates for payday loans and provides: “...Lenders shall file a rate schedule with the director, who upon review, shall approve the rates comparable with those lawfully charged in the marketplace for similar loans. In determining marketplace interest rates, the director shall consider the appropriateness of the rate requests made by lenders and rates allowed on similar loans in the state contiguous to Missouri...” The director from the Division of Finance has approved three different rate schedules. Those rates are the Missouri rate, Tennessee rate, and Oklahoma rate as noted below:

- Missouri rate: \$10 loan fee plus 5 percent interest per month (or 14-day cycle of loan).
- Tennessee rate: 15 percent fee with a maximum fee of \$45.
- Oklahoma rate: Rate varies¹ and is established annually by the State of Oklahoma.

Payday lenders can be approved for more than one of the above rate schedules. For example, lenders can charge the Missouri or the Tennessee rate depending on which rate is most beneficial (generating the greatest profit) to their particular business.

Title and payday lenders operating under Section 367.100, RSMo can charge any rate that is agreed upon by both the consumer and the lender. Payday lenders can operate under Chapters 408 or 367, RSMo.

Conclusion

The instant loan industry views itself as providing a service to those in need and that high fees are a necessary part of the business in order for them to cover losses and stay in business. However, the state has a role to play in protecting the consumer, and measures can and should be taken to ensure the instant loan industry conforms to basic rules of fairness to the consumer. Although the statutes limit the fees that title loan companies may charge to defray the cost of

¹ Rate varies by loan and loan amount. There is no one single rate for the industry. Based on our limited review, there were not many loans in Missouri that used this rate.

operations, ordinary operating costs are not defined. Consumers need protection with due process rights before loan companies can repossess vehicles.

Recommendations

We recommend the General Assembly:

- 1.1 Consider reducing the number of renewals allowed by statute.
- 1.2 Readdress the statutes to limit the total payday loan balance that consumers can obtain from all lenders.
- 1.3 Consider requiring due process for consumers before vehicles are repossessed and sold.
- 1.4 Consider defining the operating costs charged by title lenders.

2. Statutes Governing the Instant Loan Industry Are Not Consistent Between Loan Programs

Consumers cannot rely on consistent protection from the state among the various instant loan programs because the laws establishing the programs did not consider the impact on the consumer when the programs were approved. Instant loan companies can operate under three different sections of the Missouri Revised Statutes (RSMo) and pick and choose which statute serves them best without concern for consumer interests. Some title and payday lenders operate under Section 367.100, RSMo (traditional lending) while others operate under the specific sections for title or payday lenders, Sections 367.500, RSMo (title loans) and 408.500, RSMo (payday loans), respectively. These laws vary in loan terms including allowable fees, length of term, maximum and minimum amounts, due process, and annual reporting requirements. As a result, consumers are not provided adequate protection related to the title and payday industry.

Lenders participate in all three statutory programs

Of the approximately 558 traditional lenders currently operating under Section 367.100, RSMo across the state, 109 of these companies were in the business of making title loans, 95 were in the business of making payday loans, and 50 of these companies made both title and payday loans. There are currently 113 title and 655 payday lenders operating under the specific statutes set forth for those types of lenders.

The chart below summarizes some of the primary differences in instant loan programs based on their controlling statute:

<i>Description</i>	<i>Traditional Lending (Section 367.100)</i>	<i>Title Loans (Section 367.500)</i>	<i>Payday Loans (Section 408.500)</i>
<i>Maximum loan amount</i>	No limit	\$5,000	\$499.99
<i>Maximum term</i>	No limit	30 days	10 Mos
<i>Refund for early payoff</i>	Yes	No	No
<i>Consumer protection</i>	Yes	No	No
<i>Annual reporting requirement</i>	Yes	No	No
<i>Annual audit requirement</i>	Yes	No	No
<i>Number of licensees</i>	558	113	655
<i>Charge for loan</i>	No limit	1.5% per month + fees	*

*Rates for payday loans are approved by the Division of Finance. The most common rates are the Missouri rate which is \$10 plus 5 percent per month and the Tennessee rate, which is 15 percent per month with a maximum of \$45. Controlling statutes for each type of lender are at Appendix II, page 23.

Specific inconsistencies that affect consumers include:

- Title and payday lenders are not subject to the same annual reporting and audit requirements as with traditional lenders.
- Title loans are not subject to any of the consumer protection provisions found in traditional loans. This means vehicle repossessions can occur without any notice, and the lender does not have to give the consumer an opportunity to cure the default.
- Title loans also are not subject to the Uniform Commercial Code in regard to refunding. This means that if a sale of repossessed property occurs and there is a surplus over what the consumer owes, the lender may keep the surplus. If there is a deficiency, then the lender must absorb the loss.

The Division of Finance has worked with the legislature by proposing changes to statutes to address some of these inconsistencies.

Conclusion

Although title loans, payday loans, and traditional loans serve the purpose of providing cash to people in need, the statutes within which each loan program was established are not consistent. The lack of due process in the title loan program and the differences in allowable fee charges in all loan programs cause considerable problems for the consumer—problems that should be avoided.

Recommendation

We recommend the General Assembly:

- 2.1 Consider reexamining the provisions of all instant loan programs and determine if there is a need to make them more consistent and less likely to cause additional hardships for consumers.

3. Consumer Complaint System Needs Improvement

Consumer complaint procedures could be improved by establishing specific standards for handling complaints, centralizing the complaint function, and heightening consumer awareness. State laws regulating the instant loan industry do not specify how consumer complaints are to be recorded and processed. Furthermore, state law does not designate the Division of Finance as the agency responsible for handling consumer complaints. Some complaints are made directly to the Division of Finance while others are made to the Attorney General's Office. Established guidelines or statutes for handling complaints would ensure that complaints are being processed by an agency with the authority and influence to resolve complaints. Centralizing complaints would ensure that all complaints are being considered and processed appropriately.

Processing of consumer complaints

After interviewing applicable employees, and benchmarking with other states, we determined improved procedures and more detailed statutes governing these lenders could address consumer complaints more efficiently.

Division of Finance procedures

The Division of Finance could improve their procedures for handling complaints. The division has not established specific standards for handling complaints and, cannot assure that all complaints are properly investigated and resolved. Also, procedures for handling complaints are not explicit in the Missouri Statutes or in the Code of State Regulations.

Some complaints are handled over the telephone by the senior counsel, while others are forwarded to examiners for investigation. After examiners investigate consumer complaints, some examiners document their findings in a memo that is logged on the division's database while others have no documentation of the follow-up. The division's database, therefore, only tracks complaints in which written correspondence has been generated and excludes those complaints that were handled by telephone. Established procedures for handling complaints would ensure that all consumer concerns are being processed appropriately. Division personnel stated that they did not have the resources to document the high volume of telephone complaints and that they were confident that the complaints were handled properly. The audit concern is that even field examiners are not documenting all telephone complaints. Complaints that are not documented cannot be used to track industry activity.

The division's senior counsel and examiners are responsible for receiving and resolving complaints. These functions include taking consumer complaint telephone calls or written complaints from consumers, investigating the circumstances of the complaint, and resolving the complaint to the satisfaction of both the consumer and the lender.

The regulatory authority for the Division of Finance can be found in Sections 367.160, 367.503, and 408.500, RSMo, and 4 CSR 140-11.020 of the Code of State Regulations, however, these regulations do not describe specific procedures for handling complaints. The Consumer Credit Division within the Division of Finance is responsible for

regulating instant loan businesses. The Consumer Credit Division is staffed with one senior counsel, nine examiners, and two support staff.

Division of Finance helps consumers resolve complaints

Audit results showed the following examples where the division's influence was used successfully to help consumers settle disputes with lenders:

- A consumer claimed she had made several payments on her title loan but still owed the company money. The division found the consumer had borrowed \$300 in March 1999, and after six renewals had paid \$362 in interest and \$156 on the principal of the loan for a total of \$518. The consumer still owed \$191 in interest and principal on the balance of the loan. The division contacted the lender who agreed to settle the account for \$39. The consumer in this case was very pleased with the outcome.
- A consumer claimed a payday lender presented her check to the bank for payment despite making other arrangements for the payment. She also complained she had only signed one loan contract promising to pay \$345 despite the loan being renewed six times. The division found the consumer had paid a total of \$615 of which \$270 was for renewal fees. The consumer signed only one loan agreement, and therefore, was not responsible for the renewal fees. The division contacted the lender who agreed to return the \$270 in renewal fees to the consumer.
- A consumer claimed proper delinquent notices had not been sent and his vehicle was wrongfully repossessed. The consumer owed \$491 in principal and interest after falling behind on his loan. The division handled negotiations between the consumer and lender who agreed to settle for \$350. This company was licensed under Chapter 367, RSMo but was doing business as a title lender, and therefore, was required to send default notices before repossessing the consumer's vehicle. The division found that the notice of default and right to cure had been sent, but was deficient because the amount due was inaccurate.

Division of
Finance comes
to the aid of
consumers

The State of Kentucky has specific statutes describing procedures for handling complaints related to payday lenders. The statutes describe procedures for filing complaints, and describe who is responsible for receiving and investigating complaints. Similar procedures could be established for all businesses operating in the instant loan industry.

Consumer awareness of the complaint process

Consumers are not adequately informed of which state agency to contact with complaints or questions. Loan documents do not disclose the Division of Finance as the contact agency to handle complaints, nor is this information prominently posted in lenders' offices. Neither the Division of Finance nor state statutes require lenders to inform consumers of whom to contact with

More can be
done to
educate
consumers

questions or concerns. The Division of Finance maintains a consumer complaint form on their web site; however, they do not distribute any other informational packets or brochures that explain complaint procedures.

The Attorney General's Office personnel maintain a consumer hotline, distribute informational packets, and maintain a consumer complaint form on their web site. There is a consumer advocate that helps inform consumers of their rights. The Attorney General's Office will also refer consumers to the Division of Finance in cases where the division's authority and expertise will assist the consumer. Informing consumers of a contact for complaints or questions would help ensure that public concerns are being adequately addressed.

The State of Arkansas requires payday lenders to print on the loan application the telephone number and address of the state agency that handles consumer complaints and questions. The State of Kentucky requires payday lenders to post the state's toll-free complaint number at lender locations. Similar procedures could be established for all businesses operating in Missouri's instant loan industry.

Improving consumer awareness of the Division of Finance's influence would benefit consumers that need a mediator to resolve conflicts with instant loan businesses.

Conclusion

With a few changes in the law, the state could improve the consumer complaint process along with improving consumer awareness related to the instant loan industry. Current weaknesses in the law and in the practices of various state agencies have left the potential for consumer concerns to remain unresolved.

Recommendations

We recommend the Division of Finance:

- 3.1 Develop specific guidelines for handling complaints related to the instant loan industry to ensure consumer complaints are handled in a consistent manner. This would include developing specific procedures for processing complaints.
- 3.2 Consider developing methods to improve consumer awareness of the complaint process.

We recommend the General Assembly:

- 3.3 Consider assigning the responsibility for consumer complaints to the Division of Finance.

Division of Finance Comments

Full text comments are included in Appendix III, page 26.

Recommendation 3.1- *The Auditor's Report is not accurate in stating that "the Division has not established basic² standards for handling complaints." The Division does have the very highest standards for assisting consumers with complaints. These standards, which were explained in detail to the Auditor's Office personnel, have been followed routinely for more than at least twenty years. It is true that we had not committed our standards and procedures to writing. We have now done so and the written procedures are attached. The written guidelines follow our previously established procedures, which have been very effective and efficient in our effort to assist consumers in the complaint process. We have also attached the results of a survey of complainants conducted last year. The survey asked the complainants to rate satisfaction with our performance. The overall grade was 4.19 on a scale of 1 to 5, with 5 being the best. The survey was sent to all complainants filing a written complaint between January and July 2000.*

The report discusses our record keeping of complaints. Telephone initiated complaints are frequently resolved quickly and efficiently, often with all parties satisfied. It is our policy that all complaints handled in the field be documented with a memo either via mail or e-mail (of course, we cannot say that there is never a lapse). Whenever a complaint does begin with or result in a written document, a file is created. We have established a good record keeping system for written complaints. Complaints received and handled exclusively by phone are rarely documented due to volume and limited resources. The recommended suggestion in the audit to keep written records on every telephone complaint would result in more time spent on internal paperwork and less time spent on solving consumers' problems.

Recommendation 3.2- *The report calls for efforts in getting this Division's name, address, and telephone number (preferably toll-free) before the borrowing public. We agree that consumer awareness of our complaint process should be improved. We will send a directive to all of our consumer credit licensees, requesting that they conspicuously post in their lending offices the Division's address and telephone number along with an explanation to consumers to call the Division for consumer complaint assistance and resolution. We will also recommend that legislation be adopted requiring this posting. (We do not believe, however, including the address of the Division in all contracts is advisable as one such company already does this and we frequently receive payments from borrowers who mistake our address for that of the lender. Also, because the Attorney General already has a consumer toll-free hotline from which some complaints are referred to us, we believe creating a second hotline for use by the Division is not the most efficient way to address the issue).*

State Auditor Comments

The response to recommendation 3.1 acknowledges the need for a formalized complaint and resolution policy; however, the division does not plan to change the practice of not documenting telephone complaints. The concern noted during our discussions with the field examiners handling consumer complaints was that there were vast inconsistencies on how complaints were handled and documented. Although the division's survey noted high satisfaction for those filing

² The wording was changed to "specific" rather than "basic" based on the Division's response.

a written complaint, there is no assurance that this satisfaction rate is representative because division personnel do not track telephone complaints and could not include them in the survey. Division managers acknowledged that telephone complaints represent a high volume of complaints. With proper forms and training on questions to ask, call takers can document as the call is in process.

The division's response implies that the audit report was advocating establishing another hotline. We do not believe another hotline is needed nor did we suggest this. We are suggesting that the Division of Finance's complaint number be posted in a prominent place for the borrowers to observe.

4. Better Procedures and Oversight Are Needed to Ensure Instant Loan Companies Are in Compliance with Applicable State Statutes

Examination procedures and related laws are not adequate to properly monitor and regulate the instant loan industry. The Division of Finance does not have any written policies governing when to examine lending locations. Some locations were examined annually when others were not examined. Follow-up visits to locations were not consistent with established procedures. Some of the locations receiving a satisfactory rating were re-examined while other locations receiving a low satisfactory rating were not re-examined. As a result, consumers are not adequately protected from the risk of unsatisfactory lenders operating in the state.

Division of Finance Procedures

The Division of Finance is responsible for examining payday lenders, title loan companies, and other small loan companies licensed under Chapter 367, RSMo.

The division's examination process includes the rating of a lender on a scale of 1 to 5. The rating is a reflection of how the lender complies with state law. Guidelines were not specific on how the ratings are assigned, and the ratings are primarily based on the judgment of the examiner and his personal criteria and experience. The definitions that accompany each of the ratings are as follows:

Rating of 1—The company is in a strong compliance position.

Rating of 2—The company is in a generally strong compliance position.

Rating of 3—The company is in a less than satisfactory compliance position.

Rating of 4—The company requires close supervisory attention and monitoring to promptly correct the serious compliance problems discussed.

Rating of 5—The company is in need of the strongest supervisory attention and monitoring.

Better targeting procedures are needed to ensure high risk lenders are selected for review

Instant loan companies are not being examined in a consistent manner. In 1999, the Division of Finance examined some instant loan companies twice, while other companies were not examined at all. The division examined 299 of the 629 payday loan companies (48%) and 28 of the 135 title loan companies (21%) in 1999. A review of the ratings given to payday and title lenders in 2000 and 1999 showed a significant percentage of the lenders received less than satisfactory ratings (rating of "3" or higher) as shown below:

Percent Receiving Less Than Satisfactory Ratings		
Year	2000	1999
Payday lenders	18	11
Title lenders	24	78

The chart shows that the Division of Finance may be targeting the wrong lenders in their examination program. The title lender industry has the higher incidence of less than satisfactory outcomes but receives the lower incidence of examinations (21%), while the payday lenders have the lower incidence of low ratings and higher incidence of examinations (48%).

An analysis of the ratings given disclosed that the Division of Finance did not have a risk management plan to determine which lenders to examine. As a result, lenders in strong compliance were often re-examined while lenders found not to be in compliance were not re-examined. For example:

Lenders
should be
targeted based
on risk

- 45 payday lenders received a “1” rating in 1999 (the best possible) and were re-examined and given a “1” rating in 2000.
- 19 of 34 payday lenders and 12 of 22 title lenders that received a less than satisfactory rating (a rating of “3” or higher) in 1999 had not been re-examined as of November 2000.
- 3 payday lenders and 1 title lender received “5” ratings (the worst possible) in September and December 1999, but were not re-examined within the 90-day timeframe established by Division of Finance policy. One of these lenders had not been re-examined as late as November 2000.

Division personnel explained that sometimes they do not review a “5-rated” firm because they are part of a chain of lenders, and a subsequent examination at another chain location would disclose resolution of a systemic problem that was noted at the “5-rated” firm.

Inconsistent authority

The statutes do not provide acceptable levels of regulatory and enforcement authority. Statutory modifications related to the examination process are needed to ensure examinations are conducted in a timely and consistent manner.

Regulatory Authority

The Division of Finance derives its regulatory authority from Sections 367.160, 367.503 and 408.500, RSMo, and 4 CSR 140-11.020, however, these sections do not provide consistent, specific guidelines for examinations.

Section 367.160, RSMo, is very precise in granting the authority to perform an examination of small loan companies and states:

“The director, his deputies and examiners shall have full power and authority at any time and as often as reasonably necessary to investigate or examine the supervised business, affairs and loans made in the supervised business of any registered lender . . . for the purpose of ascertaining whether or not the lender, or such person, firm, partnership or corporation is complying with the provisions of sections 367.100 to 367.200 and the laws of Missouri relating to consumer credit loans . . .”

This section also states that if it is necessary to examine a lender more than once in a particular year the lender is responsible for paying for the actual travel expenses and a per diem of \$100 per examination official required for the examination. The division indicated as many as 5 lenders were examined more than once in 2000; however, they have not attempted to charge the lenders for the related expenses resulting from the second examination.

Section 367.503, RSMo, is less precise regarding examinations of title lenders and provides: “The division of finance shall have responsibility to administer and regulate the provisions of sections 367.500 to 367.530.”

Section 408.500, RSMo, is again less precise regarding examinations for payday lenders and states:

“...The director may promulgate rules regarding the computation and payment of interest, contract statements, payment receipts and advertising for loans made under the provisions of this section... ” State Regulation (4 CSR 140-11.020) provides that the books and records of these lenders shall be made available to the examiners from the Division of Finance.

Using benchmark comparisons with other states, the audit determined that other states have very distinct guidelines for examinations. Drafting similar guidelines would help examiners ensure that lenders are in compliance with the law.

Other states have specific examination guidelines

- The State of Illinois requires all title and payday loan companies to be examined annually. The examiner we contacted in the State of Illinois indicated there are approximately 700 title and payday loan companies in Illinois, and the state employs 8 examiners.
- The State of Iowa requires all payday loan companies to be examined annually and costs incurred in an examination are to be paid by the lender.

The State of Kentucky requires payday lenders to be examined, and the statute further states the lenders shall pay a fee sufficient to cover the cost of the examination based upon fair compensation for time and actual expense as established by administrative regulations of the department. The manager we contacted in the State of Kentucky indicated there are approximately 390 payday loan companies licensed by the state and the state employs 3 examiners.

Enforcement Authority

Missouri statutes do not provide the Division of Finance with explicit authority to suspend or revoke the license of a title or payday lender who is in non-compliance with the law. The division has worked with the legislature in proposing changes to the current statutes governing these types of lenders and has attempted to make this authority more

Division of Finance needs enforcement authority

specific in the statutes. The division also helped propose changes that would allow them to issue a cease and desist order enforceable by a civil penalty of not more than \$1,000 per day for each day the lender continues to be in non-compliance with the law.

The State of Kentucky has specific statutes allowing the Commissioner of the Division of Finance to suspend or revoke a payday lender's license for any type of fraud, dishonesty, or misrepresentation.

The State of Iowa also grants the Superintendent of Banking the authority, after notice and hearing, to suspend or revoke any license issued to a lender. In addition to this authority, the superintendent can issue a cease and desist order if they believe the lender is engaged in behavior that violates Iowa statutes or administrative rules. Further, if the superintendent finds, after notice and hearing, a lender has violated statutes, administrative rules, or an order of the superintendent, the superintendent may order the person to pay an administrative fine of not more than \$5,000 for each violation in addition to the costs of investigation.

The Missouri legislature could improve the statutes by adding provisions similar to those described above. Statutory guidance on examination procedures would help ensure examinations are being conducted in a timely and consistent manner.

Charging a mandatory fee for examinations could help absorb the cost of any additional examiners required to perform more timely examinations. Finally, granting the Division of Finance the authority to suspend or revoke a license for those companies that are not fully complying with the law could encourage more lenders to comply with the laws.

Conclusion

The state could improve examinations practices and procedures for the instant loan industry. Current weaknesses in the law and in the division's practices have allowed some instant loan businesses to operate without an examination. Some lenders were not reexamined after being found in violation. Thus, the consumers are not properly protected.

Recommendations

We recommend the Division of Finance:

- 4.1 Develop specific guidelines to ensure instant loan businesses are examined in a consistent manner.
- 4.2 Develop a timetable for examinations to be performed and ensure subsequent examinations of businesses that received less than satisfactory ratings are performed on a timely basis.

We recommend the General Assembly:

- 4.3 Assist the Division of Finance in overseeing the instant lending industry by enacting laws that will allow them to enforce the statutes.

Division of Finance Comments

Full text comments are included in Appendix III, page 26.

Recommendation 4.1- *The Auditor's report is not fully accurate when it states "there are no specific guidelines on how the ratings are assigned." In fact, as the report acknowledges, we do have guidelines on how ratings are assigned. Further, as the report does not mention, these general guidelines become more specific as they are applied in each examination to a number of specific categories, such as credit insurance, various types of lending and management. Each institution gets a rating in each applicable category and then gets an overall rating. We will revise our general guidelines to word them as objectively as possible, keeping in mind that the judgment of the examiner is a material part of reaching examination conclusions. The report addresses section 367.515, which allows title loan companies to assess a fee to "defray" costs. The report questions the Division's assessment of compliance with this section. We note that the report on the last page states that the law provides "no limits set on the fees" for title loan companies. One of the reasons we have recommended changing this statutory language is that it can result in an absurdity, an inefficient company which could demonstrate higher costs to defray would be able to legally charge a higher fee than an efficient operation, in no event would this address the issue at hand. Pending legislation, if passed, will end confusion regarding the ambiguous fee language in the current law. The cover letter that accompanies the Auditor's report states that "Examination procedures and the related laws are not adequate to properly monitor and regulate the instant loan industry." The report does not appropriately support the conclusion that the Division's examination procedures are inadequate to properly monitor our licensees. In fact, the report does not cite a single instance in which the laws were not properly enforced against licensees. However, the Division agrees that the laws governing payday and title loan companies are in need of revision. We are supporting HB 738 to accomplish this goal. The report notes a lack of consistency in authority granted by the various statutes and notes that the title loan law does not require certain basic consumer protections or compliance with the UCC. We, too, have been concerned about the absence of and inconsistencies in consumer protection, if passed; HB 738 should correct these problems.*

Recommendation 4.2- *As explained to the Auditor's Office personnel, the Division has had a policy for frequency of examinations. We agree with the recommendation to commit these examination frequency guidelines to writing. We also believe the policy can be improved upon. Since the audit, we have begun work on a more formal examination policy. We are now generally requiring repeat 4 and 5 rated and even some problem 3 rated companies to come to Jefferson City to discuss their problems and plans for improvements. We believe a large part of the problems with apparent examination procedure inconsistencies stems from the very rapid growth in the number of licensed consumer finance companies, which now total approximately 1,800, many of them very new. Many of the title loan companies were initially licensed in 1999 as the law only became effective in late 1998. It is common for initial examinations to have less than satisfactory results, but we generally see significant improvement immediately thereafter. Our field examiners often provide training to the new companies and work closely with them to improve their compliance. We have increased our consumer credit field examiner staff by 50% (from 6 to 9) in the past two years. We expect compliance to improve as the newer licensed offices get past the initial review and gain experience.*

State Auditor Comments

The response to recommendation 4.1 does not address the issue of examining instant loan businesses on a consistent basis, which is addressed by the division in their response to recommendation 4.2: “We agree with the recommendation to commit these examination frequency guidelines to writing. We also believe that the policy can be improved upon.” The State Auditor realizes professional judgment by the examiners plays a material part in the rating of each institution.

The objection raised in the response regarding the rating system does not address the concern on consistent examinations of the businesses. As noted in the report, examiners were re-examining compliant lenders and not examining less than satisfactory lenders.

The response that the audit report did not appropriately support a conclusion that the division’s examination procedures are inadequate to properly monitor licensees does not properly present the audit position. As the audit noted, there was not any consistency in the selection process of which lenders received examinations and re-examinations. The division examined approximately one-half of the payday loan companies and one-fifth of the title loan companies during 1999. The current laws pertaining to the payday and title loan industry heavily favor the industry, leaving the consumer a potential victim of endless debt. The auditors based their conclusion on the low number of entities examined, as discussed above, and the inconsistent re-examination process as discussed in the report. There was no need to find or cite specific examples to support this conclusion. The main issue is the unknown—the 50 percent of payday lenders and the 80 percent of title loan companies that were not examined.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objectives for this audit were to (1) review certain laws related to the instant loan industry and determine if changes are needed to improve or clarify existing state laws (2) determine whether consumer complaints related to the instant loan industry are being properly addressed and (3) review applicable state agencies' management controls and practices to determine the propriety and effectiveness of those controls and practices as they relate to the instant loan industry.

Scope and Methodology

We reviewed applicable state statutes, code of state regulations, complaint files, examination reports, and personnel procedures. We interviewed applicable employees and solicited information from other states regarding their regulation of these businesses.

We mailed questionnaires to 213 car title lenders, payday lenders, and traditional small loan lenders. The questionnaire asked these entities to:

- ❑ Provide demographic information for their typical consumer. This included age and income.
- ❑ Identify their default rate.
- ❑ Report the amount of a typical loan and fees on certain loan amounts.
- ❑ Report the average number of new loans made in 1 month (2 weeks for payday lenders) and the corresponding number of renewal loans made for that same time period.

The questionnaire was sent to the following types of lenders:

Type of Lender	Number
Title	113
Payday	50
Small Loan	50

We performed analytical procedures to gain assurance that the financial data and the responses to the other survey questions were reasonable. We made additional inquiries to many lenders and sought additional clarification to the survey responses as deemed appropriate. We did not visit the entities or review documentation to support the financial information provided.

We also reviewed the requirements of Sections 367.100 to 367.215, 367.500 to 367.533, and 408.500, RSMo 2000.

APPENDIX I

The audit was made in accordance with applicable generally accepted government auditing standards and included such tests of the procedures and records as were deemed appropriate under the circumstances.

BACKGROUND

Traditional Consumer Lenders

Consumer credit lending has traditionally been confined to Sections 367.100-367.215, RSMo and the supporting Sections 408.100-408.210, RSMo. The original laws, enacted in 1951, have been modified from time to time, to increase the return to lenders, and in 1979 Sections 408.551-408.562, RSMo established consumer protection provisions. In 1998, the interest rate was deregulated eliminating the statutory limit on interest rates.

Sections 367.100-367.215, RSMo in summary include the following provisions:

- ❑ Requires lenders to be registered with the director of the Division of Finance and pay an annual registration fee of \$300.
- ❑ Gives the director the option of requiring lenders to obtain a \$1,000 bond.
- ❑ Requires lenders to file an annual report containing specific information with the director.
- ❑ Grants the director, or his examiners, the authority to conduct examinations and investigate complaints.
- ❑ Gives the director the authority to suspend or revoke a lender's certificate of registration after a hearing where an order of show cause has been entered showing grounds for the suspension or revocation.
- ❑ Creates a penalty for violation of the act.
- ❑ Requires lenders to obtain and file with the director an annual audit by a certified public accountant.

Sections 408.100-408.210, RSMo in summary include the following provisions:

- ❑ Requires the interest rate to be agreed upon by parties of the contract.
- ❑ Describes acceptable methods of interest computation.
- ❑ Establishes requirements for the contents of a loan contract.
- ❑ Requires paid notes to be returned to the consumer.
- ❑ Requires the release of security.
- ❑ Prohibits false advertising.
- ❑ Gives the director the power and duty to verify the accuracy of interest calculations and refunds.

Sections 408.551-408.562, RSMo establish the following consumer protection provisions:

- ❑ Requires the lender to give a defaulting consumer a written notice of default and an opportunity to cure the default before acceleration of the unpaid balance or repossession of the security interest may occur.
- ❑ Places limits on the taking of collateral on loans if the amount financed is less than \$500.
- ❑ Requires strict compliance with the surplus/deficiency requirements of the uniform commercial code when disposing of collateral.

APPENDIX II

- ❑ Requires strict compliance with all laws under pain of punitive damages and attorney fees.
- ❑ Establishes provisions for refunding procedures in the event of pre-payments.
- ❑ Requires posting of interest rates.

These lenders are also subject to 4 CSR 140-5.010 and 4 CSR 140-5.020 of the Code of State Regulations. These provisions establish a framework for the audit report required under Chapter 367, minimum record keeping requirements to facilitate examinations by the division, and limitations upon the sale of insurance by small loan companies in connection with their lending activities.

Payday Lenders

Payday loan statutes were developed in 1991. Section 408.500 of the RSMo, and 4 CSR 140-11.010 and 4 CSR 140-11.020 of the Code of State Regulations prescribes additional provisions for payday lenders. A typical payday loan is a 14-day, unsecured loan for less than \$500. Payday lenders must be registered with the director of the Division of Finance and pay an annual registration fee of \$300. Lenders are required to file a rate schedule with the director who, upon review, shall approve the rates comparable with those lawfully charged in the marketplace for similar loans. The statute also allows payday lenders to charge rates “allowed on similar loans in the states contiguous to Missouri.” The Division of Finance has approved three different rate schedules: Missouri Rate Schedule, Tennessee Rate Schedule, and Oklahoma Rate Schedule.

The structure of the rates is as follows:

- ❑ Missouri rate: \$10 loan fee plus 5 percent interest per month (or 14-day cycle) with a minimum term of 14 days and a maximum term of 10 months. This rate schedule prohibits interest from being discounted or deducted from the loan proceeds or compounded, and permits the finance charge to be computed as an add-on rate.
- ❑ Tennessee rate: 15 percent fee with a maximum fee of \$45. Loans may have any term, but loans with a term less than 14 days may not be renewed. Loans may not earn post-maturity interest.
- ❑ Oklahoma rate: Rate varies and is established annually by the State of Oklahoma. Loans must have a minimum term of 30 days. Loans may not earn post-maturity interest, however, monthly payment loans may be eligible for late charges.

State Regulation (4 CSR 140-11.010) establishes guidelines concerning obtaining licenses, which locations will require a license, and other general provisions. State Regulation (4 CSR 140-11.020) establishes minimum record keeping requirements to facilitate examination and regulation processes.

APPENDIX II

Title Lenders

The title loan statutes were promulgated in 1998 in Sections 367.500-367.533. A title loan is generally a 30-day loan for an amount less than \$5,000. All interest and fees are earned at the time the loan is made, and therefore, there is no refunding if the loan is paid before the maturity date. Loans made pursuant to this section are secured by a titled personal property, primarily automobile titles, and they are dramatically different from traditional auto loans.

One of the first differences is that a lender may only look to the collateral to satisfy the consumer's debt. Second, there is a unique rate structure consisting of an interest rate and a fee that is permitted to offset the cost of doing business. The fee is ambiguous as there are no guidelines given on this fee other than it being to defray costs. Finally, consumer protection laws concerning repossessions and the disposition of collateral do not apply to these loans. Therefore, repossession can take place without any notice or opportunity to cure the default. A repossession changes the ownership of the vehicle from the consumer to the lender and ends the transaction. There is no compliance with the uniform commercial code so if there is a surplus, the lender may keep it; while if there is a deficiency, the lender must absorb it.

The statutes governing these types of loans include the following provisions:

- ❑ Grants the Division of Finance authority to regulate lending on titled property.
- ❑ Requires lenders to be registered with the director of the Division of Finance and pay an annual registration fee of \$1,000.
- ❑ Establishes qualifications for license applicants and requires lenders to maintain a minimum of \$75,000 in capital.
- ❑ Establishes loan requirements and content requirements of the loan agreement.
- ❑ Establishes the amount charged for a title loan to be 1.5 percent interest plus a fee to defray the ordinary costs of operations (no limits set on the fees).
- ❑ Establishes record keeping requirements and certain initiations for title lenders.
- ❑ Requires lenders to maintain premises liability insurance of no less than \$1 million per occurrence for the benefit of consumers and employees who work or visit the lending office.



APPENDIX III

Bob Holden
Governor

DIVISION OF FINANCE

Joseph L. Driskill
Director

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April 4, 2001

Hon. Claire C. McCaskill
Missouri State Auditor
Truman State Office Building
Room 880
Jefferson City, Missouri 65101

Dear Ms. McCaskill:

We have reviewed the draft of the performance audit concerning the "instant loan industry." I would like to note at the outset that we appreciate the auditors' attitude and professionalism. We also welcome this opportunity to comment. Our comments for each recommendation in your report are attached to be inserted as our responses in the report.

The first set of recommendations, all directed at the General Assembly, appear on page 7. You should be aware of a legislative initiative concerning these lenders, HB 738, which we have helped draft and fully support; for your convenience, we have attached a copy of the bill. The number of renewals issue is addressed for title loans on page 6, line 14 and for payday loans on page 14, line 47. An earlier version of HB 738 would have limited the total amount of payday loans a borrower could have statewide, but this was removed from the bill as the committee decided it was impractical and unenforceable. One recommendation in your report is that "due process" be required for title loan customers who suffer repossession and sale of their vehicles; notices of default/rights to cure and the protections of the UCC are mandated for title loan borrowers by the provisions of HB 738; see page 7, line 32.

A recommendation also appears on page 9, namely that the General Assembly re-visit the instant loan area and seek consistency in the interest of fairness and to eliminate confusion. Again, HB738 has been drafted to make the availability of consumer protections and application of the UCC consistent.

There are two recommendations directed at the Division complaint resolution process detailed on page 12. At the outset, I must say that we are very proud of our complaint resolution efforts and would compare them to any other program in the

APPENDIX III

country. We have worked long and hard to bring prompt satisfaction to citizens with complaints. We conducted a survey of consumer satisfaction with our process and the results were an overall rating of 4.19 on a 1 to 5 scale with 5 being the highest; for your convenience, we have attached a copy of that survey. However, the recommendation is made that we develop specific guidelines to help ensure consistent handling of complaints. We have developed such guidelines, a copy of which is attached.

Page 12 also suggests that we improve consumer awareness of the complaint process. We plan to require lenders to post prominently in their offices the name, address, and telephone number of the Division of Finance. We will also ask that existing bills be amended to require this posting.

That same page recommends that the General Assembly explicitly assign the responsibility for complaint resolution to the Division. We, of course, would not object to a legislative change, but we do note that we have never allowed claims of jurisdictional limits to interfere with our efforts.

Pages 16 and 17 state three more recommendations. First, it is suggested that we develop more formal guidelines to assure consistency in examination scheduling. We feel obliged to respond that at least some of the perceived problem comes from the explosive growth in numbers of licensed lenders, especially payday and title lenders. The suggestion does, of course, have merit and we have already begun work on formalizing the written guidelines, which must be shaped to fit our resources.

Second, it is recommended that we devise a timetable for re-examination of less-than-satisfactorily-rated licensees. This was recognized as a problem prior to the completion of the audit, and we have already implemented a 90-day return visit policy.

Finally, the report recommends that the General Assembly enact laws to help the Division enforce the statutes. HB 738 addresses this concern.

Again, thank you for the opportunity to respond.

Very truly yours,



D. Eric McClure
Acting Commissioner

DEM:tkp
Enclosures

APPENDIX III

The following are the Division's responses to the Auditor's Office Recommendations directed at the Division:

Develop specific guidelines for handling complaints related to the instant loan industry to ensure consumer complaints are handled in a consistent manner. This would include developing specific procedures for processing complaints.

The Auditor's Report is not accurate in stating that "the Division has not established basic standards for handling complaints." The Division does have the very highest standards for assisting consumers with complaints. These standards, which were explained in detail to the Auditor's Office personnel, have been followed routinely for more than at least twenty years. It is true that we had not committed our standards and procedures to writing. We have now done so and the written procedures are attached. The written guidelines follow our previously established procedures, which have been very effective and efficient in our effort to assist consumers in the complaint process. We have also attached the results of a survey of complainants conducted last year. The survey asked the complainants' to rate satisfaction with our performance. The overall grade was 4.19 on a scale of 1 to 5, with 5 being the best. The survey was sent to all complainants filing a written complaint between January and July 2000.

The report discusses our record keeping of complaints. Telephone initiated complaints are frequently resolved quickly and efficiently, often with all parties satisfied. It is our policy that all complaints handled in the field be documented with a memo either via mail or email (of course, we cannot say that there is never a lapse). Whenever a complaint does begin with or result in a written document, a file is created. We have established a good record keeping system for written complaints. Complaints received and handled exclusively by phone are rarely documented due to volume and limited resources. The recommended suggestion in the audit to keep written records of every telephone complaint would result in more time spent on internal paperwork and less time spent on solving consumers' problems.

Consider developing methods to improve consumer awareness of the complaint process.

The report calls for efforts in getting this Division's name, address, and telephone number (preferably toll-free) before the borrowing public. We agree that consumer awareness of our complaint process should be improved. We will send a directive to all of our consumer credit licensees, requesting that they conspicuously post in their lending offices the Division's address and

telephone number along with an explanation to consumers to call the Division for consumer complaint assistance and resolution. We will also recommend that legislation be adopted requiring this posting. (We do not believe, however, including the address of the Division in all contracts is advisable as one such company already does this and we frequently receive payments from borrowers who mistake our address for that of the lender. Also, because the Attorney General already has a consumer toll-free hotline from which some complaints are referred to us, we believe creating a second hotline for use by the Division is not the most efficient way to address the issue.)

- 4.1 Develop specific guidelines to ensure instant loan businesses are examined in a consistent manner.

The Auditor's report is not fully accurate when it states "there are no specific guidelines on how the ratings are assigned." In fact, as the report acknowledges, we do have guidelines on how ratings are assigned. Further, as the report does not mention, these general guidelines become more specific as they are applied in each examination to a number of specific categories, such as credit insurance, various types of lending and management. Each institution gets a rating in each applicable category and then gets an overall rating. We will revise our general guidelines to word them as objectively as possible, keeping in mind that the judgment of the examiner is a material part of reaching examination conclusions.

The report addresses section 367.515, which allows title loan companies to assess a fee to "defray" costs. The report questions the Division's assessment of compliance with this section. We note that the report on the last page states that the law provides "no limits set on the fees" for title loan companies. One of the reasons we have recommended changing this statutory language is that it can result in an absurdity: an inefficient company which could demonstrate higher costs to defray would be able to legally charge a higher fee than an efficient operation; in no event would this address the issue at hand. Pending legislation, if passed, will end confusion regarding the ambiguous fee language in the current law.

The cover letter that accompanies the Auditor's report states that "Examination procedures and the related laws are not adequate to properly monitor and regulate the instant loan industry." The report does not appropriately support the conclusion that the Division's examination procedures are inadequate to properly monitor our licensees. In fact, the report does not cite a single instance in which the laws were not properly enforced against licensees.

However, the Division agrees that the laws governing payday and title loan companies are in need of revision. We are supporting HB 738 to accomplish this goal. The report notes a lack of consistency in authority granted by the various statutes and notes that the title loan law does not require certain basic consumer protections or compliance with the UCC. We, too, have been concerned about the absence of and inconsistencies in consumer protection; if passed, HB 738 should correct these problems.

- 4.2 Develop a timetable for examinations to be performed and ensure subsequent examinations of businesses that received less than satisfactory ratings are performed on a timely basis.

As explained to the Auditor's Office personnel, the Division has had a policy for frequency of examinations. We agree with the recommendation to commit these examination frequency guidelines to writing. We also believe the policy can be approved upon. Since the audit, we have begun work on a more formal examination policy. We are now generally requiring repeat 4 and 5 rated and even some problem 3 rated companies to come to Jefferson City to discuss their problems and plans for improvements. We believe a large part of the problems with apparent examination procedure inconsistencies stems from the very rapid growth in the number of licensed consumer finance companies which now total approximately 1,800, many of them very new. Many of the title loan companies were initially licensed in 1999 as the law only became effective in late 1998. It is common for initial examinations to have less than satisfactory results, but we generally see significant improvement immediately thereafter. Our field examiners often provide training to the new companies and work closely with them to improve their compliance. We have increased our consumer credit field examiner staff by 50% (from 6 to 9) in the past two years. We expect compliance to improve as the newer licensed offices get past the initial review and gain experience.

Missouri Division of Finance
Customer Service Survey Results

APPENDIX III

Timeliness	Knowledge	Courtesy	Overall Quality	Nature of Inquiry	Additional Comments
4	3	2	1	Credit reporting agency failing to correct false information.	Credit reporting agency did not correct or address all issues. Your office sent a letter saying the issue was resolved. It's not! I already sent a letter of explanation.
1	1	1	1	Bank fees	
5	5	5	5	Mortgage account assistance.	Thank you!
5	5	5	5	Inappropriate loan fees.	
5	5	5	5	Problems with credit report.	I am very very happy.
5	3	3	4	Bank stopped or blocked my acct for no reason - it took many phone calls and persistence that I was who I was - 3 months - it took to clean it up and I banked at UMB for 34 yrs.	Customer service is out the window. All the mergers have created a BIG mess - the little person (who by the way made banks what they are) has no rights - it doesn't mean more policing should be taken - banks have become too liberal. (Comments are hard to follow, may not be correct)
5	5	5	5	Escrow increases from finance company.	Thank you.
4	5	3	4	Harassment of account from credit card co.	
5	5	5	5	Scam.	Keep doing what you all are doing! Work is very good. Your response is good.
5	5	5	5	Problems with our mortgage company.	Outstanding. We tried so hard to go through the customer service dept at Chase Mortgage to resolve our problem and no one would listen. We can not thank your dept enough for your help - you saved us over \$3,000 in over charges! Thank you, thank you!!
5	5	5	5	Release of property.	Thank you
5	5	5	5	Chase Bank of N.Y. pestering me.	I haven't heard from Chase since I called you. Tks.
5	5	5	5	Loan funding problems with Gold Banc/Regional Investment.	Thanks for your intervention.
5	5	5	5	I was hoping you could help with repossession fees I didn't believe I should have to pay.	Thank you for trying to help.
5	5	5	5	Escrowed Insurance.	
5	5	5	5	Illegal collection tactics/account manipulation by finance company.	Steven Geary was exceptionally helpful and effective in controlling a finance company that was running amuck - coming by my house, calling me daily at work, etc. I am very grateful to Mr. Geary.

Missouri Division of Finance
Customer Service Survey Results

APPENDIX III

Timeliness	Knowledge	Courtesy	Overall Quality	Nature of Inquiry	Additional Comments
1	1	1	1	1 My bank misappropriated funds from my escrow account.	The letter I received with this card show that Steven Geary still doesn't understand the nature of my case or that he doesn't care to protect the public of Missouri from fraudulent banking practices.
5	5	5	5	5 How long a mortgage company could hold money due to a contractor.	Steven Geary, was very polite and knowledgeable. I could not have asked for the situation to be handled any more timely than he handled it. Thank you.
5	5	5	5	5 Bank would not pay dividends on time.	Thanks.
5	5	5	5	5 Finance dept PMI insurance cancellation.	Excellent service. Mr. Steven Geary was very helpful!
5	5	5	5	5 Our loan on our home wasn't disclosed properly and they had a 2nd mortgage on our property which had been paid.	Everyone we dealt with was great. We appreciate everything that was done to help us.
5	5	5	5	5 IRA account being handled wrong.	Thank you.
2	3.5	4	2	2 Safe deposit box with 4 keys at UMB Monett, Mo.	
*5	5	5	5	5 Error made by Mo. based firm.	*Exceptional based on my experience with this matter. Thank you very much.
4	5	5	5	5 Help with collection.	Thanks.
5	5	5	5	5 Unable to get mortgage company to correct their billing mistake.	The mortgage company responded and solved the problem. Without the help of this office it would still be ongoing. Thank you for your prompt, courteous, knowledgeable help.
5	4	4	4	4 PMI insurance coverage not wanted.	More thoroughness to ascertain the extent of overpayment and the amount of payback.
5	5	5	5	5 Interest charged.	Thank you so very much. I truly appreciated your work.
3	3	3	3	3 Unauthorized debt in checking account.	Not much was done by the dept of finance.
4	??	4	4	4 Overcharge of interest.	Thanks.
4	4	5	4	4 I called to report harassment for collection of debt.	Once I finally got the correct phone number everyone was very helpful.
1	4	5	5	5 Ameriquest false statements to me caused me to lose \$500 in attorney fees.	I will continue to correspond til I get the \$500 back Ameriquest owes me. Thank your for you help.
3	??	3	3	3 Promised mortgage not fulfilled.	I feel a lock in on a loan is a promise to deliver. Apparently it is not.
5	5	5	5	5 Bank problems.	

Missouri Division of Finance
Customer Service Survey Results

Timeliness	Knowledge	Courtesy	Overall Quality	Nature of Inquiry	Additional Comments
				a	
	1	3	4	mortgage co. question.	
4	3	3	3	To stop bank harassing phone calls.	
3	2	1	1		
5	5	5	5	Original loan was not paid in full, leaving two loans.	
5	5	5	5	Providian Financial.	Thank you very much for your help.
5	5	5			
5	5	5	5		
	5	5	5	Payoff issue with another lender.	Always prompt, fair and professional. Thanks!
1	4	4	3	Complaint against Diners Club.	
	5		5	Forced insurance applied by mortgage company when insurance was current.	Thank you very much.
	5	5	5	Forced insurance by First Nationwide Mortgage with no documentation.	As my letter of July 14 attests, you have done an exceptional in solving our problem.
1	3	5	4	Refinancing a home, problems experienced with lender.	Trying to deal with this problem over the phone doesn't give Mr. Geary the full "picture" of problem. But he has been trying to help me solve it.
??	??	5	??	Conseco paid a contractor without our knowledge for work that's still not done.	Conseco hasn't answered you yet, so it's hard to rate much before anything happens.
1	4	4	4	Investigating a bank for proof of forced insurance place on my account.	I'm satisfied with outcome, however I would've liked to have seen "Exhibit A" claimed in the bank's statement.
1	1	1	1	N.C.C. National Credit Counseling out of Springfield Mo.	I sent proof plus receipt etc and nothing still was done about the matter. I finally gave up.
4.33	4.27	4.29	4.19		

COMPLAINT RESOLUTION POLICY

The Division is committed to thorough, expeditious complaint resolution and to avoiding the "bureaucratic shuffle" whenever and wherever possible. To this end, we will always attempt to use the quickest means available whether it be by phone, fax, or email, and we will "assume jurisdiction" rather than passing the citizen off to another agency, if we believe we can assist, whether that be by providing information or actual intervention.

a. A permanent file will be created for all complaints received by mail; a complaint received via email will be printed as hard copy and thereafter treated as a mail complaint. Simple written requests for copies of laws or pamphlets will be handled by the clerical staff and closed with a written notation that the materials have been sent. Likewise, such straightforward written "complaints" as the inability to locate an address or telephone number on an office (which has e.g. moved or merged out of existence) will be handled by the clerical staff using the telephone if possible or by brief responsive note prepared by the clerical staff but signed by the section supervisor.

b. Inquiries by telephone will, similarly, be handled by the clerical staff where possible, in the interest of expediency. Generally, there will be no file created for a telephone complaint which is promptly resolved without otherwise necessitating a writing.

c. Written and verbal complaints which go on to the section supervisor will be given a quick initial review to see if a simple resolution can be had. Where some action is necessary, the supervisor will use the phone, using conference calling to bring the parties together where this is feasible; some judgement must be exercised to avoid the hostile citizen unwittingly sabotaging the mediation process. Where the complexity of the complaint, the location of the complainant/company or the facts will not permit a telephone resolution, the officer will dictate a letter which should lay out the facts, ask for consideration of the circumstances and, where suitable, suggest a resolution. Note that a telephone complaint might at this point become a hardcopy complaint with a permanent file and designated by a unique number. If a response is not received in 30 days, a follow-up letter using standard language should be prepared by the clerical staff, using the computer signature of the section supervisor, and sent certified return receipt mail. In nearly all cases, the complainant should be copied with the letter going to the company.

d. In the unusual case where the complexity of the case or other circumstances require on-site review (or a word with a manager best known to the examiner), the examiner should be paged and briefed, generally by the section supervisor. Instructions should be to use the telephone if possible and, as feasible, for the examiner to report to the citizen and the section supervisor by telephone and then to create a memo to the section supervisor summarizing the complaint and resolution, to be sent either by email or by regular mail.



**PETROLEUM STORAGE TANK INSURANCE FUND
YEAR ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-35
April 19, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

April 2001

The following problems were discovered as a result of an audit conducted by our office of the Petroleum Storage Tank Insurance Fund.

The Petroleum Storage Tank Insurance Fund had a negative unreserved fund balance of over \$40 million as of June 30, 2000. Financial projections indicate revenues will not be sufficient to cover clean up costs at all contaminated sites through December 31, 2003, which is the expiration date of the fund.

Although the fund had a cash balance exceeding \$46 million at June 30, 2000, the fund also had claim reserves exceeding \$85 million. Financial projections indicate cleanup costs will significantly exceed revenues due to known locations currently undergoing cleanup and potential new cleanup sites.

To ensure the greatest benefit to the state of Missouri regarding the cleanup of contaminated sites, the auditor recommends the Board consider the following alternatives:

- Implement a risk-based approach for cleaning up contaminated sites
- Seek legislation to increase the transport load fee
- Seek legislation to increase the insurance participation fees
- Increase the deductible amount
- Reduce the liability limit of \$1,000,000
- Require tanks that meet the 1998 tank requirements to obtain insurance through insurance carriers

The program currently has a deductible (the owner's share of cleanup costs) of only \$10,000 and the coverage limit for each incident is \$1 million. The audit said the deductible may be too low and the coverage limit may be too high. The Board could potentially save \$15.5 million if it would increase the deductible. In addition, the Board could have saved \$6.8 million on claims incurred if the coverage limit had been \$350,000.

The Board did not present an annual report on the availability and affordability of private insurance to the General Assembly as required by law.

(over)

YELLOW SHEET

The Board did not conduct timely review of claim activity to ensure claim files and related reserves are accurate and up to date.

The purpose of the fund is to pay for the cleanup of contamination caused by petroleum spills. There are various administrative costs involved in carrying out these duties. Administrative costs of nearly 20 percent or more may be excessive when compared with other states that have similar programs.

PETROLEUM STORAGE TANK INSURANCE FUND

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Members of the Petroleum Storage Tank
Insurance Fund Board
and
Carol Eighmey, Executive Director
Jefferson City, MO 65102


We have audited the accompanying financial statements of the Petroleum Storage Tank Insurance Fund as of and for the year ended June 30, 2000, as identified in the table of contents. These financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Petroleum Storage Tank Insurance Fund as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 13, 2000, on our consideration of the board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the board's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

October 13, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Randy Doerhoff, CPA
In-Charge Auditor:	Randy Gordon, CPA
Audit Staff:	Robyn Vogt
	Nuku Aggor



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Members of the Petroleum Storage Tank
Insurance Fund Board
and
Carol Eighmey, Executive Director
Jefferson City, MO 65102

We have audited the financial statements of the Petroleum Storage Tank Insurance Fund as of and for the year ended June 30, 2000, and have issued our report thereon dated October 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of the Petroleum Storage Tank Insurance Fund are free of material misstatement, we performed tests of the board's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Management Advisory Report as finding number 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Petroleum Storage Tank Insurance Fund, we considered the board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that

we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Management Advisory Report as finding number 2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding number 2 to be a material weakness. We also noted another matter involving the internal control over financial reporting which is described in the accompanying Management Advisory Report.

This report is intended for the information of the management of the Petroleum Storage Tank Insurance Fund and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

October 13, 2000 (fieldwork completion date)

Financial Statements

Exhibit A

PETROLEUM STORAGE TANK INSURANCE FUND
BALANCE SHEET
JUNE 30, 2000

ASSETS

Cash and investments	\$ 46,090,200
Accounts receivable	750
Fixed assets	318,861
Total Assets	<u>\$ 46,409,811</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 365,320
Claims payable	321,410
Refunds payable	2,300
Claims reserve - insurance	22,234,202
Claims reserve - remedial	63,483,706
Total Liabilities	<u>86,406,938</u>

Fund Equity:

Investment in fixed assets	318,861
Fund balance -	
Reserve for encumbrances	17,584
Unreserved	(40,333,572)
Total Fund Equity	<u>(39,997,127)</u>
Total Liabilities and Fund Equity	<u>\$ 46,409,811</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

PETROLEUM STORAGE TANK INSURANCE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
YEAR ENDED JUNE 30, 2000

REVENUES

Transport load fees	\$ 14,038,512
Participation (insurance) fees	1,169,882
Cost recovery	5,386
Interest income	2,993,556
Other	4,761
Total Revenues	<u>18,212,097</u>

EXPENDITURES

Claims expense	34,487,478
Third party administrator	2,277,106
Department of Natural Resources	2,010,587
Board of Trustees	161,080
Department of Revenue	28,363
Attorney General's Office	26,748
Consulting expenses	47,452
Interest expense on refund	24,110
Hancock refund	435,909
Other	11,289
Total Expenditures	<u>39,510,122</u>

REVENUE OVER (UNDER) EXPENDITURES (21,298,025)

OTHER FINANCING USES

Disposal of fixed assets	<u>(45,254)</u>
--------------------------	-----------------

REVENUE OVER (UNDER) EXPENDITURES

AND OTHER FINANCING USES (21,343,279)

FUND EQUITY, JULY 1 (18,653,848)

FUND EQUITY, JUNE 30 (39,997,127)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

PETROLEUM STORAGE TANK INSURANCE FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
Department of Revenue:			
Division of Taxation - Personal Service	\$ 20,957	20,957	0
Division of Taxation - Expense and Equipment	1,110	1,068	42
Department of Natural Resources:			
Division of Environmental Quality - Personal Service	1,092,240	1,092,190	50
Division of Environmental Quality - Expense and Equipment	311,009	131,543	179,466
Division of Environmental Quality - Personal Service	121,360	0	121,360
Division of Geology and Land Surveys - Personal Service	33,074	18,819	14,255
Division of Geology and Land Surveys - Expense and Equipment	6,400	3,040	3,360
Agency Wide Operations	200	0	200
Refund Accounts	359,214	300,537	58,677
Leasing	122,926	96,883	26,043
Petroleum Storage Tank Insurance Fund Board:			
Personal Service	113,696	101,820	11,876
Expense and Equipment	59,300	27,339	31,961
Claims	27,128,326	24,992,348	2,135,978
Attorney General - Personal Service	21,000	20,410	590
Total Petroleum Storage Tank Insurance Fund	<u>\$ 29,390,812</u>	<u>26,806,954</u>	<u>2,583,858</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

PETROLEUM STORAGE TANK INSURANCE FUND
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The Petroleum Storage Tank Insurance Fund, presented in Exhibits A through B, is a separate accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the fund's activities.

Expenses presented for the fund or any program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the board and other state agencies are not allocated to the fund or applicable program.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the fund's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the board and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the Petroleum Storage Tank Insurance Fund, Exhibits A through B, are presented on the accrual basis of accounting which recognizes revenues when available and measurable and expenses when the related liability is incurred. Claim reserves liabilities and the related expenses are recognized when the board becomes aware of contamination at a storage tank site and estimates the costs to clean up the contamination.

The Statement of Appropriations and Expenditures, Exhibit C, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular and capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

C. Fiscal Authority and Responsibility

The board administers transactions in the fund listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Petroleum Storage Tank Insurance Fund: Established by Section 319.129, RSMo 2000, to provide financial responsibility to owners and operators of petroleum storage tanks. The purpose of this fund is to provide insurance coverage for storage tank owners for the expenses of cleaning up a leak or spill, as well as third-party property damage or bodily injury resulting from leaks or spills. In addition, the fund pays for the expenses to clean up sites where petroleum storage tanks have been closed if these sites meet certain criteria. Any monies remaining in the fund are perpetually maintained for the purposes of the fund.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match. Employee fringe benefits are included in expenditures at Exhibit B.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit C.

2. Cash and Investments

The balance of the Petroleum Storage Tank Insurance Fund is pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Expenditures to Appropriated Expenditures

Expenditures on Exhibit B reconcile to appropriated expenditures on Exhibit C as follows:

	Petroleum Storage Tank Insurance Fund
	Year Ended June 30, 2000
Expenditures per exhibit B	\$ 39,510,122
Employee fringe benefits	(386,794)
Hancock refund transfers	(435,909)
Expense and equipment transfers	(418,745)
Transport load fee refunds	276,127
Purchase of fixed assets	1,523
Increase in claim reserve - insurance	(7,189,895)
Increase in claim reserve - remedial	(4,549,475)
Expenditures per exhibit C	\$ <u>26,806,954</u>

4. Fund Deficit

At June 30, 2000, a fund equity deficit of \$40,333,572 existed primarily due to claim reserve liabilities exceeding available resources to pay for the claims. Claim reserve liabilities are the estimated costs to clean up known contaminated sites. The fund's expiration date is December 31, 2003, and existing revenue sources may be insufficient to clean up all known contaminated sites.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

PETROLEUM STORAGE TANK INSURANCE FUND
SUMMARY OF FINDINGS

1. Financial Condition (pages 18-23)

As of June 30, 2000, the Petroleum Storage Tank Insurance Fund (PSTIF) had a negative unreserved fund equity balance of over \$40 million and financial projections indicate revenues will not be sufficient to cover cleanup costs at all contaminated sites.

2. Claim Reserves (pages 23-25)

Claim reserves are not reviewed and evaluated in a timely manner.

3. Administrative Costs (pages 25-26)

Administrative costs of nearly 20 percent or more may be excessive.

**PETROLEUM STORAGE TANK INSURANCE FUND
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS**

We have audited the financial statements of the Petroleum Storage Tank Insurance Fund as of and for the year ended June 30, 2000, and have issued our report thereon dated October 13, 2000.

The following Management Advisory Report presents our findings arising from our audit of the board's financial statements. During our audit, we also identified certain management practices which we believe could be improved. Our audit was not designed to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1.	Financial Condition
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The Petroleum Storage Tank Insurance Fund (PSTIF) had a negative unreserved fund balance of over \$40 million as of June 30, 2000. Financial projections indicate revenues will not be sufficient to cover clean up costs at all contaminated sites through December 31, 2003, which is the expiration date of the fund.

Although the PSTIF had a cash balance exceeding \$46 million at June 30, 2000, the PSTIF also had claim reserves exceeding \$85 million. Claim reserves are an estimate of costs for the cleanup of known contamination caused by petroleum releases from underground and aboveground storage tanks. This estimate does not consider unknown contaminated sites or any future petroleum leaks or spills.

The PSTIF Board of Trustees routinely prepares financial projections to monitor the financial status of the fund. The financial projections indicate cleanup costs will significantly exceed revenues due to known locations currently undergoing cleanup and potential new cleanup sites. The projection considered growth in insurance claims (claims by tank owners who are active participants in the insurance program) and remedial claims (claims relating to the cleanup of older out-of-service tank sites).

Based on the financial projections, the Board decided not to pay for the cleanup of any new remedial claims unless monies became available. The Board wanted to ensure financial resources were adequate to pay for the cleanup of current remedial claims and insurance claims. As of June 30, 2000, new remedial claims totaling over \$2.2 million were placed on a pending list and will be paid if sufficient financial resources are available.

To ensure the greatest benefit to the state of Missouri regarding the cleanup of contaminated sites, the Board should consider the following alternatives:

- **Implement a risk-based approach for cleaning up contaminated sites**

A risk-based approach requires sites that pose threats to human health and the environment to be thoroughly cleaned up, while allowing sites that pose little or no risk to receive lesser degrees of cleanup. Recognizing that states had limited monies to cleanup all contamination, the federal Environmental Protection Agency (EPA) has encouraged a risk-based approach since 1995. The American Society for Testing and Materials developed a risk-based corrective action model, which the state can use to assist in the implementation of a risk-based approach. In addition, the EPA will provide advice and training on the use of a risk-based approach. The goal of a risk-based approach is to evaluate the health risks of a contaminated site instead of automatically cleaning up all contamination. Generally, no-risk leak sites are not cleaned up, low or medium risk sites are monitored, and high risk leak sites are cleaned up to reasonable standards.

Several other states have adopted a risk-based approach, which has provided cost savings of 10 to 40 percent. Although Missouri has made some efforts to consider a risk-based approach, these efforts have not been extensive enough. Since the potential savings could be significant, the Board and the Department of Natural Resources (DNR) need to expedite efforts to adopt a risk-based approach.

The DNR has been working on a revision to the current cleanup standards for soil for over a year. Section 319.109, RSMo 2000, requires the state to use a risk-based approach to corrective standards for cleanup of contamination. In 1999, the legislature directed the DNR to issue state regulations to establish a risk-based approach to groundwater cleanup. Although the DNR has worked on these regulations, they have not been finalized and adopted.

With the expectation that cleanup of all contaminated sites is not possible given the limited availability of financial resources, the Board should adopt a risk-based approach to provide funding to those sites with the greatest environmental impact.

- **Seek legislation to increase the transport load fee**

The transport load fee of \$25 per 8,000 gallons is the primary revenue source and is a fee assessed on each load of petroleum transported in Missouri. Although Missouri does not assess the lowest fee, the transport load fee ranges up to \$120 in some other states. An increase in the transport load fee would allow the cleanup of more sites before the December 31, 2003 expiration date.

- **Seek legislation to increase the insurance participation fees**

Participants in the insurance program pay an annual insurance participation fee of \$100 to \$200 per storage tank. The participation fee provides insurance coverage to the participant in the event of a petroleum spill or leak. The average estimated cost of a

contamination cleanup is \$60,000. The Board could compare the insurance participation fee to insurance premiums available in the market and raise the insurance participation fee accordingly to increase revenues and to encourage participants to obtain insurance with private insurance carriers.

- **Increase the deductible amount**

Currently, the PSTIF imposes a \$10,000 deductible with the PSTIF paying additional eligible costs up to \$1,000,000 per incident. Since cleanup improves a site's property value, owners have a significant interest in the amount of cleanup, but limited interest in controlling the costs of the cleanup. Some states create financial incentives for owners to control costs by applying a percentage deductible to the full cost of cleanup and increasing the proportion of costs for which owners are responsible as costs increase. As of August 2000, the PSTIF had 1,882 claims totaling \$128,260,000 not including the deductible. Including the deductible of \$18,820,000 would increase the total cleanup costs to \$147,080,000. We estimated that if Missouri would change its program so that owners pay 25% of the first \$100,000, 20% of the next \$400,000, and 10% of costs over \$500,000 the PSTIF would have saved over \$15.5 million as the owner's share would be \$34,357,000 instead of \$18,820,000. Changing the deductible from \$10,000 to a higher amount or as a percentage of costs with different percentages as costs increase could improve the PSTIF's financial condition.

- **Reduce the liability limit of \$1,000,000**

A tank owner pays \$100 to \$200 per tank and only has a \$10,000 deductible to obtain \$1,000,000 coverage. Thus, the PSTIF is incurring a large liability and expense while revenues for this coverage is minimal. The PSTIF had 16 claims exceeding \$500,000 which totaled \$11,469,521. Our review indicated that if the maximum liability limit was \$500,000 the 16 claims would have totaled \$8,000,000 resulting in a savings to the PSTIF of over \$3.4 million. The PSTIF had 37 claims exceeding \$350,000 which totaled \$19,809,525. Our review indicated that if the maximum liability limit was \$350,000 the 37 claims would have totaled \$12,950,000 resulting in a saving to the PSTIF of over \$6.8 million. We noted one state reduced the liability limit at different dates during the program. Reducing the liability limit encourages owners to get the cleanup done quickly so the tank owners would obtain more reimbursement and was a method to help phase out the program.

- **Require tanks that meet the 1998 tank requirements to obtain insurance through insurance carriers**

Currently, the PSTIF is providing the insurance coverage for about 65% of the underground storage tanks. When the program ends on December 31, 2003, tank owners will need to obtain insurance through private insurance carriers. The Board may want to guide tank owners that meet the 1998 tank requirements towards obtaining insurance through private insurance carriers versus providing the coverage. It should be noted the

advisory committee for the PSTIF did not report to the General Assembly on the private insurance market for tanks as required by law. The PSTIF indicated a report was not presented because the information had not changed from the March 1999 report presented to the General Assembly.

Section 319.131.2, RSMo 2000, requires the advisory committee to report annually to the general assembly on the availability and affordability of the private insurance market as a viable method of meeting the financial responsibilities required by state and federal law in lieu of the PSTIF.

Although the Board has considered some of these alternatives, significant changes have not been made. Since financial projections indicate fund resources will not be sufficient to cleanup all contamination, it is imperative that the Board implement program changes as soon as possible.

WE RECOMMEND the PSTIF Board:

- A. Implement program changes that will ensure Missourians are provided with the greatest benefit possible from petroleum contamination cleanup.
- B. Present an annual report to the general assembly as required by law.

AUDITEE'S RESPONSE

- A. *In March 2000, the Board recognized the impending insolvency of the Fund and, as noted in the audit report, took actions to delay additional funding commitments to new remedial claims. All of the alternatives outlined in the audit report were reviewed and discussed during public meetings of the PSTIF Advisory Committee held in the summer and fall of 2000. The results of those discussions were presented by the Advisory Committee to the Board of Trustees at its meeting on November 15, 2000; that report included a recommended solution, which follows:*

Recommended Legislative Solution

- 1. *The Petroleum Storage Tank Insurance Fund (PSTIF) Board of Trustees should be given authority to raise and/or lower transport load fee as needed to finance PSTIF's obligations, subject to the following limitations:*
 - *Maximum allowable fee is \$60 per transport load (8,000 gallons);*
 - *If the Fund's cash balance on the first day of any month exceeds the sum of its liabilities plus ten percent, the transport load fee automatically reverts to \$25 per transport load on the first day of the second month following this event;*

- *A cap of \$100 million remains in statute (i.e., collection of transport load fee ceases if Fund balance reaches \$100 million);*
 - *PSTIF Board of Trustees can only raise or lower the fee after giving at least 60 days' notice to all fee payers of its intention to do so, and must coordinate its actions with Department of Revenue to allow adequate time for implementation of any changes;*
 - *Language is added to the statute limiting any additional expenditures from the Fund for regulatory or other activities which are not directly related to the purposes of the Fund, and which are conducted without a contractual agreement between the Board and the party spending the money.*
2. *PSTIF Board of Trustees should be given explicit authority in the statute to prioritize claims, in consultation with the Department of Natural Resources (as it has already done by putting new remedial claims "on hold").*
 3. *Sunset date should be extended to December 31, 2010, with the Board given explicit authority to continue in existence beyond that date, to carry out activities as needed, and to pay out funds as needed to complete cleanups and finalize processing of all claims received by that date. (This means UST and AST owners could continue buying insurance from PSTIF until December 31, 2010.)*

The Board of Trustees endorsed the Committee's recommendation and as a result, two bills have been introduced in the legislature - HB327 and SB310. As of this writing, both bills have had a committee hearing, and HJB327 has passed the House of Representatives.

Ultimately, the Missouri General Assembly will decide whether to implement any plan to address the projected insolvency of the Fund. If no plan is implemented, the Board of Trustees will continue to administer available funds until the program ends on December 31, 2003. Unfunded liabilities will simply remain unfunded; under current law, they are not liabilities of the state's general revenue.

An additional comment is warranted regarding the first alternative suggested by the State Auditor - that of implementing a risk-based approach to cleaning up contaminated sites. While the Board of Trustees has authority to postpone funding for low-priority cleanups, it has no authority to establish the cleanup standards for any site. This authority rests with the Department of Natural Resources. At its meeting in January 2001, the Board discussed the importance of risk-based decision-making and its potential for substantially reducing the Fund's cleanup costs. The legislature has directed the Department of Natural Resources to use a risk-based approach in reviewing cleanup plans for contaminated tank sites, and the Board passed a motion requesting its Executive Director and staff of the Department of Natural Resources to report back to the Board with a specific plan for addressing this issue. It is anticipated this plan will be received by the Board of Trustees no later than September 2001.

- B. *The Board of Trustees is aware of the statutory requirement that the Advisory Committee provide an annual report to the General Assembly. The Advisory Committee has no staff, and the Board has very limited staff; this activity was simply not given priority attention during the last year.*

This annual reporting requirement was originally set out in state law when the primary purpose of the program was to provide the required “financial responsibility mechanism” for underground storage tank (UST) owners. With the changes made by the Legislature in 1995 and 1996, the need to annually re-evaluate the private insurance market was reduced. Simply put, regardless of the availability of private insurance for underground tank owners, there is little or no support for terminating the UST insurance benefit until such time as the transport load fee is eliminated. And the transport load fee cannot be eliminated unless or until the General Assembly decides to eliminate the remedial claims program, or the program reaches its sunset date.

Nevertheless, the Board concurs that such a report should be provided annually or as often as staffing levels allow, and will direct its Advisory Committee to provide such a report by March 2002.

2.	Claim Reserves
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The PSTIF’s Third Party Administrator (TPA) does not perform timely reviews of claim reserve amounts. The claim reserve amount is an estimate of the total cost of the contamination cleanup less the \$10,000 deductible. The TPA adjusts the claim reserve amount as the TPA obtains better information to more accurately estimate the cleanup costs.

We compared the listing of claim reserve amounts at August 17, 2000, to the listing of claim reserve amounts at June 30, 1998. We noted 387 claims (36 percent) that had the same claim reserve amount for both listings out of the 1,071 claims that were included on both listings. We selected 60 of these 387 claims and reviewed the file maintained by the TPA to determine the status of the claim.

Documentation was not sufficient to indicate that cleanup procedures were being actively pursued for 18 of the 60 (30 percent) claims reviewed. For some claims, the most recent documentation in the file was a letter to the owner requesting an update of cleanup procedures because no claim activity had been reported for an extended period of time. One of these letters indicated there had been no claim activity since June 1995. For some claims, the most recent documentation was either a copy of a letter sent by the Department of Natural Resources (DNR) to the owner or a notation made in the claim file indicating that a request had been made for either contamination cleanup information or additional site testing work was needed before any further claim activity could occur. For one claim, requests for additional testing have been made since 1992. For some claims, we noted the DNR had issued letters (dated in 1998 or 1997) indicating no further action was required; however, requests for reimbursement have not been submitted for the claims to be paid and the file

closed. The total claim reserve amounts associated with the above mentioned claim files totaled over \$740,000. Although letters were sent requesting information, no other action was taken to resolve the claim if no information was obtained.

The PSTIF Board considers the total of claim reserves when determining if new claims will be accepted and processed. If the claim reserves are not adjusted to reflect the current status of cleanup activities, future claims may be denied when adequate resources are actually available to pay for the cleanup of the contamination.

Follow-up procedures need to be conducted on claim files with no activity over an extended period. A review of these claim files should be performed to determine the current status of the claim. This review would include determining when cleanup of the site will be performed or finalized, whether the claim should be closed, and to adjust the claim liability amount due to information obtained in this review.

WE RECOMMEND the PSTIF Board conduct timely review of claim activity to ensure claim files and related reserves are accurate and up to date.

AUDITEE'S RESPONSE

The audit report seems to imply that the PSTIF Board of Trustees, its staff and its third-party administrator should take the initiative to compel action to clean up sites if the property owner does not proceed in a timely manner. The PSTIF Board wishes to make it clear that it has no authority to do this. Authority to compel action, to establish deadlines for that action, rests solely with the Department of Natural Resources. Nevertheless, the Board of Trustees concurs that actions to mitigate risks to the public health or address environmental damages should be undertaken by property owners in a timely fashion, and has brought this finding to the attention of the department.

Given the tenuous financial condition of the PSTIF, it may not be financially advantageous for the Board to take any action to accelerate the filing of requests for funds, or the disbursement of monies. However, there are some instances where the Fund participant or beneficiary has failed to submit invoices within a reasonable time after the work at a site is done; the Board has asked the Attorney General's Office to advise whether it has legal authority to impose a deadline for invoice submission. The Board expects a response from the Attorney General's Office by July 2001, and will then decide whether to impose such a deadline.

Though the majority of claim files reviewed by the Auditor indicated timely and regular review by the third-party administrator, the Board has nevertheless asked its TPA to clarify its procedures for regular review of reserves to assure that timely adjustments are made. The response from the TPA is as follows:

The Missouri State Auditor has commented that the individual claim reserves need to be reviewed more frequently. Williams & Company Consulting's procedures require the review of reserves each time a file is handled. For example, reserves are reviewed at the following stages: 1) opening the

claim, 2) cost approval, 3) each field report, and 4) invoice review. Therefore, during the life of a claim the reserves are reviewed at each activity stage.

The reality revealed by the State Auditor is that if there is no activity on a site the reserves will not be reviewed regularly. This past fall, November 2000, Williams & Company Consulting implemented a practice to have each claim reviewed on a periodic basis regardless of whether or not there is activity on the site. Following our discussion on Thursday, February 22, 2001, we have determined that a review of each claim every six months is sufficient to properly maintain individual claim reserves.

Please also note that upon receipt of the list of claims with unchanged reserves, Williams & Company Consulting reviewed approximately thirty of the files. The PSTIF files contained very little information on the claims so we also reviewed the DNR files on the sites. Of the thirty files reviewed six no longer were on DNR's "R" release list and we were able to close five of the six. The approximately twenty-four remaining DNR files contained insufficient information to impact the reserves and thus the reserves could not be changed. We found one out of the approximately thirty claims where there was sufficient information in the DNR files to support a change in the reserves.

It is Williams & Company Consulting's position that although the reserves have not changed on this list of claims provided by the auditor, the reserves are set on each claim at a responsible and appropriate level. Until such time as additional information on the extent of the release and the corrective action necessary to remediate the site is provided by the site owner and his consultant the reserves cannot responsibly be changed. The scheduled semiannual review of inactive claims will reveal information not directly received by PSTIF and will enhance maintenance of proper reserves.

3. Administrative Costs

The purpose of the PSTIF is to pay for the cleanup of contamination caused by petroleum spills. There are various administrative costs involved in carrying out these duties. However, administrative costs may be excessive as shown in the following summary.

(Amounts in thousands)	Fiscal year ended June 30,					6 months ended December 31, 2003	Total
	1999	2000	2001	2002	2003	Estimate	
			Estimate	Estimate	Estimate	Estimate	
Total costs (including claims)	\$ 17,482	27,458	25,486	25,616	24,963	10,869	131,874
Administrative costs:							
Third party administrator	1,934	2,277	2,365	2,365	2,365	1,182	12,488
Department of Natural Resources	1,889	1,938	2,121	2,185	2,251	1,159	11,543
PSTIF Board	146	158	200	206	212	109	1,031
Department of Revenue	27	28	29	30	31	16	161
Attorney General	21	27	28	29	29	15	149
Legal expenses	23	10	25	26	27	14	125
Other professional expenses	0	43	129	133	137	71	513
Total administrative costs	\$ 4,040	4,481	4,897	4,974	5,052	2,566	26,010
Percentage of administrative costs to total costs	23.1%	16.3%	19.2%	19.4%	20.2%	23.6%	19.7%

State law specifies that the PSTIF will expire on December 31, 2003. The board prepared estimates of costs through December 31, 2003, to determine the solvency of the fund.

Administrative costs of nearly 20 percent or more may be excessive when compared with other states that have similar programs.

WE RECOMMEND the PSTIF Board review the various administrative costs and lower them to a more reasonable level.

AUDITEE'S RESPONSE

One of the goals of the Board of Trustees, since its formation in April 1997, has been to reduce and control administrative costs. As evidence of its success in this endeavor, the following historical data is provided:

(In thousands \$)	FY96	FY97	FY98	FY99	FY00
Total Costs (including claims)	2,108	4152	8,726	17,482	27,458
Administrative Costs	1,472	2295	3,645	4,040	4,481
Percentage (Admin. Costs to Total Costs)	69.80%	55.30%	41.80%	23.10%	16.30%

It should be noted that the projections appearing in the Auditor's Report reflect artificially depressed claims costs, as a result of the "moratorium" imposed by the Board in March 2000. If additional funding for the program is provided by the legislature, claims costs in future years will be higher. While there will be some increase in claims processing costs associated with this increase in claims activity, other administrative costs will remain unchanged, which means overall administrative costs will remain in the 16% - 18% range.

This report is intended for the information of the management of the Petroleum Storage Tank Insurance Fund and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

PETROLEUM STORAGE TANK INSURANCE FUND HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Petroleum Storage Tank Insurance Fund (PSTIF) was first established by the Missouri General Assembly in 1989, in response to federal legislation requiring owners and operators of underground storage tanks (USTs) to have financial resources available to pay for cleanup of leaks and/or spills from their tanks. Originally called the Underground Storage Tank Insurance Fund, it began insuring owners and operators of such tanks in May 1992. Since then, the PSTIF has insured more than 3,200 USTs sites and 10,000 tanks. Coverage is provided for the costs of cleaning up a leak or spill, as well as third-party property damage or bodily injury resulting from leaks or spills. A \$10,000 deductible applies to each incident, with a policy limit of \$1 million per incident and \$2 million annual aggregate.

In 1995, the Missouri Legislature expanded the responsibilities of the PSTIF to include cleanup of sites where USTs had been closed and to pay the ongoing costs of cleanup at insured sites where a leak/spill had occurred before the owner was insured by the PSTIF. In 1996, the PSTIF responsibilities were expanded to offer insurance coverage to aboveground storage tanks (ASTs) owners/operators and to pay for cleanup of sites where ASTs had previously operated.

The PSTIF is primarily financed with a fee assessed on each load of petroleum brought into Missouri. Annual participation fees are also charged for insurance coverage. The PSTIF Board contracts with a private company to provide Third Party Administration services. These services include receiving and processing applications for insurance coverage, sending renewal services, receiving and processing claims, and other accounting and record keeping services.

The PSTIF Board was established by Section 319.129.4, RSMo 2000, to provide the general administration and the responsibility for the proper operation of the PSTIF including all decisions relating to payments from the PSTIF. The Board has eleven members. Eight members are appointed by the Governor with the advice and consent of the Senate. The other three members are designated officials from executive branch agencies. Members serving on the Board as of June 30, 2000 were:

<u>Members</u>	<u>City</u>	<u>Term Expires</u>
William H. Creech III, Chairman	Troy	February 2004
Robert L. Abernathy, Vice Chairman	Clinton	February 2001
James P. Ford	Columbia	February 2004
Judith W. Baker	Columbia	February 2003
Neal A. Gibbons, Sr.	Kennett	February 2003
Gary D. Collins	Jefferson City	February 2002
Robert (Bob) Jackson	Kansas City	February 2002
Sam K. Carter	Kansas City	February 2001
John Boehm (Office of Administration)		
Ron Hooker (Department of Agriculture)		
Stephen Mahfood (Department of Natural Resources)		

The Board works to ensure monies are effectively used to clean up the environment; that participants receive timely professional services; and resources are economically used to benefit the maximum number of Missourians.

The Board may appoint an executive director to perform administrative duties. Carol R. Eighmey was appointed Executive Director on August 15, 1997. One other employee performs various administrative and clerical tasks.

State law specifies that the PSTIF will expire on December 31, 2003.

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**REVIEW OF PHARMACEUTICAL TAX CREDIT
FOR SENIOR CITIZENS**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-34
April 18, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

April 2001

www.auditor.state.mo.us

The following areas of concern were discovered as a result of a review conducted by our office of the Pharmaceutical Tax Credit for Senior Citizens.

The Department of Revenue may have allowed ineligible taxpayers to receive the Pharmaceutical Tax Credit. The department adjusted 1999 Missouri individual income tax returns for approximately 105,000 individuals who met income and age requirements provided by law, but failed to claim the Pharmaceutical Tax Credit. According to the department, the tax credits allowed in connection with these 105,000 adjustments totaled approximately \$18.6 million.

When applying this tax credit to returns, the Department of Revenue did not determine whether the individual had received full reimbursement of the cost of pharmaceuticals from Medicaid or Medicare or whether the taxpayer actually incurred any pharmaceutical expenses.

In another tax relief measure available to senior citizens, the Senior Property Tax Relief Bill, the law includes a provision requiring the Department of Revenue to notify taxpayers of potential eligibility if it appears that the taxpayer could be eligible, but did not claim the credit. However, the department does not adjust taxpayers' returns unless the taxpayer subsequently files a claim for the credit. If such a statutory provision or practice had been in place for the Pharmaceutical Tax Credit, the costs to the state for this tax credit could have been reduced.

The Department of Revenue's tax policy group has determined that the Pharmaceutical Tax Credit will not be applied for tax year 2000 when taxpayers do not apply the credit to their individual income tax returns.

The fiscal note prepared by the Office of Administration and the Committee on Legislative Research significantly underestimated the financial impact of the Pharmaceutical Tax Credit on the state's General Revenue Fund. The Committee's final estimate of the fiscal impact of the Pharmaceutical Tax Credit on the state's General Revenue Fund was approximately \$20 million; however, according to the Department of Revenue, the actual fiscal impact of this credit was approximately \$83 million.

The section of the fiscal note completed by the Office of Administration estimated that approximately 261,000 Missouri residents could utilize the Pharmaceutical Tax Credit. According to Office of Administration personnel, this estimate was based upon household income information obtained from the United States Census Bureau, rather than an individual's adjusted gross income, as provided by state law. Using this information, the

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YELLOW SHEET

Office of Administration estimated the fiscal impact of the tax credit would be \$39.7 million. According to the Department of Revenue, there were approximately 458,000 individuals that utilized the Pharmaceutical Tax Credit for tax year 1999.

The Committee on Legislative Research used the same flawed data as the Office of Administration; however, the Committee further assumed that only fifty percent (approximately 130,000) of the Office of Administration's estimated eligible taxpayers would actually utilize the credit. Committee personnel indicated the fifty percent utilization rate was based on the utilization rate of other tax credits having similar eligibility requirements; however, there was no documentation to support this assumption.

The Department of Revenue was not specifically asked by the Office of Administration or the Committee on Legislative Research to provide statistical data regarding utilization of the tax credits or age and income data for taxpayers. Had the Office of Administration or the Committee sought and used available statistical data, the estimate of the fiscal impact of the Pharmaceutical Tax Credit would have been more accurate.

REVIEW OF PHARMACEUTICAL TAX CREDIT
FOR SENIOR CITIZENS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Mike Hartmann, Commissioner
Office of Administration
and
Carol Russell Fischer, Director
Department of Revenue
and
Jeanne Jarrett, Director
Committee on Legislative Research, Oversight Division
Jefferson City, MO 65101

We have reviewed the establishment and administration of the Pharmaceutical Tax Credit for Senior Citizens, authorized by Senate Bill 14, 90th General Assembly, First Regular Session, effective August 28, 1999, and Section 135.095, RSMo 2000. The scope of this review included examining the Pharmaceutical Tax Credit for tax year 1999. The objectives of this review were to determine if:

1. The Pharmaceutical Tax Credit was appropriately applied by the Department of Revenue (DOR).
2. The Pharmaceutical Tax Credit was appropriately linked to actual expenses incurred by taxpayers.
3. The fiscal impact of the Pharmaceutical Tax Credit was reasonably estimated in the fiscal note provided by the Committee on Legislative Research, Oversight Division (Committee).

Our review was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed DOR, Office of Administration, and Committee personnel and reviewed state income tax forms, state laws, and fiscal note documents. We did not review income tax returns and related source documents. Access to these returns and documents was denied by the Director of Revenue based on the DOR's interpretation of the decision rendered by the Missouri Supreme Court in the case of Director of Revenue v. State Auditor 511 S.W.2d 779 (May 1974). As a result, we were unable to verify some of the information provided by the DOR.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures or been permitted access to income tax returns and related source documents, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the Pharmaceutical Tax Credit for Senior Citizens.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

February 22, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT SECTION

REVIEW OF PHARMACEUTICAL TAX CREDIT
FOR SENIOR CITIZENS
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1.	Department of Revenue Administration of the Tax Credit
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- A. The Department of Revenue (DOR) may have allowed ineligible taxpayers to receive the Pharmaceutical Tax Credit. The DOR adjusted 1999 Missouri individual income tax returns to apply the Pharmaceutical Tax Credit when eligible taxpayers (age 65 or older with an adjusted gross income of \$24,900 or less) did not claim the credit. According to the DOR, the amount of the Pharmaceutical Tax Credit was adjusted for approximately 117,000 taxpayers for tax year 1999 (this includes both returns adjusted to apply or increase the credit and returns adjusted to reduce the amount of credit claimed). Approximately 105,000 of these adjustments were for individuals who met the income and age requirements, but failed to claim the credit. According to the DOR, the tax credits allowed in connection with these 105,000 adjustments totaled approximately \$18.6 million.

When applying this tax credit to returns, the DOR did not determine whether the individual had received full reimbursement for the cost of pharmaceuticals from Medicaid or Medicare or whether the taxpayer actually incurred any pharmaceutical expenses. Pursuant to Section 135.095, RSMo 2000, “. . . no individual who receives full reimbursement for the cost of legend drugs from Medicare or Medicaid . . . shall qualify for the credit pursuant to this section”.

In another tax relief measure available to senior citizens, the Senior Property Tax Relief Bill, the law includes a provision requiring the DOR to notify taxpayers of potential eligibility if it appears that the taxpayer could be eligible, but did not claim the credit. However, the DOR does not adjust taxpayers' returns unless the taxpayer subsequently files a claim for the credit. If such a statutory provision or practice had been in place for the Pharmaceutical Tax Credit, the costs to the state for this tax credit could have been reduced.

The DOR's tax policy group has determined that the Pharmaceutical Tax Credit will not be applied for tax year 2000 when taxpayers do not apply the credit to their individual income tax returns. As a result of this change, we have no further recommendations.

- B. Section 135.095, RSMo 2000, which authorizes the Pharmaceutical Tax Credit, states that the credit is “...for the purpose of offsetting the cost of legend drugs...”. However, the law does not expressly require that actual pharmaceutical expenses be incurred by a taxpayer to receive the credit. In addition, the 1999 Missouri individual income tax form instructions for the Pharmaceutical Tax

Credit made no reference to whether the taxpayer must have incurred pharmaceutical expenses. The instructions specifically stated “If you were 65 or older as of December 31, 1999 and you are a resident of Missouri, you may receive a pharmaceutical tax credit of up to \$200”. The instructions also explained that the taxpayer’s income must be less than \$24,900 to receive the full credit. The only stipulation for receiving the credit noted in the instructions was whether the taxpayer met the income requirement or received full reimbursement by Medicaid or Medicare for the cost of pharmaceuticals. Because of the omission of any reference to actual expenses incurred, a taxpayer who did not bear any pharmaceutical expenses during tax year 1999 could have applied for and received this tax credit. The 2000 Missouri individual income tax form instructions have been changed to include the statement “If you did not have any pharmaceutical expenses, enter zero (0) on line 39”.

Although the law authorizing the tax credit has not been changed, the DOR has instituted changes to the 2000 individual income tax form instructions to address this concern. Nonetheless, clarifications to the law should be considered. As a result of the changes made by the DOR, we have no further recommendations.

2.

Fiscal Note Preparation

The fiscal note prepared by the Office of Administration (OA) and the Committee significantly underestimated the financial impact of the Pharmaceutical Tax Credits to the state’s General Revenue Fund. The primary reason for the erroneous estimates appeared to relate to the assumptions or methods used to determine the number of eligible taxpayers.

- A. The section of the fiscal note completed by the OA and provided to the Committee for review estimated that approximately 261,000 Missouri residents age 65 and over could utilize the Pharmaceutical Tax Credit. According to OA personnel, this estimate was based upon household income information obtained from the United States Census Bureau, rather than an individual’s adjusted gross income, as provided by Section 135.095, RSMo 2000. Using this information, the OA estimated the fiscal impact of the tax credit would be \$39.7 million. According to the DOR, there were approximately 458,000 individuals that utilized the Pharmaceutical Tax Credit for tax year 1999. Since the number of taxpayers who were eligible for the tax credit was significantly underestimated, the loss of revenue to the state’s General Revenue Fund was not accurately determined by the OA.
- B. The Committee used the same flawed data as the OA; however, the Committee further assumed that only fifty percent (approximately 130,000) of the OA’s estimated eligible taxpayers would actually utilize the credit. Committee personnel indicated the fifty percent utilization rate was based on the utilization rate of other tax credits having similar eligibility requirements; however, there

was no documentation to support this assumption. The Committee's final estimate of the fiscal impact of the Pharmaceutical Tax Credit on the state's General Revenue Fund was approximately \$20 million.

According to the DOR, approximately 458,000 Pharmaceutical Tax Credits, totaling approximately \$83 million, were actually utilized for tax year 1999. The DOR applied the tax credit to approximately 105,000 taxpayers; therefore, approximately 353,000 taxpayers applied the credit before submitting their income tax returns to the DOR. The actual number of taxpayers utilizing this tax credit was more than triple the number estimated by the Committee, and the actual loss of revenue to the state's General Revenue Fund was more than four times the amount estimated by the Committee.

The DOR was not asked by the OA or the Committee to provide statistical data from prior years regarding utilization of tax credits or the number of taxpayers age 65 or older with an adjusted gross income of less than \$25,000. Had the OA or the Committee sought and used available statistical data, the estimate of the fiscal impact of the Pharmaceutical Tax Credit would have been more accurate.

WE RECOMMEND the Office of Administration and the Committee on Legislative Research, Oversight Division ensure relevant and accurate data is used in the preparation of fiscal notes. Furthermore, we recommend documentation be obtained and retained by the Committee to support any assumptions used to determine the fiscal impact of proposed legislation.

AUDITEE'S RESPONSE

The Director of the Office of Administration, Division of Budget and Planning provided the following response:

The Office of Administration agrees with the State Auditor's finding, and has previously acknowledged, that the impact of the tax credit authorized by Senate Bill 14 was underestimated. The Office of Administration agrees with the State Auditor that relevant and accurate data should be used in all fiscal notes and has already put in place appropriate safeguards.

The Director of the Committee on Legislative Research, Oversight Division provided the following response:

The Department of Revenue made policy decisions that likely contributed to an over-utilization of the pharmaceutical tax credit. In effect, the credit was refunded to more individuals than intended. However, the only way to determine the extent of the overpayments is to conduct a statistical sample of the tax returns and arrive at an error rate that could then be projected over the population.

The Office of Administration, in responding to Oversight's request for fiscal information in 1999, computed an estimated revenue impact for the proposed Pharmaceutical Tax Credit of \$39.7

million annually. This amount was reportedly based on the number of individuals with income of between \$10,000 and \$25,000. The numbers were simply labeled “income” and Oversight assumed they were compiled based on the provisions in the bill. The Department of Revenue was asked to provide data regarding revenue impact, but reported an “unknown” revenue impact to Oversight. It is presumed the executive branch departments will provide all information available, including statistical data from prior years, to compute fiscal impact. The information was sought through our standard request for fiscal information, which is submitted to all agencies affected by a bill.

In the preparation of the fiscal note, Oversight used the numbers computed by the Office of Administration and also assumed a 50% utilization rate for the Pharmaceutical Tax Credit. In our best judgment and relying on the experience with another credit targeting low-income senior citizens, we felt this was appropriate. According to the University of Missouri Economic and Policy Analysis Center, the Senior Citizens Circuit Breaker program, as of the last available census data, only had a 37.0 percent utilization rate. Oversight believed a 50% utilization rate for this program was a conservative estimate. Had we been aware of what the Department of Revenue’s implementation strategy would be, we would have taken a different approach.

We completely agree with your assertion that relevant and accurate data should be used in the preparation of fiscal notes. We have met with the Department of Revenue to discuss the procedure for coordinating the preparation of future fiscal notes with the Office of Administration and our office. As the Department of Revenue is the department in possession of the historical data and the department that will be responsible for implementing tax proposals, we will ultimately rely on them to provide both revenue and administrative impact on such bills.

We regret that a comparison has been made between the fiscal note estimate and the results of a program implemented and administered differently than intended. We believe a determination of the accuracy of the fiscal note estimate should be based on a comparison of the estimate with amounts which would have been paid had the credit been implemented according to the legislative intent.

AUDITOR’S COMMENT

Although the standard fiscal estimate worksheet completed by state agencies for pending legislation does provide a template for agencies to indicate the fiscal impact on state funds, we have noted that it is a common practice for agencies to only note the operating impact of the proposed legislation. The DOR’s response to the fiscal note identified only the additional staff and operating costs to administer the tax credit. If it was “presumed” that the DOR would provide all applicable information and such information was not forthcoming, it is unclear why this information was not specifically requested by the Oversight Division. The Oversight Division did not follow up with the DOR about the availability of any additional information or request specific statistical data from the DOR when computing the fiscal impact of the Pharmaceutical Tax Credit legislation.

This report is intended for the information of the management of the state of Missouri and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

APPENDIX

Appendix
REVIEW OF PHARMACEUTICAL TAX CREDITS
FOR SENIOR CITIZENS

Missouri Revised Statutes

**Chapter 135
Tax Relief
Section 135.095**

August 28, 2000

Maximum amount, qualifications, phase-out of credit based on income, expiration date.

135.095. For all tax years beginning on or after January 1, 1999, but before January 1, 2005, a resident individual who has attained sixty-five years of age on or before the last day of the tax year shall be allowed, for the purpose of offsetting the cost of legend drugs, a maximum credit against the tax otherwise due pursuant to chapter 143, RSMo, not including sections 143.191 to 143.265, RSMo, of two hundred dollars. An individual shall be entitled to the maximum credit allowed by this section if the individual has a Missouri adjusted gross income of fifteen thousand dollars or less; provided that, no individual who receives full reimbursement for the cost of legend drugs from Medicare or Medicaid, or who is a resident of a local, state or federally funded facility shall qualify for the credit allowed pursuant to this section. If an individual's Missouri adjusted gross income is greater than fifteen thousand dollars, such individual shall be entitled to a credit equal to the greater of zero or the maximum credit allowed by this section reduced by two dollars for every hundred dollars such individual's income exceeds fifteen thousand dollars. The credit shall be claimed as prescribed by the director of the department of revenue. Such credit shall be considered an overpayment of tax and shall be refundable even if the amount of the credit exceeds an individual's tax liability.

(L. 1999 S.B. 14, et al. § 1)



**COMPLIANCE
WITH SUNSHINE LAW REQUIREMENTS
STATE AGENCIES, BOARDS AND COMMISSIONS**

From The Office Of State Auditor
Claire McCaskill

Forty-four percent of State Agencies, Boards and Commissions did not comply with the Sunshine Law by either not replying to requests, denying requests or replying late to requests. These entities did not have consistent policies for fees charged for providing information.

**Report No. 2001-33
April 17, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office Of The
State Auditor Of Missouri
Claire McCaskill

April 2001

www.auditor.state.mo.us

Inadequate Sunshine Law policies exist for more than half the state agencies, boards and commissions, which can lead to non-compliance

This audit examined how well Missouri's nearly 200 state agencies, boards and commissions comply with public records requests under Sunshine Law provisions. The audit reviewed the timeliness of processing a request; the reasonableness of denying a request and the fees charged for such requests. The following highlights the findings:

Record request fees vary widely, often more than market rate

Charges to obtain a 10-page document requiring a 15-minute search can range from free to \$20 depending on which agency handles the request. Audit tests showed that 54 percent of the entities surveyed charged more than the 10 cents per page market rate for duplicating public records. In addition, 92 percent of these entities charging over the market rate had no detailed reasons for the high charges. (See page 11)

Nearly half the entities surveyed did not comply with record requests

About 44 percent of the governmental entities surveyed either did not respond, responded untimely or improperly denied a request. Of the 9 percent that did not respond at all, many entity officials said the request never arrived even though we had a signed receipt from the mailing.

Three entities refused to provide the requested records unless the citizen explained why they want the information, which is not required by the Sunshine Law. One agency's attorney offered this reason to deny: "It will be necessary for you to be more specific as to what you need and for what purpose before we can comply..." (See page 3)

Majority of the entities responded on time

Audit tests showed that 55 percent of the entities surveyed responded within the 3-day requirement of the Sunshine Law. Of those that did not respond on time, the longest delay was 43 business days, while the majority of the other untimely responders were one to three days late. (See page 4)

Written policies do not exist or are not clear

About 65 percent of the written policies of the Sunshine Law reviewed in this audit were not clear or reasonable. About 18 percent of these entities had no written policy. About 45 percent of these entities had unclear policies that did not identify a custodian of records or state 3-day response time requirement. (See page 6)

At least three policies were not written in the "spirit" of the Sunshine Law, including Northwest Missouri State University that indicated top university officials were not "governmental bodies" and were outside the realm of the law. (See page 7)

YELLOW SHEET

**COMPLIANCE WITH SUNSHINE LAW REQUIREMENTS STATE AGENCIES,
BOARDS AND COMMISSIONS**

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**COMPLIANCE WITH SUNSHINE LAW REQUIREMENTS STATE AGENCIES,
BOARDS AND COMMISSIONS**

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Governor Bob Holden
And
Agency Directors, Board Members and Commissioners
And
Members of the General Assembly

The State Auditor performed an audit of compliance with requests for records under Section 610.023—Missouri Sunshine Law. The purpose of the audit was to determine if state agencies, boards, and commissions were aware of their responsibilities to provide access to public records upon request; had established reasonable written policies for complying with the Sunshine Law; and had established reasonable fees for duplication of public records.

We concluded that nearly forty-four percent of the governmental entities included in our sample did not properly comply with the Sunshine Law regarding requests for records; only thirty-five percent of state agencies, boards, and commissions surveyed have reasonable written policies for complying with the Sunshine Law; and fifty-four percent of governmental entities surveyed disclosed fees charged for duplication of public records in excess of the market rate. By not responding to requests or denying requests unjustifiably, state agencies, boards, and commissions risk fines, lawsuits, and loss of credibility with their constituency.

A handwritten signature in black ink, reading "Claire McCaskill".

Claire McCaskill
State Auditor

February 20, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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RESULTS AND RECOMMENDATIONS

1. Forty-four Percent of State Agencies, Boards and Commissions Did Not Comply with the Sunshine Law

Eighty-six of the 194 (44%) governmental entities in the audit sample either did not respond, responded untimely, or improperly denied a request for records from the general public. When following-up with non-compliant entities, personnel, gave these reasons for not complying with Missouri's Sunshine Law:

- ✓ The request was not received.
- ✓ Information could not be located.
- ✓ The request was not given to the proper individual.
- ✓ The purpose for obtaining the records needs to be known.

When management does not appropriately respond to a request for records, the entity is subject to lawsuits, fines and loss of credibility.

Universe of State Agencies, Boards and Commissions

The Secretary of State's Office publishes a biennial *Official Manual* that includes state agencies, boards, and commissions. We obtained the names and addresses of 194 of these entities and requested a copy of the minutes from the last board meeting held in calendar year 1999 from each state board and commission and copies of purchase orders for the month of June 2000 from each state agency.

Audit Procedure and Criteria

The audit test was conducted in a manner that gave the appearance that the request was made by a private citizen. The letter was sent on plain paper and stated either,

"I request that you make available to me a copy of the minutes of the last meeting held in Calendar year 1999. Please let me know in advance of any search or copying if the fees for such search and copying will exceed \$10."

or

"Please provide to me copies of the purchase orders for the month of June 2000. Purchase orders include quick price agreement orders, service contract orders, quick decentralized purchase orders, simplified service contracts, purchases from Missouri Vocational Enterprises, non pre-encumbering requisitions, and quick requisitions. Please let me know in advance of any search or copying if the fees for such search and copying will exceed \$10."

State law includes specific provisions that governmental entities, with some exceptions, must follow when handling requests for records. Section 610.023(3), RSMo2000, states:

“Each request for access to a public record shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection. This period for document production may exceed three days for reasonable cause.”

Governmental entities did not respond to the request

Eighteen of the 194 (9%) governmental entities did not respond to the request for records. When a follow-up call was made to the appropriate individuals, many claimed that the request was not received or that the request did not get to the appropriate respondent. One individual said she could not offer an explanation.

Since we mailed all requests by certified mail, we know each entity signed for and received the request for minutes or purchase orders. Some state personnel indicated that the request was not forwarded to the appropriate individual within the entity. However, the fact that internal mail distribution procedures were the cause for non-compliance does not relieve the entity of its responsibility to comply with state law. In these instances, it would be beneficial for the entity to make it clear to those who open agency mail who the custodian of records is and provide instructions for ensuring that requests are routed and answered timely.

Better internal mail-handling procedures are needed

Three governmental entities denied requests for information

Three of the 194 (1%) entities refused to provide the requested records unless the citizen provided more information. While the number of refusals represents a small percentage of the total universe tested, it substantiates the need for the entities' personnel to become familiar with the laws that regulate requests for public records. The following examples illustrate the lack of familiarity with the Sunshine Law:

Requests were denied for inappropriate reasons

A superintendent of a state school replied¹:

“Thank you for your request for information about our purchase orders for the month of June 2000. Although our agency is a public agency and we would be happy to provide public records, we would like to know your interest in requesting this information.”

¹ The superintendent later mailed the requested information.

A member of the legal staff at one state agency provided this response for two different divisions:

“It will be necessary for you to be more specific as to what you need and for what purpose before we can comply with your request.”

Both of these denials indicate that the requestor must identify the purpose for the request. The statutes do not require the requestors to identify why they want the information.

More than one-half of governmental entities replied timely to request for records

Audit tests concluded that 108 out of 194 (55%) governmental entities responded within the timeframe set by state law. The remaining 58 (29%) entities that have not already been identified as non-compliant, did not respond in a timely manner.

58 of 194
entities did not
respond timely

Number of Entities	Days Late
41	1-3
9	4-6
4	7-10
4	more than 10

To fairly determine governmental entities' response times, we began our count with the day after the certified mail was delivered to the governmental entity and ended with the postmark date on the return envelope; we did not include weekends and holidays. The most significant delay in response was 43 business days.

Conclusions

Management at nearly 44 percent of State Agencies, Boards and Commissions are subjecting the entities to lawsuits, fines, and loss of public confidence because they have not complied with the law. Open records laws provide the proper checks and balances needed in government to ensure the public is aware of government operations.

Recommendation

We recommend the Governor

- 1.1 Ensure that appropriate responsible personnel at State Agencies, Boards and Commissions are designated as custodians of records. These personnel should be familiar with the provisions of the Sunshine Law. In addition, there should be proper procedures in place to ensure requests for records are routed to the appropriate personnel for processing in a timely manner and in accordance with state law.

2. State Agencies, Boards and Commissions Need to Establish or Improve Written Policies for Complying with the Sunshine Law

The quality of policies received from State Agencies, Boards and Commissions (governmental entities) regarding compliance with the Sunshine Law could be improved and would provide better compliance.

- ✓ Only 48 of 137 governmental entities' policies referenced the naming of a custodian of records and the 3-business day response requirement imposed by the law. These two elements were deemed essential in determining whether or not a written policy was reasonable.
- ✓ 74 of 137 governmental entities' policies contained fee requirements for copying records in excess of 10 cents per page (approximate market value). Sixty-eight of these governmental entities did not provide an explanation of how the fee was determined. In some cases we were able to determine that employee time spent searching for the document was included in the per page fee, but in other cases we were unable to determine if the employee time was part of the per page fee.

Governmental entities without reasonable policies increase the risk of improper handling of public document requests that could result in violation of the law. According to law, governmental entities cannot charge fees in excess of actual costs and fees must be fair and reasonable. If governmental entities do not identify how they determined the fees, the public cannot be assured that the fees charged are fair, reasonable, or representative of actual costs.

Background

Pursuant to Section 610.026(2), RSMo, fees charged for document search and duplication must be fair, reasonable, and cannot exceed the actual cost incurred by the governmental entity. Audit tests were designed to determine how the 137 governmental entities determined the cost of document reproduction. We sent the following request letter:

“We are currently performing a statewide review of the Sunshine Law. Please provide us with a copy of your policies and procedures regarding providing information to the public. In addition, please identify any charges for providing copies and documentation to support the establishment of these charges.”

This test was conducted as a means to review if the governmental entity had a reasonable written policy regarding compliance with Section 610.028(2), RSMo. The survey also was used to review the policies and procedures governmental entities followed in charging fees for public document requests. *(See Appendix I, page 16, for methodology used in review of written policies and fees).*

Written policies either did not exist or were not clear

Approximately 65 percent (89 out of 137) of governmental entities in the state of Missouri did not have reasonable written policies related to compliance with the Sunshine Law. One governmental entity in a response letter stated that it did not maintain a formal written policy. Five governmental entities responded to our inquiry by writing a policy on letterhead paper dated as of the day of the response. In a follow-up call to these governmental entities, all five indicated they did not maintain formal written policies, but said they did follow the law as indicated in the letter.

Many of the governmental entities had some type of written policy, but the policy was not clear because it did not

- indicate that a custodian of records had been named, and
- provide notice that the custodian of records has to respond to such requests within 3 business days following receipt of the request.

Classification of Written Policies

Classification	# of Entities	Percentage Of All 137 Respondents
Reasonable Written Policy	48	35%
Policy Was Not Clear	63	46%
No Written Policy	23	17%
Policy Did Not Meet the Spirit of the Law	3	2%

Policies did not clearly assign responsibility

Of the 137 governmental entities surveyed, 63 had written policies that were not clear. We considered the policy unclear if it did not identify the custodian of records, either by name or organizational position, and/or it did not state that responses had to be made within 3 business days.

Who is responsible for answering the request?

A clear written policy is essential to ensure that there is no misunderstanding within the organization as to how to process a Sunshine Law request.

Additionally, public dissemination of the written policy would give the general public notice of the custodian of records for the governmental entity and how the requestor of public documents can expect the governmental entity to respond, which would allow for a more efficient process. To comply with the law a governmental entity must have its reasonable written policy “open to public inspection.” One way to do this would be for the governmental entity to include the policy in its regulations, which the general public could access. Additionally, if the

governmental entity has an official website the policy could be prominently displayed on the homepage.

Some policies included provisions that did not meet the spirit of the Sunshine Law

Three policies contained language or requirements that make it difficult for a requestor to obtain records. While we do not conclude that this language is in violation of the law, we believe the policies are not conducive to the “spirit” of the law that requires open government without intimidation of the person making the request. The following language or requirements could cause concern for the requestor:

Northwest Missouri State University

This public university included the following language in their policy:

“The president of the University, vice presidents and other members of the president’s cabinet are not ‘governmental bodies’ within the contemplation of the Sunshine Law, and thus are outside the ambit (realm)¹ of the law...”

This provision in the university’s policy appears to be contrary to current law. The provision contends the president of the university and his cabinet are not a “governmental body” and therefore are not subject to the Sunshine Law. The university cites Tribune Publishing Company v. Curators of the University of Missouri, 661 S.W. 2d. 557 (Mo. App. WD 1983) as authority for this provision in its policy. Subsequent to the Tribune decision the legislature amended the law to include all “administrative entities” in its definition of governmental body. The president, vice presidents and other members of the president’s cabinet would seem to constitute an administrative entity. This and other amendments to the law resulted in one court stating that “Tribune is no longer the law in Missouri”. Bauer v. Kincaid, et al., 759 F.Supp. 575 (US Dist Ct, W.D. 1991). In light of the statutory amendments and court cases subsequent to Tribune, the university should revise its policy to conform with current law.

Southwest Missouri State University

The public university stated in its policy the following:

“Requestor shall submit a ‘Request for Document’ form, signed by the Requestor, identifying the organization, if any, which he/she represents.”

Requiring a requestor of public documentation to identify the organization he/she represents is not in harmony with the meaning of “open” government. A requestor could be intimidated from proceeding with a request because of this requirement and unnecessarily cause the requestor to question the motive of the agency for asking the question.

¹ Synonym added.

Missouri Development Finance Board

This board's response to our request for policies and procedures summarized its policy in a letter and stated that a custodian of records must respond within 3 days of the request, which is appropriate, however the board then stated the following:

“...but the response can be a statement that the information is not public and will not become public until presented to and heard by the Board in an open meeting.”

If the board were to deny a request for a document its response should include the reason for the denial and cite the provision of the law under which access was denied. Although, this may be what this board would do if it were to deny a Sunshine Law request, the language in the quote above gives the impression that a simple statement, such as “the information is not public” would be sufficient for denial of the request. This would not be a proper response for a denial and would be contrary to the law.

One third of the entities had reasonable written policies

Out of the 137 governmental entities surveyed, 48 had written policies that included the language stating a custodian of records had been named and the law requires the custodian of records to respond to requests for access to public records within a statutorily imposed time period.

Some policies ensured timely response to requestors

Among the 48 reasonably written policies there were varying degrees of specifics in the language referring to the designation of a custodian of records and the 3-business day response requirement. Some of the more detailed policies explicitly stated the name or office of the custodian of records and the 3-business day response requirement, while other less detailed policies stated that a custodian of records had been chosen and responses to public requests should be within the time allowed by law.

The Department of Labor and Industrial Relations (DOLIR) had an exemplary policy on open records. The policy was clear, concise, and it communicated the spirit and the letter of the Missouri Sunshine Law. Key sections of the policy are as follows:

Exemplary policy found at one Department

Official Custodian

- This section of the policy specifically states, “the Director of each division or agency within DOLIR, is the official custodian of records under his or her jurisdiction.”

Processing Requests

- This section of the policy states “the person primarily responsible for reviewing incoming mail” should forward requests to the confidential information coordinator

immediately upon receipt and that “each request received pursuant to section 610.023 RSMo must be processed within 3 working days of receipt.”

- If copies are requested, “fees charged cannot exceed the actual cost of the document search and duplication.”

Another feature of the Department of Labor and Industrial Relations’ policy is a one-page summary, which contains a list of appropriate responses to requests. The responses deemed appropriate by the agency are as follows:

- A. *Production of the documents with a bill for copying charges.*
- B. *A letter informing the party of the copying charge and requiring payment before the documents will be copied.*
- C. *A letter indicating that documents are available for inspection at a specified place during normal business hours.*
- D. *A letter indicating that the records cannot be produced within the 3 business days and stating when the records will be available.*
- E. *A letter stating that the requested documents are not open records and are not available to the public. If requested, the agency may have to cite the specific provision of the law under which access is denied.*

Detailed written policies can be beneficial and should be distributed to all staff with emphasis on the importance of the policy. Although the Department of Labor and Industrial Relations had a good policy, the Division of Employment Security within the Department did not respond to our request for a copy of a public record. In a follow-up call to ascertain why the Division did not comply with our Sunshine Law request, the Division’s general counsel could not give an explanation.

A majority of non-compliant entities did not have a reasonable written policy

Thirty-six of 59 (61%) of the governmental entities that did not comply with the audit test’s request for records did not have a reasonable written policy. Absent a definition of reasonable in the statutes it would not be incorrect to expect a written policy to (i) give general information about the Sunshine Law, (ii) expressly state that a custodian of records has been appointed for handling Sunshine Law requests, and (iii) expressly state that the custodian of records has to respond to such requests within 3 business days following receipt of the request. A policy that explicitly addresses these points would give both the requestor and the internal staff of the public governmental entity the information needed to comply with the Sunshine Law.

Lack of policy
can lead to
lack of
compliance

While we did not perform a statistical analysis to test the correlation between the two variables (i.e., compliance with Sunshine Law requests, and having a reasonable written policy), it would

be reasonable to expect that some of the entities failing to comply with the Sunshine Law would have complied if they had reasonable written policies. Furthermore, a reasonable written policy is required by state statute and all governmental entities should comply with the law.

There was inconsistency among governmental entities regarding charges for searching and copying documents

Fifty-four percent (74 out of 137) of the governmental entities surveyed charged more than 10 cents per page for duplication of public records. Twenty-three of the entities charged between 3 and 10 cents per page. Five of the entities surveyed said they do not charge for Sunshine Law requests, and another 31 entities either did not provide fees or stated that fees charged would be fair, reasonable, and would be no higher than the actual cost of providing the documents to the requestor. Four of the entities set a limit on the number of free pages that would be provided before assessing fees for additional pages.

Breakdown of Governmental Entities' Duplication Fees

Fee Charged Per Page	# of Entities	Percent of Total
≥ \$1.00	10 ²	7%
From \$0.25 to \$0.50	52	38%
From \$0.15 to \$0.20	12	9%
≤ \$0.10	23	17%
No charge	5	3%
Fee Not Provided	31	23%
Limited Fee	4	3%
Total Surveyed	137	100%

Audit tests showed that fees ranged from a low of 3 cents per page to a high of \$1.00 per page. One entity charged a minimum of \$5.00 and then 5 cents per page. Other entities indicated they would not charge a fee as long as the request was not “voluminous” or “more than one or two pages.”

Copying fees were not explained

While 74 of the entities charged more than market rate, 68, or 92 percent, of these entities did not provide a detailed explanation of how the fees were derived. One Division provided a formula it used for deriving the fees it charged per page for photocopies. The formula included, personnel cost, postage and paper/copy machine costs to derive a fee of 50 cents per page. (See Appendix XI, page 36, fee justification example 1). A Commission in its response letter stated that it calculated the cost by taking the labor cost per hour divided by the

Entities did not explain how they calculated fees

² Eight of the 10 entities have minimum charges ranging from \$1.00 to \$5.00, but then charge less per page. Two of the entities charge a flat \$1.00 per page.

number of copies made per hour and then added the cost of paper and copy machine usage to derive a fee of 4 cents per page. (See Appendix XI, page 37, fee justification example 2).

While there is a substantial difference between these two estimated costs, the difference could be explained by postage and the document search cost. The 4-cent fee per page does not include any cost for postage or document search, although both are waived if the total cost is less than \$5.00. It is unclear whether the entity charging 50 cents per page would also charge a fee for document search.

Document search costs were not explained

Audit tests showed that 74 of 137 governmental entities (54%) listed a document search fee based on personnel time used for the search. All fees were based on an hourly rate and ranged from a high of \$35.00 per hour to a low of \$8.00 per hour for personnel time. Additionally, many entities said the document search fee would be waived if the search did not take a long period of time defined as anywhere from 15 minutes to 2 hours for one governmental entity. In at least one case, there was a minimum charge per request of “one-half” the per hour fee for personnel time, regardless of how long the search took.

Search fees
could be high
or low—
agencies differ

Over one-half of the entities listing fees for document search had a different hourly rate depending on whether a “clerk” performed the search or a “professional” performed the search. In most cases, the hourly rate for a professional search was approximately double the cost of a clerk search. The other one-half of the entities listing fees charged one hourly rate and did not distinguish between a clerk or professional search.

Hourly Charges For Document Search

Fee Per Hour ³ (Range)	# of Entities	Percent of Total
\$35.00	4	5%
\$21.00 - \$29.00	1	1%
\$11.00 - \$20.00	24	33%
\$8.00 - \$10.00	45	61%
Total:	74	100%

Examples of excessive fees

It is understandable that a governmental entity would want to recover its costs of responding to a Sunshine Law request and the law clearly allows for a governmental entity to charge a fee for its actual costs of document duplication and search. This provision in the law would seem to be

³ The range of fees per hour is based on a “clerk” hourly rate or a rate where the government entity only gave one rate and did not distinguish between a clerk and a professional document search. Where a professional fee was given the hourly charges ranged from \$15 - \$25, however this is not reflected in the table.

premised on the theory that all taxpayers should not have to subsidize the requests of individual taxpayers. However, open government requires that public information not be made so costly as to, in effect, create a closed government. The spirit of the Sunshine Law would seem to demand that governmental entities err on the side of undercharging for requests of public information. In spite of this, some governmental entities appear to be overcharging for public document requests.

Kansas City Area Transit Authority

The Kansas City Area Transportation Authority (KCATA) charges \$1.00 per page for copies of public records. This fee is excessive in light of the \$0.10 per page market value for copies. KCATA justifies the cost by saying it takes a clerk thirty minutes to process, and reply, to the request. Based on a clerk salary of \$15 per hour, KCATA says the document search and process of the request costs \$7.50 (\$15 per hour x 30 minutes). KCATA then says the "\$1.00 per page charge is an attempt to partially recover KCATA's costs, while at the same time ensuring that no person is denied access to documents because of limited financial means."

KCATA appears to be rationalizing the excessive \$1.00 per page cost for copies by comparing it to the \$7.50 it costs to process the request. However, this logic only stands-up if the request is for a document of 8 pages or less. What if the request was for a 50 page document? For about the same amount of time (maybe a few minutes longer at the copier) a clerk could process the request at a cost of \$7.50, but the requestor would have to pay the authority \$50. This would be a violation of the Sunshine Law as the fee charged for document duplication and search is higher than the cost incurred by the governmental body

Missouri Department of Conservation

The Missouri Department of Conservation (Conservation) charges a flat \$10 fee per request and \$1.00 per page for copies. According to Conservation, the \$10 fee is to cover the cost of processing the request and the \$1.00 per page is to cover the costs of processing the request and copy expenses. Since the agency did not have any documentation to justify the fees it is not possible to determine exactly how the \$10 flat fee and the \$1.00 per page fee were derived. In an attempt to justify the \$1.00 per page duplication fee the agency said that often the cost of the request exceeds \$10 and therefore the \$1.00 per page is justified. However, the agency also said that if a document search was longer than one hour then the \$10 would be assessed on an hourly basis. This would seem to nullify the justification of the \$1.00 per page fee. Without better justification of the \$1.00 per page copy charge it is possible Conservation is in violation of the law because its fee charged for document duplication exceeds the cost incurred by the agency.

Conservation also charges a minimum of \$60 for up to three hours of research on proprietary information and fees for several databases it maintains. The database fees range from \$100 per database to \$650 per database. The databases can be obtained on a

compact disk or on a computer zip drive. When asked to justify the fees charged for the databases the agency could not produce any documentation to support the fees.

Professional Licensing Boards and Commissions

The Advisory Committee for Licensed Clinical Social Workers, the Missouri Board of Respiratory Care and State Committee of Marital and Family Therapists each listed fees of \$0.50 per page and \$35 per hour for document search. The \$0.50 is significantly above the \$0.10 market rate for copies and the \$35 per hour fee for document search was the highest of all governmental entities included in our review.

The following two tables are an example of how wide-ranging charges can be for public document requests under the Sunshine Law.

Table 1
Fee Charged For A 10-Page Public Document Requiring 15-Minute Search

Governmental Entity	Cost Page	Per Document Search	Total Fee Charged for Document
Department of Conservation (Headquarters)	\$1.00	\$10.00 flat fee	\$20.00
Missouri Board of Respiratory Care	\$0.50	\$35.00	\$13.75
KCATA	\$1.00	\$0	\$10.00
Department of Natural Resources	\$0.10	\$8.00	\$3.00
Missouri Highway Patrol	No charge	if less than 20 pages	

Table 2
Fee Charged For A 50-Page Public Document Requiring 30-Minute Search

Governmental Entity	Cost Page	Per Document Search	Total Fee Charged for Document
Department of Conservation (Headquarters)	\$1.00	\$10.00 flat fee	\$60.00
KCATA	\$1.00	\$0	\$50.00
Missouri Board of Respiratory Care	\$0.50	\$35.00	\$42.50
Department of Natural Resources	\$0.10	\$8.00	\$9.00
Missouri Highway Patrol*	\$0.15	\$0	\$7.50

* Charge of \$0.15 per page if over 20 pages.

The table above illustrates how document requests from governmental entities charging \$1.00 per page or high document search fees can become costly to the requestor as the size of the

document and the time spent on document search increases to 50 pages and 30 minutes, respectively.

Conclusions

Approximately 65 percent of the agencies, boards and commissions surveyed did not have written policies on Sunshine Law requests that we would classify as reasonable. As compliance with the Sunshine Law continues to be a problem for public governmental entities in the state of Missouri it is critical that each entity have a reasonable written policy that provides adequate information to both internal staff of the public entity and to the general public.

The Sunshine Law allows governmental entities to recoup the cost of document search and duplication. Section 610.026, RSMo says a governmental entity, upon request, must certify in writing that the actual cost of document search is fair, reasonable, and does not exceed the actual cost incurred by the public governmental entity. Approximately 54 percent of governmental entities surveyed charged duplication fees that, on their face, exceeded what would be considered a market rate.

Some governmental entities have fee structures that appear excessive when compared to the fee structures of other governmental entities. A Sunshine Law request for a 50 page document that takes 30 minutes to find could cost the requestor anywhere from \$60.00 to \$7.50 depending on which governmental entity has the document.

Recommendations

We recommend that the Governor ensure:

- 2.1 All governmental entities have a reasonable written policy pertaining to the Sunshine Law.
- 2.2 The reasonable written policy is distributed to all staff and be obtainable by the general public.
- 2.3 All written policies have, at a minimum, the name or office of the custodian of records and explicit reference to the statutorily imposed 3-business day timeframe the custodian of records has to respond.
- 2.4 Policies have detailed instructions on how to process a request so every employee within a governmental entity will have knowledge of the procedures necessary to comply with the law.
- 2.5 All government entities provide written documentation supporting the fees it charges for document search and duplication relating to a Sunshine Law request.
- 2.6 Fees are reasonable, fair and do not exceed the actual cost incurred by the governmental entity.

- 2.7 Governmental entities provide the costs of document search and duplication to a requestor before sending a bill, so the requestor has a chance to decide if the request is worth the cost.
- 2.8 Procedures are in place to ensure document search and duplication fees do not overlap resulting in a double charge to the requestor of the document.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of the audit was to determine if personnel at state agencies, boards, and commissions were aware of their responsibilities for responding to public requests for records. The audit measured the number of responses received as well as the timeliness of those responses. Additionally, a survey was conducted to review (state agencies' divisions, boards, and commissions) written policies regarding public requests for records.

Scope and Methodology

A total of 194 (state agencies, boards and commissions) were selected from the Secretary of State's biennial *Official Manual*, 1997-1998. Then, a letter requesting a copy of the minutes of the last meeting held in calendar year 1999 was sent to each board and commission, and a letter requesting purchase orders for the month of June 2000 was sent to each state agency. A total of 198 requests were made to the following entities:

Type of Entity	Number of Requests Mailed
State Agencies	101
State Boards and Commissions	93

We reviewed the requirements of Section 610, Missouri Revised Statutes (RSMo) and limited the scope of our audit to responses to requests for information. We made the following assumptions in this audit:

- There is no distinction between state agencies, boards and commissions as to size, mission, function, geographic location and population served regarding the responsibility to respond to requests for records.
- An entity should be considered compliant with the laws when a response is received within 3 business days, provided that either access to records is given immediately or a detailed explanation as to the earliest date the information can be released is given.
- Some requests may be delivered late in the day, so response time calculations should begin with the business day following the delivery date marked on the certified mail receipt. The response time calculation should then end with the postmark date on the respondents' envelope.

This audit was conducted in accordance with generally accepted government auditing standards and included tests of compliance that were deemed appropriate in order to accomplish the audit objectives. The audit included program results and compliance elements.

Subsequent to our review of compliance with the Sunshine Law, our office sent 137 state agencies, boards and commissions a letter requesting a copy of the entity's policies and procedures on public requests for information and we asked the entity to identify any charges for providing copies and documentation to support the establishment of these charges.

This survey was conducted as a means to review if the governmental entity had a reasonable written policy regarding compliance with the Sunshine Law as required by Section 610.028(2), RSMo. In our opinion, a reasonable written policy is one that, in addition to giving general information about the Sunshine Law, expressly states that: 1) a custodian of records has been appointed for handling Sunshine Law requests and 2) the custodian of records has to respond to such requests within three business days following receipt of the request. A policy that explicitly addresses these two points would give both the requestor and the internal staff of the public governmental entity the information needed to understand that a Sunshine Law request should be immediately forwarded to the custodian of records and the custodian has 3 days following receipt of the request to respond.

Additionally, we reviewed the fees charged for document duplication, search and/or research by each governmental entity. Pursuant to section 610.026(1), fees charged per page for copies of documents and personnel time charged for document search must be fair, reasonable and must not exceed the actual cost incurred by the governmental entity.

To make an assessment on whether a fee charged for duplication of a public record was fair, reasonable and did not exceed the actual cost of production it was necessary to determine a market rate and to make certain assumptions based on the information provided. In a survey we found that a commercial vendor charged \$0.07 per page, whether copies were made by yourself or by an employee of the commercial vendor. For the two public libraries we surveyed, one charged \$0.15 per page and the other charged \$0.10 per page. Many college and university libraries in the state charge \$0.10 per page. Based on this survey it was decided that any fee over \$0.10 per page would be considered on its face unreasonable and would need to be justified by the governmental entity charging the fee.

BACKGROUND

The State of Missouri's commitment to open government is stated in Section 610.011 Missouri Revised Statutes (RSMo). Referred to as the Sunshine Law, the intent of the law is to ensure that public governmental bodies conduct their business in a manner that is open to public scrutiny. Public meetings, including meetings conducted by telephone or other electronic means, are to be held at reasonably convenient times and must be accessible to the public. Meetings should be held in facilities that are accessible to persons with disabilities.

Section 610.010 prescribes that public governmental bodies are defined as legislative, administrative or other governmental entities created by the constitution or statutes of the State of Missouri, or by order or ordinance of any political subdivision or district as well as judicial entities when operating in an administrative capacity. This includes state agencies and officials, governing bodies of institutions of higher education and any department of any political subdivision of the state, county or municipal government, school district, or special-purpose district, including sewer and water districts.

Section 610.023 prescribes that each public governmental body shall make that body's public records available for inspection and copying by the public. Each request for access to a public record shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request is received by the custodian of records of a public governmental body. If access to the public record is not granted immediately, the custodian shall give a detailed explanation of the cause for further delay and the place and earliest time and date that the record will be available for inspection. This period for document production may exceed three days for reasonable cause. If a request for access is denied, the custodian shall provide, upon request, a written statement of the grounds for such denial. Such statement shall cite the specific provision of law under which access is denied and shall be furnished to the requester no later than the end of the third business day following the date that the request for the statement is received.

Section 610.026 prescribes that fees for copying public records shall not exceed the actual cost of document search and duplication. Upon request the governmental body shall certify in writing that the actual cost of the document search and duplication is fair, reasonable and does not exceed the actual cost incurred by the public governmental body. Documents may be furnished without charge when the public governmental body determines that waiver or reduction of the fee is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the public governmental body and is not primarily in the commercial interest of the requester.

Section 610.027 prescribes that any aggrieved person, taxpayer to, or citizen of, this state, or the attorney general or prosecuting attorney, may seek judicial enforcement of the requirements of sections 610.010 to 610.026. Suits to enforce sections 610.010 to 610.026 shall be brought in the circuit court for the county in which the public governmental body has its principal place of business.

Upon a finding by a preponderance of the evidence that a public governmental body or a member of a public governmental body has purposely violated sections 610.010 to 610.027, the public governmental body or the member shall be subject to a civil fine in the amount of not more than five hundred dollars and the court may order the payment by such body or member of all costs and reasonable attorney fees to any party successfully establishing a violation of sections 610.010 to 610.026.

Section 610.028 prescribes that each public governmental body shall provide a reasonable written policy in compliance with sections 610.010 to 610.030, open to public inspection, regarding the release of information on any meeting, record or vote and any member or employee of the public governmental body who complies with the written policy is not guilty of a violation of the provisions of sections 610.010 to 610.030 or subject to civil liability for an act arising out of his adherence to the written policy of the agency.

SCHEDULE OF NON-RESPONDENTS

The following entities did not respond to the request for records:

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Office of Administration	Division of Facilities Management
Department of Corrections	Division of Human Services
Department of Economic Development	Minority Business Advocacy Commission
	Missouri Community Service Commission
	Missouri Women's Council
	Board of Examiners for Hearing Instrument Specialists
	Advisory Committee for Licensed Clinical Social Workers
Department of Labor and Industrial Relations	Division of Employment Security
Department of Natural Resources	Division of Environmental Quality
Department of Public Safety	Missouri Capitol Police
	Missouri Division of Fire Safety
	Missouri State Highway Patrol
Department of Revenue	Division of Administration
	Division of Compliance
	Division of Information Systems
	Division of Motor Vehicle and Drivers Licensing
	Division of Taxation and Collection
	Office of the Director

SCHEDULE OF DENIALS

The following entities denied the request for records until a reason was given for the request.

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Department of Corrections	Division of Adult Institutions
	Division of Probation and Parole
Department of Elementary of Secondary Education	Missouri School for the Blind

SCHEDULE OF NON-COMPLIANT RESPONDENTS

The following entities are non-compliant because response times exceeded 3 business days:

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Office of Administration	Division of Accounting
	Office of Information Technology*
	Division of Design and Construction
	Division of General Services
	Children's Trust Fund Board*
Department of Corrections	Board of Probation and Parole*
Department of Economic Development	Missouri Division of Tourism
	Division of Job Development and Training*
	Division of Finance*
	Office of Employment Agencies*
	Missouri Housing Development Commission
	Missouri State Savings and Loan Commission
	State Board of Barber Examiners*
	State Board of Cosmetology
	Missouri Dental Board
	State Board of Nursing
	State Board of Optometry
	State Committee of Psychologists*
	Missouri Board of Geologists Registration
	Missouri Board of Respiratory Care*
	State Committee of Marital and Family Therapists*
Department of Elementary and Secondary Education	Division of School Services*
	Division of Instruction*
	Division of Vocational and Adult Education*
	Division of Special Education*
	Division of Urban and Teacher Education*
	Division of Vocational Rehabilitation*
	Missouri School for the Blind Board of Advisors

STATE AGENCY	AGENCY, BOARD OR COMMISSION
	Missouri Commission for the Deaf
Department of Higher Education	State Historical Society of Missouri
	Missouri Coordinating Board for Higher Education*
	Kirksville College of Osteopathic Medicine*
	Lincoln University Board of Curators*
	Northwest Missouri State University*
Department of Labor and Industrial Relations	State Board of Mediation*
Department of Mental Health	Mental Health Commission*
Department of Natural Resources	Division of Energy*
	Air Conservation Commission*
	Land Reclamation Commission
	Well Installation Board*
	Solid Waste Management Program Advisory Board*
Department of Public Safety	Office of the Adjutant General*
	Division of Gaming*
	Missouri Fire and Safety Advisory Board
	Missouri Gaming Commission*
Department of Revenue	Highway Reciprocity Commission*
Department of Social Services	Division of Data Processing*
	Division of General Services*
	Division of Legal Services*
	Division of Aging*
	Division of Child Support Enforcement*
	Division of Family Services*
	Division of Medical Services*
	Division of Youth Services*
	Governor's Advisory Council on Aging*
	Division of Youth Services Advisory Board*
Department of Transportation	Division of Design
	Kansas City Area Transportation Authority Board of Commissioners*

APPENDIX V

* Entity responses were between 1 and 3 business days late. We do not consider this to be significant non-compliance.

The following entities were non-compliant because the records were not immediately available for inspection and the response did not include a detailed reason for the delay that included the soonest possible date which the records would be available:

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Department of Conservation	Fisheries Division
	Wildlife Division
	Forestry Division
	Protection Division
	Design and Development Division
	Outreach and Education Division
	Administrative Services Division

SCHEDULE OF COMPLIANT RESPONDENTS

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Office of Administration	Division of Budget and Planning
	Division of Personnel
	Division of Purchasing and Materials Management
	Division of Information Services
	Office of Information Technology Board
	Administrative Hearing Commission
	Board of Fund Commissioners
	Governor's Advisory Council on Physical Fitness and Health
	Health and Educational Facilities Authority
	Jackson County Sports Complex Authority, Harry S Truman Sports Complex
	Missouri Commission on Intergovernmental Cooperation
	Missouri Ethics Commission
	Missouri Head Injury Advisory Council
	Missouri State Employees' Deferred Compensation Commission
	Missouri State Employees' Voluntary Life Insurance Commission
	Personnel Advisory Board
Department of Agriculture	Animal Health Division
	Grain Inspection and Warehousing Division
	Market Development Division
	Plant Industries Division
	Weights and Measures Division
	State Milk Board
	Missouri State Fair Commission
Department of Conservation	Conservation Commission
Department of Economic Development	Division of Credit Unions
	Division of Motor Carrier and Railroad Safety
	Division of Professional Registration
	Office of Athletics
	Office of Endowed Care Cemeteries

STATE AGENCY	AGENCY, BOARD OR COMMISSION
	Missouri Development Finance Board
	Missouri Tourism Commission
	Missouri State Council on the Arts
	Missouri Public Service Commission
	Missouri State Board of Accountancy
	Missouri Board for Architects, Professional Engineers, and Land Surveyors
	State Board of Chiropractic Examiners
	Committee for Professional Counselors
	State Board of Embalmers and Funeral Directors
	State Board of Registration for the Healing Arts
	Missouri Board of Occupational Therapy
	State Board of Pharmacy
	State Board of Podiatric Medicine
	Missouri Real Estate Commission
	Missouri Real Estate Appraisers Commission
	Missouri Veterinary Medical Board
	Landscape Architectural Council
Department of Elementary and Secondary Education	Missouri School for the Deaf
	State Board of Education
	Missouri School for the Deaf Board of Advisors
Department of Health	Division of Environmental Health and Communicable Disease Prevention
	Division of Health Standards and Licensure
	Division of Maternal, Child and Family Health
	Division of Chronic Disease Prevention and Health Promotion
	Division of Administration
	State Board of Health
Department of Higher Education	Linn State Technical College
	Truman State University
	Central Missouri State University
	Southeast Missouri State University
	Southwest Missouri State University
	Missouri Southern State College

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Department of Insurance	Division of Financial Regulation
	Division of Marketing Regulation
	Division of Consumer Affairs
	Division of Resource Administration
Department of Labor and Industrial Relations	Division of Labor Standards
	Division of Workers' Compensation
	Labor and Industrial Relations Commission
	Missouri Commission on Human Rights
Department of Mental Health	Division of Alcohol and Drug Abuse
	Division of Comprehensive Psychiatric Services
Department of Natural Resources	Division of Geology and Land Survey
	Division of Administrative Support
	Division of State Parks
	State Environmental Improvement and Energy Resources Authority
	Hazardous Waste Management Commission
	Safe Drinking Water Commission
	Soil and Water Districts Commission
	Clean Water Commission
	Dam and Reservoir Safety Council
Department of Public Safety	Missouri Division of Liquor Control
	Missouri State Water Patrol
	State Emergency Management Agency
	Boiler and Pressure Vessel Board
	Missouri Emergency Response Commission
	Missouri Seismic Safety Commission
	Missouri Veterans' Commission
Department of Revenue	State Lottery Commission
	State Tax Commission
Department of Social Services	Missouri Board of Nursing Home Administrators
Department of Transportation	Division of Audit and Business Analysis
	Division of Bridges

STATE AGENCY	AGENCY, BOARD OR COMMISSION
	Division of Business and Benefits Support
	Division of General Services
	Division of Human Resources
	Division of Information Systems
	Division of Maintenance
	Division of Materials
	Division of Multimodal Operations
	Division of Preliminary Studies
	Division of Public Affairs
	Division of Research and Development and Technology
	Division of Right Away
	Division of Risk Management
	Division of Traffic
	Activities and Operations Division
	Transit Division
	State Highway and Transportation Commission

SCHEDULE OF ENTITIES WITH UNCLEAR POLICIES

The following entities had policies which were not clear:

STATE AGENCY	AGENCY, BOARD OR COMMISSION	
Office of Administration	Division of Accounting	
	Division of Budget and Planning	
	Office of Information Technology	
	Division of Design and Construction	
	Division of Facilities Management	
	Division of General Services	
	Division of Personnel	
	Division of Purchasing and Materials Management	
	Office of Information Technology	
	Administrative Hearing Commission	
	Children’s Trust Fund Board	
	Missouri Ethics Commission	
	Personnel Advisory Board	
	Department of Agriculture	Chief Accountant*
Missouri State Fair Commission		
State Milk Board		
Department of Conservation ¹	Internal Auditor*	
Department of Economic Development	Office of Athletics	
	Office Endowed Care Cemeteries	
	Missouri State Council on the Arts	
	Missouri Public Service Commission	
	Missouri State Board of Accountancy	
	Missouri Board for Architects, Professional Engineers, and Land Surveyors	
	State Board of Chiropractic Examiners	
	Committee for Professional Counselors	
	Board of Examiners for Hearing Instrument Specialists	
	Missouri Board of Occupational Therapy	
	State Committee of Psychologists	
	Missouri Real Estate Commission	

¹Includes response for Department of Conservation and Conservation Commission

* Responded on behalf of department.

STATE AGENCY	AGENCY, BOARD OR COMMISSION
	Missouri Real Estate Appraisers Commission
	Missouri Veterinary Medical Board
	Advisory Committee for Licensed Clinical Social Workers
	Landscape Architectural Council
	Missouri Board of Geologists Registration
	Missouri Board of Respiratory Care
	State Committee of Marital and Family Therapists
Department of Elementary and Secondary Education	Division of School Services
	Missouri School for the Blind
	Missouri School for the Deaf
	State Board of Education
	MO School for the Deaf Board of Advisors
	MO School for the Blind Board of Advisors
	Missouri Commission for the Deaf
Department of Health	General Counsel*
Department of Higher Education	Lincoln University
	Missouri Southern State College
Department of Insurance	Chief Accountant*
Department of Labor and Industrial Relations	Division of Workers' Compensation
	State Board of Mediation
Department of Mental Health	Legal Counsel*
Department of Natural Resources	Wells Installation Board
	Dam and Reservoir Safety Council
Department of Public Safety	Missouri Division of Fire Safety
	Missouri State Water Patrol
	Office of the Adjutant General
	State Emergency Management Agency
	Division of Gaming
	Missouri Emergency Response Commission
	Missouri Seismic Safety Commission
	Missouri Gaming Commission

APPENDIX VII

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Department of Revenue	Legal Counsel/Litigation*
	Highway Reciprocity Commission

* Responded on behalf of department.

SCHEDULE OF ENTITIES WITHOUT A POLICY

The following entities did not have a policy:

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Office of Administration	Office of Information Technology Board
	Board of Fund Commissioners
	Governor's Advisory Council on Physical Fitness and Health
	Missouri Commission on Intergovernmental Cooperation
	Missouri Head Injury Advisory Council
	Missouri State Employees' Deferred Compensation Commission
	Missouri State Employees' Voluntary Life Insurance Commission
Department of Corrections	Board of Probation and Parole
Department of Economic Development	Division of Motor Carrier & Railroad Safety
	Missouri Housing Development Commission
	State Board of Barber Examiners
	State Board of Cosmetology
	State Board of Embalmers and Funeral Directors
	State Board of Nursing
	State Board of Optometry
	State Board of Podiatric Medicine
Department of Health	State Board of Health
Department of Higher Education	State Historical Society of Missouri
	Kirkville College of Osteopathic Medicine
	Linn State Technical College
Department of Public Safety	Missouri Division of Liquor Control
	Missouri Veterans' Commission
Department of Revenue	State Tax Commission

**SCHEDULE OF ENTITIES WITH POLICIES THAT ARE NOT IN THE SPIRIT OF
THE LAW**

The following entities' policies were not in the spirit of the law:

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Department of Economic Development	Missouri Development Finance Board
Department of Higher Education	Northwest Missouri State University
	Southwest Missouri State University

SCHEDULE OF ENTITIES WITH REASONABLE WRITTEN POLICIES

STATE AGENCY	AGENCY, BOARD OR COMMISSION
Office of Administration	Health and Educational Facilities Authority
	Jackson County Sports Complex Authority, Harry S. Truman Sports Complex
Department of Corrections	Division of Human Services
Department of Economic Development	Division of Job Development and Training
	Missouri Division of Tourism
	Division of Credit Unions
	Division of Finance
	Division of Professional Registration
	Minority Business Advocacy Commission
	Missouri Tourism Commission
	Missouri Community Service Commission
	Missouri State Savings and Loan Commission
	Missouri Women's Council
	Missouri Dental Board
	State Board of Registration for the Healing Arts
	State Board of Pharmacy
Department of Higher Education	Missouri Coordinating Board for Higher Education
	Truman State University
	Central Missouri State University
	Southeast Missouri State University
Department of Labor and Industrial Relations	Division of Employment Security
	Division of Labor Standards
	Labor and Industrial Relations Commission
	Missouri Commission on Human Rights
Department of Mental Health	Mental Health Commission
Department of Natural Resources	Office of the Director*
	Division of Administrative Support
	Division of Energy
	Division of Geology and Land Survey

*Responded on behalf of department.

APPENDIX X

STATE AGENCY	AGENCY, BOARD OR COMMISSION
	Division of State Parks
	State Environmental Improvement and Energy Resources Authority
	Air Conservation Commission
	Hazardous Waste Commission
	Land Reclamation Commission
	Safe Drinking Water Commission
	Soil and Water Districts Commission
	Clean Water Commission
	Solid Waste Management Program Advisory Board
Department of Public Safety	Missouri Capitol Police
	Missouri State Highway Patrol
	Boiler and Pressure Vessel Board
	Missouri Fire and Safety Advisory Board
Department of Revenue	State Lottery Commission
Department of Social Services	Governor's Advisory Council on Aging
	Missouri Board of Nursing Home Administrators
	Division of Youth Services Advisory Board
Department of Transportation	State Highway and Transportation Commission
	Kansas City Area Transportation Authority Board of Commissioners

JUSTIFICATION FOR FEES (Example 1)Documentation of Fees for Photocopies

<u># Copies</u>	<u>Costs</u>	<u>Amount</u>	<u>Total Cost</u>
5	Personnel Cost	\$7.20	
	Postage	\$0.50	
	Paper, Copy Machine	<u>\$0.25</u>	
10	Personnel Cost	\$7.20	
	Postage	\$0.75	
	Paper, Copy Machine	<u>\$0.50</u>	
20	Personnel Cost	\$7.20	
	Postage	\$1.50	
	Paper, Copy Machine	<u>\$1.00</u>	
40	Personnel Cost	\$7.20	
	Postage	\$3.00	
	Paper, Copy Machine	<u>\$2.00</u>	\$12.20
<hr/>			
75			\$38.30

Average Cost - .51 cents per page

Personnel Cost - Based on average of 30 minutes to process request
Dollar amount is based on avg. salary & fringe benefits

Paper/Copy Machine Cost - Estimated at .05 cents per page

Documentation of Fees for Official Documents

25	Personnel Cost	\$30.60	
	Postage	\$1.75	
	Paper, Copy Machine	<u>\$1.25</u>	\$33.60
50	Personnel Cost	\$30.60	
	Postage	\$4.00	
	Paper, Copy Machine	<u>\$2.50</u>	\$37.10
<hr/>			
75			\$70.70

Average Cost - .94 cents per page

Personnel Cost - Based on average of 90 minutes to process request
Dollar amount is salary and fringe benefits for Administrative Assistant

Research/Review Time - Salary, Fringe Benefits, and Overhead for
Administrative Assistant to perform research of official bank documents

Note on its fee schedule the division rounded average
cost per page for photocopies and official documents
to \$0.50 and \$1.00, respectively.

JUSTIFICATION FOR FEES (Example 2)

Our policy for charging for providing copies of requested open records is as follows:

- (1) I assign staff to do the actual document search and provide me with the requested record.
- (2) I have the staff person provide me with the time it has taken them to provide the record and then I establish the cost for the document search based on the amount of staff time to procure the record times their hourly rate of pay.
- (3) I then provide the record to be copied to the receptionist. I figured the labor cost for our Receptionist to copy the file, the cost of the paper, and the cost per page for the copy machine usage. Labor cost is \$8.39 per hour and the Receptionist can copy about 300 pages in an hour. That is a cost of 2.8 cents per page for labor. The materials and equipment cost to duplicate a page is as follows: (A) A ream of paper cost \$2.01 and has 500 sheets, so that is a cost of \$0.004 per sheet. (B) The copy machine usage is based on the maintenance agreement, which equals \$0.0095 per copy. Therefore the actual cost for copying a page is 4.15 cents. This figure is rounded down to a per page cost of 4 cents.
- (4) I then add the actual cost for the document search and the cost for copying at a rate of 4 cents per page plus any postage cost to come up with the cost for the records requested. If the actual cost is \$5.00 or less the cost is waived. If it is greater than \$5.00 then the person requesting the record is charged the actual cost amount calculated for labor, material, and postage.
- (5) We provide the copies after we receive payment for them.



**REVIEW OF INDEPENDENT AUDITS OF
FIRE PROTECTION DISTRICTS
IN ST. LOUIS COUNTY**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-32
April 12, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

April 2001

www.auditor.state.mo.us

The annual review of audits of fire protection districts in St. Louis County has been completed. This review covered reports for the year ended December 31, 1999.

The State Auditor received, reviewed and accepted twenty-one reports for the year ended December 31, 1999. Fire Protection Districts are required to have a biennial audit performed if revenues exceed \$50,000.

At December 31, 1999, there were twenty-three fire protection districts in St. Louis County. Financial information was not received from the Kinloch Fire Protection District for 1999 as required, however, reported receipts of \$23,482 in 1998, indicate a biennial audit was not necessary. A copy of an engagement letter for the Pattonville/Bridgeton Terrace Fire Protection District indicated the district had contracted with an independent auditor for an audit of the year ended December 31, 1999. However, the district later informed the State Auditor's office that they had terminated the services of this auditor and have elected to have a biennial audit for the two years ended December 31, 2000.

In 1999, fourteen of twenty-one districts had increases in their General Fund balances. Since 1991, the General Fund balances of fire districts overall have increased between five and fifteen percent annually. The following chart shows recent years' aggregate information.

General Fund				
	Total	Total	Total	
	Revenues	Expenditures	Fund Balances	
1991	\$ 48,915,503	44,395,868	52,480,031	
1992	52,295,317	47,537,634	57,237,714	
1993	53,989,806	48,373,722	62,853,798	
1994	57,135,381	51,965,982	68,023,197	
1995	61,991,961	54,654,061	75,361,097	
1996	68,187,085	57,186,465	86,361,717	
1997	69,541,710	62,514,665	93,388,762	
1998	74,948,907	66,937,792	101,399,877	
1999	71,737,459 *	66,881,768 *	106,255,568	

* These revenue and expenditure amounts do not include Pattonville/Bridgeton Terrace Fire Protection District while the Fund Balance total includes its 1998 ending fund balance.

(over)

YELLOW SHEET

In previous reviews it was noted that several districts had large General Fund balances in relation to expenditures. Twelve districts reserved a portion of their 1999 fund balance for new firehouses, additional equipment, future years' operations and other uses. The following chart shows the total fund balance to General Fund expenditures ratio as well as the ratio of unreserved fund balance to expenditures ratio.

Ratio of Fund Balance to General Expenditures

Fire District	Total Fund Balance	Unreserved Fund Balance
Affton	1.47	1.25
Black Jack	1.10	1.10
Chesterfield	1.81	0.65
Community	0.96	0.04
Creve Coeur	3.45	1.79
Eureka	0.69	0.69
Fenton	1.20	1.11
Florissant Valley	1.23	0.98
Lemay	0.49	0.49
Maryland Heights	2.59	2.34
Mehlville	1.60	1.08
Metro West	0.88	0.03
Mid-County	0.83	0.83
Moline	0.90	0.90
Normandy	1.25	1.04
Pattonville/Bridgeton Terrace	(Note 6)	
Riverview	1.34	0.28
Robertson	1.67	1.67
Spanish Lake	1.12	1.12
Valley Park	1.54	1.54
West County	1.60	0.37
West Overland	1.32	1.32

Since property tax is the main source of revenue, and is received at the end of each year, districts need larger fund balances to provide an adequate cash flow. For those that have reserved a portion of their fund balance, the ratios have decreased; however, ten districts still have unreserved fund balances greater than one year's cost of operations and one district has unreserved fund balances greater than two year's cost of operations. In addition, seven districts have cash and investment balances at year end that exceed total expenditures for the year. The fire districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

Also included in the report are specific recommendations made by the independent auditors to improve the overall management of the fire districts. These recommendations included concerns regarding segregation of duties, receipts and purchasing procedures, fixed assets, payroll, budgets, and pension plans. The individual districts should review these recommendations and their applicability to their district.

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN ST. LOUIS COUNTY

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REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION
DISTRICTS IN ST. LOUIS COUNTY

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Boards of Directors of Fire Protection
Districts in St. Louis County

We have conducted a special review of independent audits of the fire protection districts in St. Louis County as required by Section 321.690, RSMo 2000. The purposes of this review were to:

1. Evaluate the impact of statutory audit requirements and State Auditor's regulations on the effectiveness of financial reporting and auditing for fire protection districts in St. Louis County.
2. Assess the degree of compliance by these districts with statutory audit requirements and the State Auditor's regulations.
3. Bring to the attention of the various fire districts and independent auditors any specifically identifiable reporting deficiencies which should be taken into consideration and corrected in future audit reports.
4. Summarize and evaluate the financial data presented for the various fire districts.
5. Summarize and review the comments for improvement made by the independent auditors for the various districts.

Section 321.690, RSMo 2000, requires all fire protection districts with revenues in excess of \$50,000 annually to cause an audit to be performed on a biennial basis. For those districts with annual revenues of less than \$50,000, the State Auditor may exempt the district from the audit requirement if the appropriate reports are filed.

For those districts for which an audit is required, the district must file a copy of the completed audit report and management letter with the State Auditor within six months after the close of the fiscal year. The audit reports and management letters are reviewed to determine that they are prepared according to guidelines contained within the Code of State Regulations (CSR) (Section 15 CSR 40-4). Any weaknesses noted during the review are communicated to the districts

by letter. Should the weaknesses be of a serious enough nature to require the report to be amended, the district is granted a ninety-day period from the date of notification by the State Auditor to correct the report. The State Auditor accepted all of the reports that were received for the year ended December 31, 1999.

During our review, we considered Section 321.690, RSMo 2000, and 15 CSR 40-4 (which are presented in Appendices B and C), and audit reports submitted to the State Auditor by the various fire districts for the year ended December 31, 1999. In addition, financial data for the year ended December 31, 1998, has been presented for comparative purposes. Because some data presented in the schedules and appendices was compiled from information submitted by the various fire districts and their independent auditors and was not verified by us via additional audit procedures, we express no opinion on the schedules and appendices.

Our review was limited to the specific matters described above and was based on procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

Some problems were noted in our review of the fire protection district's audit reports and the compliance deficiencies are summarized on Schedule 10. The problems noted included, the failure to submit complete reports with management letters to the State Auditor's office (SAO) by the date required, the failure to include some needed compliance recommendations in the management letters, and the lack of complete and adequate footnote disclosures.

To better determine the quality of the fire district audits, we reviewed the supporting working papers of various independent auditors' reports for the year ended December 31, 1999. The information contained in the working papers constitutes the principal record of work the auditor has accomplished and provides evidence for conclusions that he has reached concerning significant matters. Generally Accepted Governmental Auditing Standards (GAGAS) require that a written record of the auditor's work be retained. However, some auditors' working papers need to be improved.

For 1999, fourteen of twenty-one districts had increases in their General Fund balances. The aggregate General Fund balance of all districts increased by five percent in 1999. Since 1991, the General Fund balances of fire districts overall have increased between five and fifteen percent annually.

The following chart shows recent years' aggregate information.

		<u>General Fund</u>		
		<u>Total</u>	<u>Total</u>	<u>Total</u>
		<u>Revenues</u>	<u>Expenditurees</u>	<u>Fund Balances</u>
1991	\$	48,915,503	44,395,868	52,480,031
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* These revenue and expenditure amounts do not include Pattonville/
Bridgeton Terrace Fire Protection District while the Fund Balance
total includes its 1998 ending fund balance.

In previous reviews it was noted that several districts had large General Fund balances in relation to expenditures. Twelve districts reserved a portion of their 1999 fund balance for new firehouses, additional equipment, future years' operations and other uses. The following chart shows the total fund balance to General fund expenditures ratio as well as the ratio of unreserved fund balance to expenditures ratio.

Ratio of Fund Balance to General Expenditures

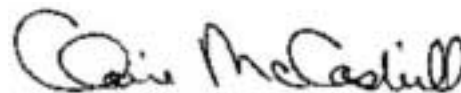
<u>Fire District</u>	<u>Total Fund Balance</u>	<u>Unreserved Fund Balance</u>
Affton	1.47	1.25
Black Jack	1.10	1.10
Chesterfield	1.81	0.65
Community	0.96	0.04
Creve Coeur	3.45	1.79
Eureka	0.69	0.69
Fenton	1.20	1.11
Florissant Valley	1.23	0.98
Lemay	0.49	0.49
Maryland Heights	2.59	2.34
Mehlville	1.60	1.08
Metro West	0.88	0.03
Mid-County	0.83	0.83
Moline	0.90	0.90
Normandy	1.25	1.04
Pattonville/Bridgeton Terrace	(Note 6)	
Riverview	1.34	0.28
Robertson	1.67	1.67
Spanish Lake	1.12	1.12
Valley Park	1.54	1.54
West County	1.60	0.37
West Overland	1.32	1.32

Since property tax is the main source of revenue, and is received at the end of each year, districts need larger fund balances to provide an adequate cash flow. For those that have reserved a portion of their fund balance, the ratios have decreased; however, ten districts still have unreserved fund balances greater than one year's cost of operations and one district has unreserved fund balances greater than two year's cost of operations. In addition, seven districts have cash and investment balances at year end that exceed total expenditures for the year. The fire districts must continue to evaluate the propriety of their tax levies to ensure that excess revenues are not being received and accumulated.

As shown in Appendix A, independent auditors made specific recommendations to improve the overall management of fire districts. Recommendations included concerns regarding segregation of duties, receipts and purchasing procedures, various accounting records, investments, fixed assets, payroll, pledged securities, unclaimed property and other various policies and procedures. In addition, recommendations were made concerning budgets and pension plans. Each fire district

should review all recommendations and the applicability to their individual district. Consideration should be given by individual districts to have their independent auditor review any areas where risk and citizen concern may be evident.

The State Auditor's office has performed reviews of fire protection districts' annual reports for several years and many improvements have been noted. It appears that the fire protection districts, on the whole, are working to improve the quality of their financial reporting. We solicit from the readers of this report any suggestions for changes or requests for other new information which may be of benefit to those involved with the St. Louis County fire protection districts.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire C. McCaskill
State Auditor

February 14, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Alice M. Fast, CPA, CIA
Audit Staff:	M. Williams

SCHEDULES

NOTES TO THE SCHEDULES

Schedule 1

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -
 GENERAL FUNDS

District	Year Ended December 31,							
	1998				1999			
	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Adjustments (Note 2)	Revenues	Expenditures	Ending Fund Balance
Affton	\$ 2,525,342	2,361,227	2,025,925	2,860,644	0	2,451,211	2,151,983	3,159,872
Black Jack	3,033,893	3,139,934	2,970,241	3,203,586	0	3,430,980	3,163,397	3,471,169
Chesterfield	7,792,186	6,919,189	5,482,635	9,228,740	241,593	7,531,579	6,046,897	10,955,015
Community	3,813,074	3,383,051	3,628,658	3,567,467	0	3,381,559	3,542,773	3,406,253
Creve Coeur	15,633,026	6,648,474	5,478,461	16,803,039	0	6,666,695	5,276,341	18,193,393
Eureka	672,336	1,399,174	1,311,556	759,954	0	1,377,036	1,267,203	869,787
Fenton	3,965,087	3,332,970	2,784,197	4,513,860	0	3,330,574	3,558,330	4,286,104
Florissant Valley	4,395,697	3,814,149	3,642,615	4,567,231	0	3,439,217	3,591,414	4,415,034
Lemay	760,751	1,334,127	1,388,255	706,623	0	1,324,122	1,364,238	666,507
Maryland Heights	7,754,647	5,067,764	3,645,591	9,176,820	0	4,533,323	3,818,680	9,891,463
Mehlville	11,546,511	9,846,233	8,226,687	13,166,057	0	10,340,463	9,041,680	14,464,840
Metro West	6,938,566	6,482,843	6,137,379	7,284,030	(305,892)	6,832,763	7,356,406	6,454,495
Mid-County	1,502,626	1,638,300	1,591,097	1,549,829	0	1,572,622	1,704,492	1,417,959
Moline	1,127,471	1,269,969	1,237,897	1,159,543	0	1,305,531	1,296,850	1,168,224
Normandy	2,225,009	1,669,204	1,495,794	2,398,419	0	1,710,582	1,827,345	2,281,656
Pattonville/Bridgeton Terrace	4,164,888	4,089,143	4,631,171	3,622,860		(Note 6)		
Riverview	1,789,938	1,510,038	1,434,132	1,865,844	0	1,518,286	1,446,053	1,938,077
Robertson	3,070,081	2,675,702	1,802,693	3,943,090	0	2,599,888	2,447,100	4,095,878
Spanish Lake	1,985,094	1,891,332	1,895,249	1,981,177	0	1,891,119	1,825,789	2,046,507
Valley Park	1,532,312	1,070,352	1,251,198	1,351,466	0	1,140,205	980,135	1,511,536
West County EMS	5,624,500	4,088,825	3,572,889	6,140,436	0	4,102,535	3,935,121	6,307,850
West Overland	1,535,727	1,316,907	1,303,472	1,549,162	0	1,321,468	1,239,541	1,631,089
Total	\$ 93,388,762	74,948,907	66,937,792	101,399,877	(64,299)	71,801,758	66,881,768	102,632,708

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 2

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -
 SPECIAL REVENUE - AMBULANCE

District	Year Ended December 31,							
	1998				1999			
	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Adjustments (Note 2)	Revenues	Expenditures	Ending Fund Balance
Affton	\$ 710,107	739,347	703,235	746,219	0	824,246	746,653	823,812
Black Jack	0	0	0	0	0	0	0	0
Chesterfield	4,302,645	4,032,934	3,319,863	5,015,716	147,640	4,337,338	4,163,817	5,336,877
Community	982,397	1,092,876	1,060,202	1,015,071	0	1,092,383	1,062,128	1,045,326
Creve Coeur	0	2,034,365	1,729,955	304,410	0	2,069,307	2,137,577	236,140
Eureka	734,235	710,663	650,492	794,406	0	637,223	707,781	723,848
Fenton	2,588,200	1,978,234	1,836,248	2,730,186	0	1,922,237	2,261,312	2,391,111
Florissant Valley	419,402	277,007	323,169	373,240	0	879,269	231,256	1,021,253
Lemay	364,832	473,417	427,497	410,752	0	526,068	506,344	430,476
Maryland Heights	(964,376)	907,326	809,444	(866,494)	0	968,481	1,089,077	(987,090)
Mehlville	3,636,044	3,278,693	3,040,711	3,874,026	0	3,324,812	3,344,839	3,853,999
Metro West	3,001,634	3,188,592	3,014,170	3,176,056	(185,193)	3,488,020	3,248,126	3,230,757
Mid-County	118,193	221,337	275,500	64,030	0	204,229	306,000	(37,741)
Moline	0	0	0	0	0	0	0	0
Normandy	457,516	460,146	450,566	467,096	0	581,213	544,829	503,480
Pattonville/Bridgeton Terrace	1,092,840	1,500,866	1,513,679	1,080,027		(Note 6)		
Riverview	0	0	0	0	0	0	0	0
Robertson	211,652	803,705	930,481	84,876	0	1,227,228	1,312,102	2
Spanish Lake	0	0	0	0	0	0	0	0
Valley Park	483,044	480,711	473,190	490,565	0	516,525	468,398	538,692
West County EMS	1,788,082	1,745,602	1,398,445	2,135,239	0	1,805,654	1,615,736	2,325,157
West Overland	350,132	451,081	426,355	374,858	0	567,366	687,770	254,454
Total	\$ 20,276,579	24,376,902	22,383,202	22,270,279	(37,553)	24,971,599	24,433,745	21,690,553

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 3

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -
 SPECIAL REVENUE FUND - DISPATCHING

District	Year Ended December 31,							
	1998				1999			
	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Adjustments (Note 2)	Revenues	Expenditures	Ending Fund Balance
Affton	\$ 115,951	107,793	101,585	122,159	0	112,081	107,677	126,563
Black Jack	80,108	225,963	195,720	110,351	0	161,869	186,162	86,058
Chesterfield	418,889	365,110	351,391	432,608	13,420	382,993	533,430	295,591
Community	10	127,053	127,053	10	0	127,339	127,339	10
Creve Coeur	0	276,272	276,272	0	0	279,864	279,864	0
Eureka	0	52,098	52,098	0	0	52,964	52,964	0
Fenton	612,689	269,021	216,574	665,136	0	264,734	238,337	691,533
Florissant Valley	234,951	129,858	122,912	241,897	0	126,538	114,370	254,065
Lemay	95,704	28,801	79,799	44,706	0	28,980	48,087	25,599
Maryland Heights	0	184,652	184,652	0	0	287,527	182,703	104,824
Mehlville	689,224	496,527	411,397	774,354	0	505,209	447,076	832,487
Metro West	233,410	314,606	312,081	235,935	(18,520)	336,782	406,234	147,963
Mid-County	0	56,481	56,481	0	0	52,276	52,276	0
Moline	0	30,340	30,339	1	0	31,147	31,148	0
Normandy	0	62,317	62,317	0	0	63,038	63,038	0
Pattonville/Bridgeton Terrace	5,540	196,460	187,087	14,913		(Note 6)		
Riverview	0	47,007	47,007	0	0	47,410	47,410	0
Robertson	0	127,882	127,882	0	0	113,716	113,716	0
Spanish Lake	39,102	56,913	51,876	44,139	0	57,228	64,941	36,426
Valley Park	42,304	46,652	48,836	40,120	0	49,763	51,657	38,226
West County EMS	103,109	153,764	155,893	100,980	0	159,033	190,921	69,092
West Overland	59	65,516	65,516	59	0	65,516	65,516	59
Total	\$ 2,671,050	3,421,086	3,264,768	2,827,368	(5,100)	3,306,007	3,404,866	2,708,496

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 4

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE SCHEDULE OF ADDITIONS, DEDUCTIONS, AND FUND BALANCE -
 FIDUCIARY FUNDS(PENSION FUND)

District	Year Ended December 31,							
	1998				1999			
	Beginning Fund Balance	Additions	Deductions	Ending Fund Balance	Adjustments (Note 2)	Additions	Deductions	Ending Fund Balance
Afton	\$ 5,488,474	713,372	140,674	6,061,172	0	298,502	574,917	5,784,757
Black Jack	2,861,835	647,796	33,286	3,476,345	0	641,580	1,848,325	2,269,600
Chesterfield	18,858,333	2,530,943	817,594	20,571,682	44,740	4,815,033	794,114	24,637,341
Community	6,288,890	943,319	797,241	6,434,968	0	961,815	71,301	7,325,482
Creve Coeur	13,946,403	3,871,067	791,903	17,025,567	0	3,832,718	1,932,681	18,925,604
Eureka	1,747,300	300,022	33,245	2,014,077	0	307,596	33,827	2,287,846
Fenton	13,518,055	2,048,417	1,437,821	14,128,651	0	1,699,684	1,833,652	13,994,683
Florissant Valley	3,414,720	979,413	108,640	4,285,493	0	849,149	411,915	4,722,727
Lemay	134,734	134,081	137,730	131,085	0	133,833	123,372	141,546
Maryland Heights	6,623,639	1,732,519	131,914	8,224,244	0	2,176,373	66,129	10,334,488
Mehlville	31,208,158	4,089,598	2,318,774	32,978,982	0	3,157,209	1,520,796	34,615,395
Metro West	10,351,196	4,178,599	1,379,258	13,150,537	1,041,932	3,556,600	298,787	17,450,282
Mid-County	1,480,029	298,824	209,837	1,569,016	0	339,033	763,775	1,144,274
Moline	2,446,211	403,171	11,211	2,838,171	0	297,671	65,792	3,070,050
Normandy	1,395,719	323,880	56,544	1,663,055	0	312,279	1,777,995	197,339
Pattonville/Bridgeton Terrace	7,467,962	1,406,285	757,860	8,116,387		(Note 6)		
Riverview	2,014,263	248,743	26,881	2,236,125	0	438,601	36,999	2,637,727
Robertson	3,525,435	944,526	20,321	4,449,640	0	1,390,312	372,674	5,467,278
Spanish Lake	3,608,695	695,054	11,074	4,292,675	0	1,392,387	8,587	5,676,475
Valley Park	1,236,248	232,502	92,616	1,376,134	0	191,044	450,850	1,116,328
West County EMS	12,257,142	1,782,401	12,435,129	1,604,414	0	572,125	484,902	1,691,637
West Overland	4,047,563	914,273	135,014	4,826,822	0	858,217	656,423	5,028,616
Total	\$ 153,921,004	29,418,805	21,884,567	161,455,242	1,086,672	28,221,761	14,127,813	168,519,475

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 5

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND FUND BALANCE -
 CAPITAL PROJECT FUNDS

District	Year Ended December 31,							
	1998				1999			
	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance	Adjustments (Note 2)	Revenues	Expenditures	Ending Fund Balance
Affton	\$ 0	0	0	0	0	0	0	0
Black Jack	311,916	14,753	16,964	309,705	0	92,501	0	402,206
Chesterfield	35,749	9,427	10,820	34,356	0	447,369	152,855	328,870
Community	0	0	0	0	0	0	0	0
Creve Coeur	0	0	0	0	0	0	0	0
Eureka	333,850	307,365	267,423	373,792	0	3,840,254	457,597	3,756,449
Fenton	0	0	0	0	0	0	0	0
Florissant Valley	0	0	0	0	0	0	0	0
Lemay	0	0	0	0	0	0	0	0
Maryland Heights	(65,373)	0	1	(65,374)	0	0	0	(65,374)
Mehlville	1,056,464	134,416	919,401	271,479	0	13,563	1,600	283,442
Metro West	1,513,600	2,030,890	2,479,421	1,065,069	0	2,459,384	1,903,635	1,620,818
Mid-County	0	0	0	0	0	0	0	0
Moline	96,759	1,715	36,633	61,841	0	1,225	11,093	51,973
Normandy	13,595	0	0	13,595	0	0	13,595	0
Pattonville/Bridgeton Terrace	0	0	0	0		(Note 6)		
Riverview	0	0	0	0	0	0	0	0
Robertson	0	0	0	0	0	0	0	0
Spanish Lake	0	0	0	0	0	0	0	0
Valley Park	0	0	0	0	0	0	0	0
West County EMS	0	0	0	0	0	0	0	0
West Overland	0	0	0	0	0	0	0	0
Total	\$ 3,296,560	2,498,566	3,730,663	2,064,463	0	6,854,296	2,540,375	6,378,384

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 6

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
 SCHEDULE OF BOND OBLIGATIONS (NOTE 3)
 YEAR ENDED DECEMBER 31, 1999

District	Fund Balance December 31, 1998	Revenues	Expenditures and Transfers Out	Fund Balance December 31, 1999	2000 Obligations	Outstanding Bonds at December 31, 1999
Affton	\$ 0	0	0	0	0	0
Black Jack	0	0	0	0	0	0
Chesterfield	791,285	538,129	421,847	907,567	413,288	3,000,000
Community	0	0	0	0	0	0
Creve Coeur	0	0	0	0	0	0
Eureka	355,539	272,705	202,887	425,357	270,591	3,675,000
Fenton	0	0	0	0	0	0
Florissant Valley	0	0	0	0	0	0
Lemay	272,251	188,245	151,310	309,186	177,687	885,000
Maryland Heights	498,613	292,474	267,995	523,092	272,728	770,000
Mehlville	0	0	0	0	0	0
Metro West	0	0	0	0	0	0
Mid-County	86,316	2,907	73,794	15,429	0	0
Moline	113,675	74,362	66,563	121,474	64,633	175,000
Normandy	106,781	64,052	68,806	102,027	69,500	315,000
Pattonville/Bridgeton Terrace	154,875			(Note 6)		
Riverview	0	0	0	0	0	0
Robertson	0	0	0	0	0	0
Spanish Lake	0	0	0	0	0	0
Valley Park	115,024	68,086	66,131	116,979	69,248	465,000
West County EMS	0	0	0	0	0	0
West Overland	0	0	0	0	0	0
Total	\$ <u>2,494,359</u>	<u>1,500,960</u>	<u>1,319,333</u>	<u>2,521,111</u>	<u>1,337,675</u>	<u>9,285,000</u>

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 7

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
SCHEDULE OF GENERAL FIXED ASSETS

District	December 31, 1999			December 31, 1998
	Land and Building	Furniture and Equipment	Total	Total
Affton	\$ 406,082	1,344,696	1,750,778	1,761,350
Black Jack	741,299	1,407,416	2,148,715	2,115,441
Chesterfield	9,487,906	4,020,370	13,508,276	13,143,241
Community	268,886	1,462,087	1,730,973	1,637,062
Creve Coeur	2,638,963	3,440,327	6,079,290	5,931,014
Eureka	2,167,956	1,288,213	3,456,169	2,987,916
Fenton	2,987,719	2,232,846	5,220,565	4,272,814
Florissant Valley	1,322,985	1,453,295	2,776,280	2,631,002
Lemay	1,776,720	750,263	2,526,983	2,686,078
Maryland Heights	3,512,257	2,748,889	6,261,146	6,077,178
Mehlville	4,882,197	6,115,226	10,997,423	10,787,715
Metro West	8,553,689	6,709,497	15,263,186	13,526,584
Mid-County	759,220	946,256	1,705,476	1,677,114
Moline	181,912	654,101	836,013	818,993
Normandy	767,266	1,297,167	2,064,433	1,751,841
Pattonville/Bridgeton Terrace		(Note 6)		5,620,106
Riverview	1,113,510	710,751	1,824,261	1,829,573
Robertson	1,396,943	1,598,900	2,995,843	2,897,553
Spanish Lake	637,088	797,509	1,434,597	1,340,599
Valley Park	1,083,884	1,212,513	2,296,397	2,290,763
West County EMS	1,603,944	2,702,468	4,306,412	4,115,188
West Overland	220,944	1,083,031	1,303,975	1,192,641
Total	\$ 46,511,370	43,975,821	90,487,191	91,091,766

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 8

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY
SCHEDULE OF ASSESSED VALUATION AND TAX LEVIES
YEARS ENDED DECEMBER 31, 1999 AND 1998

Tax Levy Per \$100 of Assessed Valuation														
District	Assessed Valuation		Total		General		Pension		Dispatching		Ambulance		Debt Service	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Affton	\$ 339,024,117	325,161,088	0.94	0.94	0.64	0.64	0.07	0.07	0.03	0.03	0.20	0.20	0.00	0.00
Black Jack	428,213,108	415,186,551	0.89	0.79	0.75	0.65	0.10	0.10	0.04	0.04	0.00	0.00	0.00	0.00
Chesterfield	1,278,056,771	1,184,644,239	1.02	1.03	0.53	0.53	0.10	0.10	0.03	0.03	0.32	0.33	0.04	0.04
Community	432,164,759	408,213,428	1.13	1.13	0.75	0.75	0.10	0.10	0.03	0.03	0.25	0.25	0.00	0.00
Creve Coeur	927,501,400	890,267,492	1.01	1.02	0.61	0.62	0.15	0.15	0.03	0.03	0.22	0.22	0.00	0.00
Eureka	197,153,982	167,783,627	1.29	1.28	0.72	0.74	0.10	0.10	0.03	0.03	0.29	0.30	0.15	0.11
Fenton	743,468,719	737,328,514	0.74	0.74	0.38	0.38	0.10	0.10	0.03	0.03	0.23	0.23	0.00	0.00
Florissant Valley	567,092,293	544,628,341	0.82	0.71	0.55	0.55	0.10	0.10	0.02	0.02	0.15	0.04	0.00	0.00
Lemay	131,537,245	128,185,495	1.48	1.48	0.99	0.99	0.10	0.10	0.02	0.02	0.23	0.23	0.14	0.14
Maryland Heights	521,420,613	509,614,246	1.15	1.13	0.80	0.80	0.13	0.13	0.05	0.03	0.11	0.11	0.06	0.06
Mehlville	1,506,468,492	1,427,994,504	0.92	0.92	0.58	0.58	0.10	0.10	0.03	0.03	0.21	0.21	0.00	0.00
Metro West	1,029,590,800	1,027,484,895	1.03	1.03	0.59	0.59	0.11	0.11	0.03	0.03	0.30	0.30	0.00	0.00
Mid-County	119,553,938	122,192,326	1.28	1.28	1.00	1.00	0.10	0.10	0.03	0.03	0.15	0.15	0.00	0.00
Moline	102,363,101	99,730,935	1.50	1.50	1.25	1.25	0.15	0.15	0.03	0.03	0.00	0.00	0.07	0.07
Normandy	164,035,767	164,415,824	1.45	1.39	0.98	0.95	0.10	0.10	0.04	0.04	0.30	0.27	0.03	0.03
Pattonville/Bridgeton Terrace	579,571,493	510,411,817	1.22	1.22	0.75	0.75	0.15	0.15	0.04	0.05	0.25	0.25	0.03	0.02
Riverview	120,459,676	118,425,786	1.40	1.40	1.25	1.25	0.11	0.11	0.04	0.04	0.00	0.00	0.00	0.00
Robertson	175,037,160	172,065,951	1.40	1.25	0.77	0.81	0.20	0.15	0.04	0.04	0.39	0.25	0.00	0.00
Spanish Lake	143,433,436	140,630,672	1.44	1.44	1.25	1.25	0.15	0.15	0.04	0.04	0.00	0.00	0.00	0.00
Valley Park	162,269,126	151,857,305	1.12	1.13	0.65	0.66	0.10	0.10	0.03	0.03	0.30	0.30	0.04	0.04
West County EMS	508,433,526	486,083,879	0.62	0.62	0.38	0.38	0.05	0.05	0.03	0.03	0.16	0.16	0.00	0.00
West Overland	168,044,850	147,522,277	1.12	1.15	0.69	0.71	0.15	0.15	0.04	0.04	0.24	0.25	0.00	0.00

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 9

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUN
COMPARATIVE SCHEDULE OF FEES FOR AUDIT SERVICES (NOTE 4)

District	1999 Audit Fees	1998 Audit Fees	Independent Auditor
Affton	5,400	6,600	Same
Black Jack	6,900	6,800	Same
Chesterfield	9,000	14,000	Different
Community	4,100	3,900	Same
Creve Coeur	12,500	12,000	Same
Eureka	3,925	3,750	Same
Fenton	6,400	5,460	Same
Florissant Valley	4,600	4,567	Same
Lemay	3,450	2,940	Same
Maryland Heights	4,865	4,500	Same
Mehlville	8,900	10,400	Same
Metro West	12,235	8,250	Different
Mid-County	4,000	4,000	Same
Moline	3,875	3,775	Same
Normandy	6,451	4,275	Same
Pattonville/Bridgeton Terrace	(Note 6)	4,250	
Riverview	2,100	2,060	Same
Robertson	4,733	4,500	Same
Spanish Lake	5,000	5,000	Same
Valley Park	5,475	5,900	Same
West County EMS	5,000	5,000	Same
West Overland	4,035	3,900	Same

The accompanying Notes to the Schedules are an integral part of this schedule.

Schedule 10

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST LOUIS COUNTY
SUMMARY OF COMPLIANCE DEFICIENCIES NOTED CONCERNING 15 CSR 40
YEAR ENDED DECEMBER 31, 1999

Description of Deficiencies	Title	Number of Errors		Number of Applicable Reports	Percent
Audit report was not submitted by June 30, 2000 (within the first week of July).	15 CSR 40-4.010	2		21 *	10%
Appropriate footnote disclosures were not included.	15 CSR 40-4.030	10	**	21 *	48%
Some needed comments and recommendations were not included in the management letter.	15 CSR 40-4.030	9	***	21 *	43%

* One district is having a two year audit, see Note 6.

** Although the audit reports contained most of the necessary footnotes, we noted various deficiencies regarding appropriate footnote disclosure including the following areas: component units, statutory violations, and property taxes.

*** Some problems noted that apparently should have been reported in the management letters include: deficit budgeting, and overspending the budgets.

The accompanying Notes to the Schedules are an integral part of this schedule.

NOTES TO THE SCHEDULES

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS
IN ST. LOUIS COUNTY
NOTES TO THE SCHEDULES

1. Significant Information

A. General

At December 31, 1999, there were twenty-three fire protection districts in St. Louis County. Districts are required to have a biennial audit performed if revenues exceed \$50,000. We did not receive financial information from the Kinloch Fire Protection District as requested. The Kinloch Fire Protection District reported receipts of \$23,482 in 1998, therefore, a biennial audit was not required. Pattonville/Bridgeton Terrace Fire Protection District has elected to have a biennial audit for the two years ended December 31, 2000.

Upon completion of the audit, copies of the report and management letter are to be submitted to the State Auditor for review. Twenty-one audits have been received and reviewed.

B. Schedules

Information included in these schedules was compiled from the audit reports, management letters, questionnaires, etc., received from the St. Louis County fire protection districts.

In analyzing these schedules, some disparity will result due to the different methods of presenting essentially the same information.

Reasons for some problems in comparison are:

- 1) The pension fund is presented differently by the fire districts. Nine districts offer defined contribution plans and six offer defined benefit plans. Six districts offer both types.
- 2) Some districts may have major bond issues and related capital project funds.
- 3) Some districts collect user fees and others may not.
- 4) Some districts have significant transfers to and from funds which causes disparity in comparison.
- 5) Some districts account for capital improvements and large asset purchases in the General Fund while others have a Capital Projects Fund.

The schedules presented are as follows:

Schedule 1 presents revenues, expenditures, and fund balance for the General Funds in a combined format.

Schedule 2 presents revenues, expenditures, and fund balance for the Ambulance Funds in a combined format.

Schedule 3 presents revenues, expenditures, and fund balance for the Dispatching Funds in a combined format.

Schedule 4 presents additions, deductions, and fund balance for the fiduciary funds (Pension Funds) in a combined format.

Schedule 5 presents revenues, expenditures, and fund balance for the Capital Project Funds in a combined format.

Interfund and equity transfers are included in the revenue and expenditure numbers on Schedules 1, 2, 3, 4 and 5. (See also Note 8)

Schedule 6 presents the operations of the Debt Service Fund for the year ended December 31, 1999, the amount of bonds outstanding, and the obligations of the districts for 2000.

Schedule 7 presents the General Fixed Asset balances of the districts at December 31, 1999, with comparative totals of general fixed assets at December 31, 1998.

Schedule 8 presents the assessed valuations of the individual fire protection districts as well as tax levies for each of the districts' various funds as reported in the audit reports. Small differences were noted in the assessed valuations presented in the audit reports and the amounts submitted by the district to the State Auditor's office. The Mid-County Fire Protection District levied .02 in excess of the General Revenue Fund levy approved by the State Auditor's Office in 1999, 1998, 1997 and 1996. In addition, in 1999, Metro West Fire Protection District levied .01 in excess of the General Revenue Fund levy approved by the State Auditor's Office and Pattonville-Bridgeton Terrace Fire Protection District levied .04 in excess of the General Revenue Fund levy and .01 in excess of the Ambulance Fund levy approved by the State Auditor's Office.

Schedule 9 is a listing of the audit fees for each fire protection district. This information was obtained from a questionnaire sent to the districts.

Schedule 10 is a listing of deficiencies noted regarding compliance with State auditor's regulation 15 CSR 40.

C. Methods of Accounting

All governmental type funds (General Fund, Capital Projects Fund, Special Revenue Fund, Debt Service Fund, etc.) are to be accounted for on the modified accrual basis. The modified accrual basis recognizes revenues in the period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred.

All proprietary funds and certain fiduciary funds are to be accounted for on the accrual basis. The accrual basis recognizes revenues when they are earned and expenses when they are incurred.

The Pension Fund is an example of a fiduciary fund that is to be accounted for on the accrual basis. In addition, Pension Fund assets (investments held outside the fire district) are to be reported at market value as fund assets on the balance sheet.

All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that financed the acquisition or construction and are capitalized in the General Fixed Assets Account Group. Purchased fixed assets are capitalized at historical cost or at estimated historical cost if actual historical cost is not available.

Depreciation is usually not provided on general fixed assets; however, the Black Jack Fire Protection District did provide for depreciation over the useful lives of the general fixed assets. The total accumulated depreciation through December 31, 1999, was \$885,907.

D. Funds

Fire protection districts may not always have the same number of funds. Funds that a district may have and their intended purpose are as follows:

General Fund: The General Fund is the general operating fund of the district and is used to account for all resources except those accounted for in other funds.

Ambulance Fund: This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted for ambulance operations. In addition, some districts receive contract revenues and ambulance fees.

Dispatching Fund: This fund is a special revenue fund which is used to account for the proceeds of a special tax levy which is restricted to the purchasing of dispatching services. This is commonly accomplished by means of a contractual agreement with outside entities which provide dispatching services for several districts.

Capital Projects Fund: This fund is used to account for the revenues and expenditures needed to finance the acquisition or construction of capital assets and improvements.

Debt Service Fund: This fund accounts for the accumulation of resources for the payment of general long-term debt principal and interest.

Pension Fund: This fiduciary fund accounts for assets held in trust by the fire district or by an outside agency for the payment of retirement benefits and long-term disability benefits to eligible fire fighters. The fund's primary source of revenue is property taxes. The Pattonville - Bridgeton Terrace Fire Protection District Pension Fund includes Deferred Compensation agency funds as well as pension monies in 1998.

2. Audit Adjustments

Audit adjustments to the ending fund balance for the various funds at December 31, 1998, were made by the independent certified public accountants for the following fire districts.

Fire District	Amount	Reason
<u>General Fund</u>		
Chesterfield	\$ <u>241,593</u>	To adjust for delinquent taxes received within sixty days of year-end which were not recognized as revenue for the year ended December 31, 1998.
Metro West	\$ <u>(305,892)</u>	To adjust the beginning fund equity to properly reflect taxes receivable at the end of the prior year.
<u>Ambulance Fund</u>		
Chesterfield	\$ <u>147,640</u>	To adjust for delinquent taxes received within sixty days of year-end which were not recognized as revenue for the year ended December 31, 1998.
Metro West	\$ <u>(185,193)</u>	To adjust the beginning fund equity to properly reflect taxes receivable at the end of the prior year.
<u>Dispatch Fund</u>		
Chesterfield	\$ <u>13,420</u>	To adjust for delinquent taxes received within sixty days of year-end which were not recognized as revenue for the year ended December 31, 1998.
Metro West	\$ <u>(18,520)</u>	To adjust the beginning fund equity to properly reflect taxes receivable at the end of the prior year.
<u>Pension Fund</u>		
Chesterfield	\$ <u>44,740</u>	To adjust for delinquent taxes received within sixty days of year-end which were not recognized as revenue for the year ended December 31, 1998, and to adjust for salary expenditures of disabled individuals which were paid from the Welfare Benefit Fund instead of the Pension Fund.
Metro West	\$ <u>(67,967)</u>	To adjust the beginning fund equity to properly reflect taxes receivable at the end of the prior year.
	<u>1,109,899</u>	To adjust the beginning fund equity for the effect of a payable recorded in the prior year which should not have been reflected on the financial statements.
Total	\$ <u>1,041,932</u>	

3. Outstanding Bond Obligations

Schedule 6 shows the revenues, expenditures and fund balance of the fire protection districts' Debt Service Funds. The legal debt limit for a fire protection district is five percent of the fire protection districts' assessed valuation. The reports submitted show that all fire protection districts had debt outstanding that was within their statutory limits. The 2000 obligation amount includes principal and interest amounts due for all districts.

4. Independent Audits

During 1999, one independent auditor performed eight audits, two performed three audits, one performed two audits, and five independent auditors each performed one audit.

5. Compensation Of Directors

The independent audit reports included the names of the principal officeholders during the year ended December 31, 1999 and 1998 and the compensation received by each official in the performance of his or her duty as established by Section 321.190, RSMo 2000. Although there were instances when more than three names would be listed, each of the fire districts had three director positions. When more than three names were listed, it was due to a change in the officials serving on the board.

The following is a list of total compensation paid to directors by each district:

Total Compensation Paid			
District		1999	1998
Affton	\$	7,950	6,900
Black Jack		10,250	8,450
Chesterfield		15,250	16,617
Community		17,883	17,600
Creve Coeur		17,600	17,600
Eureka		7,000	7,000
Fenton		10,800	11,000
Florissant Valley		17,400	17,600
Lemay		9,400	8,700
Maryland Heights		13,877	12,800
Mehlville		16,775	16,433
Metro West		13,050	11,750
Mid-County		17,657	14,681
Moline		20,300	17,600
Normandy		11,458	10,200
Pattonville/Bridgeton Terrace	(Note 6)	17,600	
Riverview		17,612	17,117
Robertson		14,450	17,600
Spanish Lake		17,600	17,600
Valley Park		11,208	11,900
West County EMS		18,200	16,208
West Overland		17,614	17,614

6. Biennial Audits

Section 321.690, RSMo 2000, requires the fire districts to have biennial audits. We received a copy of an engagement letter indicating Pattonville/Bridgeton Terrace Fire Protection District had contracted with a CPA for an audit for the year ended December 31, 1999. However, the district indicated to the State Auditor's Office that they had terminated the services of this CPA and have elected to have a biennial audit covering the two years ended December 31, 2000. As such, no information has been presented in this report for the year ended December 31, 1999.

7. Kinloch Fire Protection District

The Kinloch Fire Protection District did not submit financial information to the State Auditor for the year ended December 31, 1999. The assessed valuation and tax levies for 1999 and 1998 are as follows:

	<u>1999</u>	<u>1998</u>
Assessed Valuation	\$ 3,902,179	3,797,109
Tax Levies (per \$100 assessed valuation)		
Maintenance (General)	0.51	0.00
Dispatching	<u>0.03</u>	<u>0.00</u>
Total	\$ <u>0.54</u>	<u>0.00</u>

8. Interfund Transfers

Various transfers between funds were made during 1999. It appears that the General Fund is supplementing other funds which may impact the financial position reported. The transfers made between the various funds are as follows:

Year Ended December 31, 1999						
District	General Fund	Ambulance Fund	Dispatching Fund	Pension Fund	Debt Service	Capital Projects
Affton	\$ 0	0	0	0	0	0
Black Jack	(77,597)	0	0	0	0	77,597
Chesterfield	(231,965)	(200,000)	0	0	0	431,965
Community	0	0	0	0	0	0
Creve Coeur	0	0	0	0	0	0
Eureka	(300,000)	0	0	0	0	300,000
Fenton	0	0	0	0	0	0
Florissant Valley	0	0	0	0	0	0
Lemay	0	0	0	0	0	0
Maryland Heights	(304,059)	304,059	0	0	0	0
Mehlville	157,200	(157,200)	0	0	0	0
Metro West	(1,732,919)	(600,169)	0	0	0	2,333,088
Mid-County	178,898	(191,000)	12,102	0	0	0
Moline	0	0	0	0	0	0
Normandy	0	0	0	0	13,595	(13,595)
Pattonville/Bridgeton Terrace			(Note 6)			
Riverview	0	0	0	0	0	0
Robertson	(65,684)	65,684	0	0	0	0
Spanish Lake	0	0	0	0	0	0
Valley Park	0	0	0	0	0	0
West County EMS	(3)	3	0	0	0	0
West Overland	0	0	0	0	0	0
Total	\$ (2,376,129)	(778,623)	12,102	0	13,595	3,129,055

APPENDICES

Appendix A

REVIEW OF INDEPENDENT AUDITS OF FIRE PROTECTION DISTRICTS IN ST. LOUIS COUNTY SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY AUDITORS IN CONNECTION WITH THE AUDITS OF THE YEAR ENDED DECEMBER 31, 1999

The following is a summary of the various comments contained in those management letters received by the State Auditor for audits of the year ended December 31, 1999. These comments apply to individual fire protection districts unless otherwise noted. The comments extracted from the management letters were not verified by the State Auditor's office via additional audit procedures for accuracy, validity, or completeness.

Revenues/Receipts

- Delinquent taxes received were allocated to the respective funds based on the levy in place the year the taxes were assessed. The difference between this levy and the prior year levy is often not material enough to warrant the necessary time to perform the calculation.
- Ambulance fees were deposited in the General Fund.
- The number of badges and patches sold was not reconciled to cash collected.
- Consideration should be given to having future contributions from the public made to the volunteer association thereby providing the donor with a tax deduction.

Expenditures/Purchasing

- Several invoices could not be located.
- The amount transferred from the Ambulance Fund to the General Fund for emergency medical call reimbursement has not been reviewed for possible revision in recent years.
- Invoices were not canceled or stamped paid after payment was made.
- There was not adequate segregation of duties for the cash disbursement process.
- The board did not formally approve transfers to the Capital Projects Fund.
- There was not a formal written purchasing policy.

Accounting Records and Procedures

- Accounting personnel were not fully cross-trained on significant accounting functions.
- One individual was mostly responsible for the processing of each activity.
- Two districts did not have a written accounting procedures manual.
- Monthly financial information prepared by a district's accountant for the year 2000 did not include balance sheet information. In addition, the monthly financial information did not indicate the date of the financial information.
- Monthly financial information did not include balance sheet information and did not indicate the date of the financial information.
- Several monthly board reports were manually prepared, including a total analysis of actual activity compared to the budget. Having reports generated from the same processing system that maintains all financial activity assures reports are accurately prepared, and are completed on a more efficient basis. Additionally, a budget report that details, on a monthly basis, differences between budget and actual for each budget line item, expenditures as well as revenue, is information that management should be receiving on a monthly basis.
- A district did not receive its financial information, including journals, general ledgers, bank reconciliations and monthly financial statements from its accounting records service provider in a timely manner.
- Copies of basic source documents that supported the financial statement amounts including, but not limited to, general ledgers, transaction registers, general journal entries, and bank reconciliations were not provided.
- The fund balance in the General Fund was not fully reconciled with the audited financial statements of the prior year.
- Audit adjustments from the prior year were not recorded timely and accurately.
- Accounting procedures were inadequate and several errors at December 31, 1999, were noted by the auditor.
- A district's accountant did not comply with the applicable professional standards for presenting prospective financial information, as promulgated by the American Institute of Certified Public Accountants.
- An auditor encountered numerous difficulties in connection with performing the audit of a district's financial statements.
- A district's accountant was unable to provide details or explanations as to the composition of the accounts payable balance.

Investments and Pensions

- Investment earnings were not maximized.
- A district received stock from an insurance company. The Missouri Constitution, Article VI, Section 23, prohibits ownership of stock in corporations. The amounts involved were immaterial to the district.
- Changes from the quarterly investment statements were not recorded on the internal financial statements.
- Significant errors in connection with the accounting for a district's pension trust fund were noted.

Fixed Assets and Capital Leases

- A detailed permanent record of fixed assets was not maintained in five districts.
- Corrective action for specific internal control matters relating to the care, custody and control of the fixed assets as noted in previous recommendations had not been taken.
- A long-term plan for capital replacement and acquisition had not been formally established.
- A district should consider the appropriateness of continuing to maintain a capital projects fund in light of current plans for the acquisition of major fixed assets.
- Capital leases were not accounted for properly .

Budgets

- In five districts the budget document did not contain all of the required components as specified by Chapter 67 RSMo.
- The budget did not contain provisions to eliminate the deficit fund balance at the beginning of the year in the Ambulance Fund.
- The 1999 budget included budgeted interfund transfers; however, the revised budgeted transfers did not net to zero.
- Actual expenditures exceeded budgeted expenditures in various funds for eight districts.
- A budget was not prepared for the Capital Projects Fund.

- Budgeted expenditures exceeded revenues plus fund balance from the beginning of the year for the Ambulance Fund.

Payroll

- No individual reviewed the payroll data before it was processed.
- The vacation policy did not clearly document how vacation time can be earned or if vacation time can be carried forward into the following year.

Pledged Securities

- Deposits were under collateralized in two districts.

Unclaimed Property

- Several checks outstanding for over one year were written off, but had not been turned over to the state under the Unclaimed Property law.

GASB 34

- It was recommended that nine districts plan for the adoption of Governmental Accounting Standards Board, Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments.

Fund Deficit

- Two districts had cumulative fund deficits at December 31, 1999, in the Ambulance Fund.
- A district's financial statements before audit adjustments reflected a fund deficit in the Ambulance Fund.

RSMo 321.015

- A district's accountant served as a fire protection district director for another St. Louis County fire protection district which appeared to violate RSMo 321.015.

Appendix B

Title 15—ELECTED OFFICIALS

Division 40—State Auditor Chapter 4—Audits of Fire Protection Districts in St. Louis and Greene Counties

15 CSR 40-4.010 Requirements for Districts

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth requirements to be met directly by the district.*

(1) The district is responsible for preparing and providing financial information to be included in the audit report. The district shall maintain adequate accounting records for that purpose. These records may be maintained on the bases of accounting deemed appropriate by the district but the records shall provide adequate information to allow the district to report in accordance with generally accepted accounting principles.

(2) The district shall engage an independent auditor to conduct the audit. The state auditor does not recommend, select or approve the district's auditor or the auditor's fee, except as provided in 15 CSR 40-4.010(4). The district is responsible for fulfilling all contractual obligations with the auditor, including payment of all earned fees.

(3) The district shall require from the independent auditor an engagement letter which sets out all essential particulars. A copy of the engagement letter shall be submitted to the state auditor for his/her review before commencement of audit fieldwork. The purpose of this review is to provide reasonable assurance that the district has contractually committed an auditor to provide services to satisfy requirements of 15 CSR 40-4. The contents of this letter should include, but are not limited to:

(A) Period for which the financial statements are audited;

(B) Purpose of the audit;

(C) Scope of the audit, including consideration of the internal control structure and tests of compliance with applicable laws and regulations;

(D) Provisions that the auditor will communicate, in writing, to the district material weaknesses or reportable conditions in the internal control structure, instances of non-compliance with applicable laws and regulations and other areas of possible improvement;

(E) Provision that all workpapers, etc., will be made available to the state auditor for his/her review upon his/her request;

(F) Provision that the auditor will comply with applicable rules issued by the state auditor under 15 CSR 40;

(G) Provision that the auditor will discuss with the district any factors s/he may discover which would prevent him/her from issuing an unqualified opinion on the financial statements and allow the district and the auditor the opportunity to arrive at a resolution acceptable to both;

(H) Statement of the auditor's responsibility for detection of errors, irregularities and illegal acts; and

(I) The estimated cost of the audit and the rates which are the basis for that estimate.

(4) The district must file a copy of the completed audit report with the state auditor within six (6) months after the close of the audit period. If any audit report fails to comply with promulgated rules, the state auditor will notify the district and specify the defects. If the specified defects are not corrected within ninety (90) days from the date of the state auditor's notice to the district, or if a copy of the required audit report has not been received by the state auditor within the specified time, the state auditor will make, or cause to be made, the required audit at the expense of the district.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.020 Standards for Auditing and Financial Reporting

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth standards for the auditing and financial reporting of the district.*

(1) The independent auditor shall meet all requirements of Chapter 326, RSMo. The auditor must be able to demonstrate that s/he meets the independence criteria contained in the code of professional ethics and rules of conduct promulgated by the Missouri State Board of Accountancy.

(2) The independent auditor shall provide to the state auditor reasonable notification of any entrance or exit conferences held with the district. This notification shall be sufficiently

in advance to allow the state auditor to attend the entrance or exit conference at his/her discretion. Upon request, the independent auditor shall provide a draft copy of the audit report and management letter to the state auditor prior to the exit conference.

(3) The audit shall conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(4) The financial statements, supplementary data and accompanying notes shall be presented in conformity with generally accepted accounting principles.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.030 Contents of Audit Reports

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule describes required and suggested information to be included in the audit reports.*

(1) Standards for auditing and financial reporting of fire protection districts are given in 15 CSR 40-4.020.

(2) All audit reports shall contain:

(A) A table of contents;

(B) A report on the financial statements;

(C) Combined financial statements and appropriate note disclosures;

(D) Other financial information which includes, but is not limited to, the following:

1. Supplemental schedule of expenditures/expenses by object, if not included in the financial statements;

2. Tax rates and assessed valuation;

3. Schedule of insurance in force which shall include, in addition to other information, the agent for each policy; and

4. Principal officeholders who held office during the period under audit, compensation received by each official in performance of his/her duty and all other compensation or reimbursement of expenses made by the district to each officeholder; and

Appendix B

(E) A report on the consideration of the internal control structure, a report on the tests of compliance with applicable laws and regulations and a management letter communicating areas of possible improvement not otherwise reported. The required scope of audit for the reports and management letter is set forth in 15 CSR 40-4.040(3). The reports and management letter shall include the findings and recommendations, if any, which the auditor developed during his/her audit and the district's responses to those findings and recommendations. The reports and management letter shall also indicate the nature of previous recommendations and the extent to which the district has implemented those recommendations.

(3) If the district or the auditor deems it appropriate, audit reports may contain or utilize the following:

(A) A history and organization section prepared by the district (unaudited);

(B) Comparative financial data for one (1) or more years; and

(C) Other statements, exhibits, schedules or analyses as deemed necessary or appropriate by the district or the auditor.

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

15 CSR 40-4.040 Scope of Audit

PURPOSE: *The state auditor has authority to establish standards and reporting requirements for audits performed on fire protection districts in St. Louis and Greene Counties. This rule sets forth the scope of the audit.*

(1) Nothing in the rules promulgated for audits of fire protection districts shall be construed as restricting, limiting or relieving the independent auditor of his/her professional judgment or responsibility.

(2) The audit shall include those tests of the accounting records and other auditing procedures which the independent auditor considers necessary in the circumstances to conform to the standards for auditing of governmental organizations, programs, activities and functions as established by the comptroller general of the United States.

(3) As part of the audit described in section (2), the auditor will obtain an understanding of the internal control structure, assess control risk and report any material weaknesses or reportable conditions. The auditor will also test compliance with applicable laws and regulations and report all material instances of noncompliance. As a part of, or in addition to, audit tests or procedures which may be necessary for the audit, the auditor shall—

(A) Review systems, procedures and management practices, including:

1. Review cash management practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

2. Evaluate the purchasing function to the extent necessary to determine that the district generally receives fair value, for example, bidding of significant purchases; that purchases generally represent items consistent with the function of the district; and that there is not significant likelihood of misuse or misappropriation of the district's resources through the purchasing process;

3. Review fixed asset records and procedures to the extent necessary to determine that fixed assets are properly recorded, physically controlled and in the possession of the district;

4. Review fidelity bond coverages to determine that all persons with access to assets of the district appear covered in sufficient amounts;

5. Evaluate the budgeting practices to the extent necessary to determine whether significant improvements appear practicable and economically justifiable;

6. Review related party transactions;

7. Review evaluate other areas as required by the district; and

8. Review significant areas or matters which come to the attention of the auditor;

(B) The auditor will note areas of possible improvement in the district's systems, procedures and management practices. In evaluating district systems, procedures and management practices, the auditor should consider whether improvements appear practicable and economically justifiable.

(C) Test compliance with applicable laws and regulations, including:

1. Design the audit to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statements;

2. Be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements; and

3. Test compliance with other legal provisions as s/he deems necessary or appropriate in the circumstances.

(D) Legal provisions which the auditor should consider in his/her audit include, but are not limited to, the following:

1. Article III, Sections 38(a) and 39(3) and Article VI, Section 25, *Constitution of Missouri* limitations on use of funds and credit;

2. Article VI, Section 26, *Constitution of Missouri* limitations on indebtedness without popular vote;

3. Article VI, Section 29, *Constitution of Missouri* application of funds derived from public debts;

4. Article VII, Section 6, *Constitution of Missouri* penalty for nepotism;

5. Chapter 67, RSMo budgetary requirements;

6. Sections 70.210 to 70.230 and Section 432.070, RSMo contracts;

7. Section 105.145, RSMo annual report;

8. Chapter 105, RSMo conflict of interest;

9. Chapter 108, RSMo bond issues;

10. Chapter 321, RSMo fire protection districts;

11. Other applicable portions of the *Constitution of Missouri* and the *Missouri Revised Statutes*;

12. Applicable sections of *Code of State Regulations*; and

13. Other applicable legal provisions.

(4) The auditor shall report on the reviews and examinations required by this rule in a management letter as set forth in 15 CSR 40-4.030 (2)(E).

*Auth: section 321.690, RSMo (Cum. Supp. 1993). * Original rule filed May 12, 1978, effective Sept. 11, 1978. Amended: Filed Dec. 2, 1985, effective Feb. 13, 1986. Amended: Filed June 14, 1994, effective Nov. 30, 1994.*

**Original authority 1977, amended 1981, 1986, 1991, 1993.*

Missouri Revised Statutes

**Chapter 321
Fire Protection Districts
Section 321.690**

August 28, 1998

Audits to be performed, when--rules established by state auditor (Christian County fire protection districts exempt from audits).

321.690.

1. In counties of the first classification having a charter form of government and having more than nine hundred thousand inhabitants and in counties of the first classification which contain a city with a population of one hundred thousand or more inhabitants which adjoins no other county of the first classification, the governing body of each fire protection district shall cause an audit to be performed consistent with rules and regulations promulgated by the state auditor.

2. (1) All such districts shall cause an audit to be performed biennially. Each such audit shall cover the period of the two previous fiscal years.

(2) Any fire protection district with less than fifty thousand dollars in annual revenues may, with the approval of the state auditor, be exempted from the audit requirement of this section if it files appropriate reports on its affairs with the state auditor within five months after the close of each fiscal year and if these reports comply with the provisions of section 105.145, RSMo. These reports shall be reviewed, approved and signed by a majority of the members of the governing body of the fire protection district seeking exemption.

3. Copies of each audit report must be completed and submitted to the fire protection district and the state auditor within six months after the close of the audit period. One copy of the audit report and accompanying comments shall be maintained by the governing body of the fire protection district for public inspection at reasonable times in the principal office of the district. The state auditor shall also maintain a copy of the audit report and comment. If any audit report fails to comply with the rules promulgated by the state auditor, that official shall notify the fire protection district and specify the defects. If the defects specified are not corrected within ninety days from the date of the state auditor's notice to the district, or if a copy of the required audit report and accompanying comments have not been received by the state auditor within six months after the end of the audit period, the state auditor shall make, or cause to be made, the required audit at the expense of the fire protection district.

4. The provisions of this section shall not apply to any fire protection district based and substantially located in a county of the third classification with a population of at least thirty-one thousand five hundred but not greater than thirty-three thousand.

(L. 1977 H.B. 216, A.L. 1981 S.B. 200, A.L. 1986 H.B. 877, A.L. 1991 S.B. 34, A.L. 1993 H.B. 177 and S.B. 346, A.L. 1998 H.B. 1847)



**MISSOURI LOCAL GOVERNMENT EMPLOYEES
RETIREMENT SYSTEM
THREE YEARS ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-31
April 12, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

April 2001

www.auditor.state.mo.us

The following report is our review of the Missouri Local Government Employees Retirement System.

The State Auditor is required by state law to review the audits of the Missouri Local Government Employees Retirement System. The system's Board of Trustees has contracted with a certified public accounting firm to perform annual financial audits of the system. The scope of this review included, but was not necessarily limited to, the period of July 1, 1997 to June 30, 2000.

During our review, we noted that the system's Board of Trustees has not formally solicited proposals for the auditing service, actuarial consulting service, investment consulting service, or medical consulting service contracts in recent years. The Board spends approximately \$24,000, \$300,000, \$135,000, and \$19,000, respectively, for these services annually. The Board has not solicited proposals for some of these services for over twenty years. Without requesting proposals for such services periodically, the Board of Trustees has not ensured it will receive these services at a fair price.

We recommended that the Missouri Local Government Employees Retirement System Board of Trustees periodically solicit proposals for all professional services.

The Missouri Local Government Employees Retirement System was created under an act of the 74th General Assembly, commenced actual operations on April 1, 1968, and is governed by state law. The Missouri Local Government Employees Retirement System is an agent multiple-employer, statewide public employee retirement plan for units of local government. The system is a defined benefit plan providing retirement, death, and disability benefits to its members.

Any political subdivision (unit of local government such as a city, county, or special district) of Missouri is eligible to join the system. Once a political subdivision elects membership in Missouri Local Government Employees Retirement System, all current and future eligible employees are legally required to become members of the system. A summary of the retirement, death, and disability benefits provided to members is included in our report.

Copies of this audit are available upon request.

YELLOW SHEET

MISSOURI LOCAL GOVERNMENT EMPLOYEES
RETIREMENT SYSTEM

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Board of Trustees
and
William R. Schwartz, Executive Secretary
Missouri Local Government Employees Retirement System
Jefferson City, Missouri 65102

The State Auditor is required by Section 70.605.18, RSMo 2000, to review the audits of the records and accounts of the Missouri Local Government Employees Retirement System. The Board had engaged KPMG, LLP, Certified Public Accountants (CPA) to perform the annual financial audits of the system for the years ended June 30, 2000, 1999, and 1998. We reviewed the reports and substantiating workpapers of the CPA firm. The scope of our review included, but was not necessarily limited to, the period of July 1, 1997 to June 30, 2000. The objectives of this review were to:

1. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions.
2. Examine certain management practices.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the system's board minutes, various contracts, and other pertinent policies, and discussed various system procedures with applicable personnel.

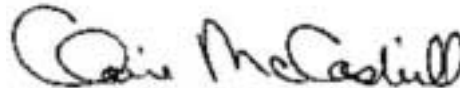
As a part of our review, we assessed the system's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed

additional procedures, other information might have come to our attention, which would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This background information was obtained from the system's management and was not subjected to the procedures applied in our review of the Missouri Local Government Employees Retirement System.

The accompanying Management Advisory Report presents our findings arising from our review of the Missouri Local Government Employees Retirement System.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

February 9, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Heather M. Thompson

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

In addition to our review of the reports and substantiating working papers of KPMG, LLP, we included those procedures which we considered necessary in the circumstances.

We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions, as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. Nevertheless, our review disclosed no conditions that represent significant violations.

During our review, we identified a certain management practice which we believe could be improved. Our review was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the finding presented in our report should not be considered as all-inclusive of areas where improvements may be needed.

Professional Services Contracts
--

The Missouri Local Government Employees Retirement System (LAGERS) Board of Trustees has not formally solicited proposals for the auditing service, actuarial consulting service, investment consulting service, or medical consulting service contracts in recent years. The Board spends approximately \$24,000, \$300,000, \$135,000, and \$19,000, respectively, for these services annually. The Board has not solicited proposals for some of these services for over twenty years. Without requesting proposals for such services periodically, the LAGERS Board of Trustees has not ensured it will receive these services at a fair price.

WE RECOMMEND the LAGERS Board of Trustees periodically solicit proposals for all professional services.

AUDITEE'S RESPONSE

The Board Chairperson responded as follows:

In our most recent selection of outside counsel, the LAGERS Board of Trustees went through a very detailed review of proposals from numerous law firms before making a selection. A similar process is used in the selection of new investment management firms. We work in conjunction with our investment consultant and review numerous firms before deciding on those to be interviewed. In addition, we retain consultants to review and recommend various carriers and brokers for all of our risk management activities. Thus, we feel we are complying with your recommendation for all new professional service providers.

You did cite specifically in your report those professional service providers that provide auditing, actuarial, investment consulting, and medical consulting services for the system. These four firms are retained by the Board of Trustees and serve at the pleasure of the Board. The Board has delegated to the Executive Secretary the ability to negotiate fees with these firms and we are satisfied that the fees that have been negotiated are not only competitive but substantially below those fees being paid by other retirement systems of similar size. We feel that as long as we are confident and satisfied with the services being provided and the current fee arrangement with these firms, that there would be little, if any, advantage in requesting proposals from other firms for these services. In fact, requesting proposals from other firms may, in fact, cause the cost of current services to go up considerably.

This report is intended for the information of the system's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM HISTORY, ORGANIZATION, AND STATISITICAL INFORMATION

The Missouri Local Government Employees Retirement System (LAGERS) was created under an act of the 74th General Assembly, commenced actual operations on April 1, 1968, and is governed by Sections 70.600 to 70.755 of the Revised Statutes of Missouri. The LAGERS is an agent multiple-employer, statewide public employee retirement plan for units of local government. The LAGERS is a defined benefit plan providing retirement, death, and disability benefits to its members.

The responsibility for the operation and administration of the retirement system is vested in the LAGERS Board of Trustees, consisting of three elected LAGERS members, three employer trustees who are not members of LAGERS and are elected or appointed by the governing bodies of employers, and one trustee appointed by the governor, who is neither covered by LAGERS nor a member of a governing body of any participating political subdivision. All members serve four year terms. As of June 30, 2000, the members of the Board of Trustees were:

Name	Position	Membership	Term Expires
Jeffrey D. Moreland	Chairperson	Member Trustee	December 31, 2002
J. Robert Ashcroft	Vice Chairperson	Employer Trustee	December 31, 2001
Dr. Donald E. Clark*	Member	Employer Trustee	December 31, 2000
Victor Gragg	Member	Employer Trustee	December 31, 2002
Nancy Yendes*	Member	Member Trustee	December 31, 2000
Gary Findlay**	Member	Citizen Trustee	December 31, 1999

* These members were re-elected for another term expiring in December 2004.

** Although term had expired, continued to serve until a new Citizen Trustee was appointed by the Governor in October 2000. Claire West currently fills the position of the Citizen Trustee. The term expires December 31, 2003.

As of June 30, 2000, one Member Trustee position was vacant due to the resignation of Steve Ellsworth during June 2000. The position was filled by Tara Calvin in October 2000.

William R. Schwartz serves as the Executive Secretary to the board. The Executive Secretary acts as advisor to the board on all matters pertaining to the system and, with the approval of the board, contracts for professional services and employs the remaining staff needed to operate the system. At June 30, 2000, the retirement system had twelve employees, including the Executive Secretary.

The Board of Trustees has appointed Gabriel, Roeder, Smith and Company, of Southfield, Michigan as actuarial consultants. As of June 30, 2000 the following investment managers held investments for the LAGERS: Barclays Global Investors, of San Francisco, California; Chartwell Investment Partners, of Berwyn, Pennsylvania; Dimensional Fund Advisors, of Santa Monica, California; Hansberger Global Investors, of Fort Lauderdale, Florida; Hoisington Investment Management, of Austin, Texas; INVESCO Capital Management, of Atlanta,

Georgia; Nicholas-Applegate Capital Management, of San Diego, California; Pacific Investment Management Company, of Newport Beach, California; Rockwood Capital Advisors, of St. Louis, Missouri; Wachovia Bank of Georgia Timberland Investment Management, of Atlanta, Georgia; AEW Real Estate Advisors, of Boston, Massachusetts; and Westmark Realty Advisors, of Los Angeles, California. Northern Trust Company, of Chicago, Illinois serves as the system's master custodian. Summit Strategies Group, of St. Louis, Missouri serves as the system's investment consultant. Armstrong Teasdale, LLP, of Jefferson City, Missouri serves as the system's legal counsel.

As of June 30, 2000, there were 449 participating political subdivisions in the system which included 28,491 active members, 249 inactive members, and 8,789 retirees and beneficiaries.

Membership, required contributions, and benefits provided under LAGERS are generally as follows:

Eligibility

Any political subdivision (unit of local government such as a city, county, or special district) of Missouri is eligible to join LAGERS. Once a political subdivision elects membership in LAGERS, all current and future eligible employees are legally required to become members of the system. Participation in LAGERS is considered to be a condition of employment with a member subdivision.

Employee Contributions

Political subdivisions may participate in LAGERS under either a contributory or non-contributory plan. If the subdivision participates under the contributory plan, each member contributes four percent of gross salary after completion of six months of service with the subdivision. If a member terminates LAGERS covered employment before any benefits are payable, the employee's own contributions, plus interest, are fully refundable upon request. If a member is reemployed in a position covered by the system within four years from the time membership last terminated, the member has the option to repay to the system the amount refunded, plus any regular interest, and reinstate the service previously forfeited.

Employer Contributions

The political subdivisions served by LAGERS are required to contribute the remaining amount above that contributed by their members to finance the benefits that the political subdivision has promised their employees through their participation in LAGERS. These employer contributions are determined annually by the system's retained actuary and are based upon level-percent-of-payroll funding principles so that the contribution rates do not have to increase over decades of time.

Age and Service Allowance

This is the normal retirement benefit and is payable monthly for the lifetime of a member. The age and service allowance retirement benefits are based on a formula which multiplies final average salary, by the applicable benefit factor, by the years of creditable service and, in the case of early retirement, by an age reduction factor. Each employer elects the benefit factor percentage applicable to its members from nine available programs. Final average salary is the average of a member's monthly pay during the period of sixty consecutive months of credited service producing the highest monthly average, which is contained within the 120 consecutive months of credited service immediately preceding retirement. A participating LAGERS subdivision may, by majority vote of the governing body, elect to have their future retirants' benefits calculated using a thirty-six month final average salary period.

NORMAL RETIREMENT

A member may retire with an age and service allowance after completing at least five years of credited service, and attaining age sixty for a general employee and age fifty-five for law enforcement or fire personnel. Employers may, by majority vote of the governing body, select an alternative unreduced retirement for employees whose age and service total eighty or more years, with at least five years of credited service.

EARLY RETIREMENT

A member may retire with an early retirement allowance after completing five years of credited service, and attaining age fifty-five for a general employee or age fifty for a law enforcement or fire member. The early allowance amount is computed in the same manner as an age and service allowance, but reduced to reflect the fact that the age when payments begin is younger than the minimum service retirement age. The amount of the reduction is $\frac{1}{2}$ percent of 1 percent (.005) for each month the retirant is younger than the minimum service retirement age.

PAYMENT OPTIONS

A member may elect to receive the benefits payable under one of four options. The Life Option provides a full monthly benefit to the retirant until his death. Two other options provide a reduced benefit to the retirant and a survivor benefit in varying degrees after the retirant's death. The fourth option provides a reduced monthly benefit for the lifetime of the retirant, but additionally guarantees at least 120 monthly payments will be made either to the retirant or his beneficiary.

Cost-of Living Adjustments

All retired members are eligible for an annual post-retirement cost-of-living adjustment beginning the October 1st at least twelve months after the effective date of their allowance. The

adjustment, determined annually by the Board of Trustees, is based on the lower of the increase in the Consumer Price Index or four percent per year. These increases are contingent upon the financial solvency of the system.

Deferred Retirement

If a member leaves LAGERS covered employment before attaining early retirement age, but after completing five or more years of service, he becomes eligible for a deferred allowance; provided he lives to his early retirement age and does not withdraw his accumulated contributions, if applicable. Certain deferred members may be eligible for a limited lump-sum payment. Any deferred benefits paid prior to the member attaining his minimum service requirement age will be reduced $\frac{1}{2}$ of 1 percent for each month the retirant is younger than his minimum service age requirement.

Disability Benefits

There are two categories of disability benefits:

Non-Duty Disability: A member with five or more years of credited service who becomes totally and permanently disabled from performing his job, from other than duty connected causes, is eligible for a non-duty disability benefit computed in the same manner as an age and service allowance, based upon length of service and salary to time of disability with no reduction for age.

Duty Disability: A member who becomes totally and permanently disabled from performing his job, from a duty related injury or disease, is eligible for a duty disability benefit computed in the same manner as an age and service allowance, but based upon the years of service the member would have completed had he continued in LAGERS covered employment to age sixty.

In the case of both non-duty and duty disability benefits, there is a limitation on total compensation from all sources received by a disability retirant of 100 percent of final average salary. Continuing medical examinations are required to confirm the disability once per year for the first five years and once every three years thereafter until reaching the minimum service retirement age.

Survivor Benefits

There are two categories of survivor benefits:

Non-Duty Death: Upon the death of a member who had completed at least five years of credited service, his eligible surviving dependents receive the following benefits: 1.) the surviving spouse receives an allowance equal to the Option A allowance (joint and 75 percent survivor benefits) computed upon the deceased member's service and salary to time of death. If the surviving spouse is less than age forty, the benefit is payable for no more than ten years; if over age forty, the

benefit is payable for life; 2.) when no spouse benefit is payable, the dependent children under age eighteen (twenty-three if they are full-time students) each receive an equal share of sixty percent of an age and service allowance computed upon the deceased member's service and salary to time of death.

Duty Death: If a member's death was the natural and proximate result of a personal injury or disease arising out of and in the course of his actual performance of duty as an employee, the spouse is eligible for a duty death benefit computed in the same manner as an age and service allowance, but based upon the years of service the member would have completed had he continued in LAGERS covered employment to age sixty. The surviving spouse receives an allowance equal to the Option A allowance (joint and 75 percent survivor benefits). If the surviving spouse is less than age forty, the benefit is payable for no more than ten years; if over forty, the benefit is payable for life. When no spouse benefit is payable, the dependent children under age eighteen (twenty-three if they are full-time students) each receive an equal share of sixty percent of the life allowance computed for the deceased member.

* * * * *



CITY OF NEOSHO, MISSOURI
YEAR ENDED SEPTEMBER 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-30
March 29, 2001

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the City of Neosho, Missouri.

The city purchased a building for \$450,000 to relocate the city hall without obtaining or requesting an independent appraisal of the property. The city's process of selecting the new city hall and the related real estate document noting the charitable contribution made by the seller were not properly documented.

The city has contracted with the Neosho Area Chamber of Commerce for economic development services totaling \$85,320 during the year ended September 30, 2000. It does not require any documentation of how these monies are used, and has not established any formal procedures to otherwise monitor the use of these monies. The city did not obtain an independent appraisal on the land purchased for construction of the "Tech Spec" building. Neither the city nor the economic development sales tax committee prepared or retained documentation to support the city's decision to construct the "Tech Spec" building or any future plans to sell the property.

The city's reconciliation of the total gallons of water billed to customers to the gallons of water pumped, indicates a significant water loss rate. During the year ending September 30, 2000, the gallons of water pumped exceeded the total gallons billed by 414,000,000 gallons, or 38 percent.

To help ensure all water usage is properly billed, the city should investigate and correct problems that cause the significant differences noted between total gallons of water billed to customers and the gallons of water pumped. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent. A similar comment was made by the city's auditor during their annual audit.

The city has not performed a formal review of the adequacy of the water and sewer rates since 1994.

The city contracts with an independent contractor for management services for the Neosho golf course. The city paid this contractor \$202,609 for these contract services during the year ending September 30, 2000. The City Manager indicated that bids have not been solicited by the city for these services. The city also paid this contractor an additional \$74,600 in "grow-in" fees for the golf course project during the period of September 1999 through January 2001.

(over)

YELLOW SHEET

The city paid \$65,000 to a not-for-profit corporation for a downtown revitalization project without entering into a written contract. In addition, the city paid \$3,575 in rental payments for a storage building without a written rental agreement.

State law requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid.

The city expended approximately \$97,000 as a result of change orders needed for the golf course renovation and expansion project. The original contract totaled \$474,000 for phase I. Council minutes indicated some of these change orders were due to a delay of a dam project and wet weather conditions. Due to these delays the council requested the contractor to start work on another phase of the golf course (approximately \$53,000 of the change order total above) which had not been include in the original bid.

Change orders are normally used to make adjustments for minor problems that are unknown when construction projects are originally bid. They should not be used to make significant changes to existing contracts. The city should ensure that all aspects of the projects are adequately bid.

The city does not properly allocate administrative salaries to the various funds.

During the first eight months of employment with the city, the sports director accumulated 1,160 hours of compensatory time. Improvement is needed in the records and procedures of the city's concessions.

Prior to fiscal year 2001, the city did not solicit proposals for a depository contract. In response to the recommendation made by the city's auditor during their previous annual audit, the city solicited proposals for a depository contract and increased the interest rate earned on the city deposits by approximately 2 percent. To ensure the city continues to receive competitive banking services, the city should periodically seek depository banking proposals from area banks.

CITY OF NEOSHO, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the City Council
City of Neosho
Neosho, Missouri 64850

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Neosho, Missouri. The city had engaged Davis, Lynn, & Moots, P.C., Certified Public Accountants (CPA firm) to perform a financial audit of the city for the year ended September 30, 2000. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the city included, but was not limited to, the year ended September 30, 2000. The objectives of this audit were to:

1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed council minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Neosho, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

January 5, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	David Holtmann, CPA
In-Charge Auditor:	Pamela Crawford, CPA
Audit Staff:	Jay Ross
	Troy Royer

HISTORY AND ORGANIZATION

CITY OF NEOSHO, MISSOURI HISTORY AND ORGANIZATION

The city of Neosho is located in Newton County. The city was incorporated in 1878 and was voted as a home rule-class city in 1973. The population of the city in 2000 was estimated at 9,389.

The city government consists of a five-member council. The five council members are elected for three-year terms. The mayor is elected by the council for one year and presides over the council. The Mayor, City Council, and other principal officials at September 30, 2000 were:

Elected Officials	Term Expires	Actual Compensation for the Year Ended September 30, 2000
Fred N. Gardner, Mayor (1)	April 2002	\$ 210
H. Howard Birdsong, Mayor Protem (2)	April 2003	85
Marjorie L. Fausett, Councilwoman	April 2003	215
Ralph J. Haas, Councilman	April 2001	250
John Ball, Councilman (1)	April 2001	25
 <u>Other Principal Officials</u>		
Jim L. Cole, City Manager		55,784
James E. Haddock, City Clerk		35,659
Cheryl A. Mosby, Finance Director		47,366
Angie Kirk, City Collector		28,002
Steven A. Hays, City Attorney		23,124
Dwight Douglas, Municipal Judge		13,731
Penni J. Wright, Court Clerk		20,559
David L. McCracken, Police Chief		41,880

(1) Dan Noah resigned as Mayor in August 2000. John Ball was appointed in August 2000 to fill the vacant council seat.

(2) H. Howard Birdsong was elected to the council in April 2000 to fill the vacated seat of David L. Ruth.

The elected and appointed officials are covered by a \$25,000 blanket bond. In addition, the Finance Director and City Collector are each bonded for \$300,000.

Assessed valuation and tax rate information for 2000 and 1999 are as follows:

ASSESSED VALUATION

	2000	1999
Real estate *	\$ 69,692,459	\$ 63,936,460
Personal property *	38,680,876	35,416,640
Total	\$ 108,373,335	\$ 99,353,100

* The city does not levy property taxes.

The city had the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date
General	.01000	none
Transportation	.00375	none
Economic development	.00125	none
Parks/Recreation/Drainage	.00375	none

MANAGEMENT ADVISORY REPORT

CITY OF NEOSHO, MISSOURI
SUMMARY OF FINDINGS

1. Purchase of City Hall (pages 10-11)

The city purchased a building for \$450,000 to relocate the city hall without obtaining or requesting an independent appraisal of the property. The city's process of selecting the new city hall and the related real estate document noting the charitable contribution made by the seller were not properly documented.

2. Economic Development Sales Tax (pages 11-14)

The city has contracted with the Neosho Area Chamber of Commerce for economic development services totaling \$85,320 during the year ended September 30, 2000. It does not require any documentation of how these monies are used, and has not established any formal procedures to otherwise monitor the use of these monies. The city did not obtain an independent appraisal on the land purchased for construction of the "Tech Spec" building. Neither the city nor the economic development sales tax committee prepared or retained documentation to support the city's decision to construct the "Tech Spec" building or any future plans to sell the property.

3. City Expenditures (pages 14-18)

The city has not solicited bids for golf course management services. The city paid \$65,000 to a not-for-profit corporation for a downtown revitalization project without entering into a written contract. The city entered into a questionable contract with a local fitness center. The city began work on a phase of the golf course project without soliciting bids for the work. The city does not properly allocate administrative salaries to the various funds and timesheets are not always signed by the employee. The city does not maintain mileage or maintenance logs for many of the vehicles and equipment owned by the city. The city has not developed a policy regarding the use of cellular phones.

4. Water and Sewer System Procedures (pages 18-19)

The city's reconciliation of gallons of water billed to customers to the gallons pumped, indicates a significant water loss rate. The city has not performed a formal review of the adequacy of the water and sewer rates since 1994.

5. Sports Department (pages 19-21)

During the first eight months of employment with the city, the sports director accumulated 1,160 hours of overtime. Improvement is needed in the records and procedures of the city's concessions.

6. Depository Contract (pages 21-22)

Prior to fiscal year 2001, the city did not solicit proposals for a depository contract.

CITY OF NEOSHO, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Purchase of City Hall
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In March 1998, the city purchased the NationsBank building (located on the square) for \$450,000 to be used as the city hall. The city spent an additional \$52,000 to remodel, remove asbestos, and move into the building. As part of the sales agreement, the city agreed to lease approximately 3,500 square feet of the building back to the seller for five years at no cost to the seller. The lease agreement also required the city to provide all utilities and services to the seller for normal office uses. In July 1999, the city assigned this lease to the Neosho School District for the remainder of the lease period as requested by the seller. A review of this transaction disclosed the following concerns:

- A. The city did not request or obtain an independent appraisal on the property. Additionally, although the City Manager indicated the city had reviewed several other properties, a formal review or cost study was not performed and documented of this property and the related lease arrangements compared to other potential properties.

Good business practice requires that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid, and a formal review or cost study be performed and documented at the time of the purchase to support the city's decision making process.

- B. The sales agreement required the city to provide the seller with an IRS Form 8283-Noncash Charitable Contribution (for the excess of market value over the sales price of the property). The City Manager prepared and signed this form without filling in the amounts required to calculate the amount of the contribution made to the city by the seller. The City Manager was uncertain of the amount of the noncash charitable contribution.

To ensure transactions are properly represented by all parties involved, all applicable documents should be completely prepared.

WE RECOMMEND the City Council:

- A. Obtain independent appraisals for any property being considered for purchase. In addition, the city should ensure a formal review or cost study is prepared and documented for all significant purchases.
- B. Ensure all real estate documents are completely prepared.

AUDITEE'S RESPONSE:

- A. *The City of Neosho is confident that the transaction, which resulted in the purchase of the City Hall, was entered into only after a satisfactory cost study was completed by City Manager Jim Cole. The City of Neosho is of the opinion that the city made a very good investment as a result of this purchase. City Hall cost the Neosho taxpayers \$450,000 and has an appraised value of \$730,000. However, the City does recognize the benefit of Auditor McCaskill's recommendation to obtain independent appraisals and will implement this recommendation in future transactions.*
- B. *Although verbal confirmation was made in regards to the amount agreed upon, this amount failed to be reduced to writing on the proper IRS Form. In the future, the City of Neosho will make every effort to assure all proper and necessary forms are fully executed.*

2. Economic Development Sales Tax
--

The city has a one-eighth cent economic development sales tax (EDST). The city established an economic development sales tax committee in 1990 to assist the city in planning how the EDST monies would be spent. Since the establishment of the EDST, the city has utilized the tax dollars by contracting with the local Chamber of Commerce to provide economic development services and by constructing a 30,000 square foot "Tech Spec" building to attract targeted industry into the Neosho area. During the year ended September 30, 2000, the city collected approximately \$216,000 in EDST. A review of the contract with the local Chamber of Commerce and the construction of the "Tech Spec" building disclosed the following concerns:

- A. The city contracted with the Neosho Area Chamber of Commerce for economic development services for \$85,320 (in equal monthly installments) during the year ended September 20, 2000. This was done without requiring this entity to provide documentation to support how those monies were used. In addition, it does not appear the city has established any formal procedures to monitor the use of EDST monies. During our review, the Neosho Area Chamber of Commerce provided our auditors detailed financial reports regarding the use of EDST monies.

To ensure the proper use of the city's economic development sales tax monies, the city should establish formal procedures to monitor the use of the EDST monies and require detailed information (such as detailed financial reports, invoices for specific activities, audits, etc.) from the Neosho Area Chamber of Commerce to document how these city funds are used.

- B. Upon the recommendation of the economic development sales tax committee, the city entered into a lease-purchase agreement with the Neosho Area Business and Industry Foundation (NABIF), a not-for-profit corporation, for the purchase of

property and construction of a “Tech Spec” building in February 1996. The city has spent over \$430,000 of sales tax monies to construct the “Tech Spec” Building. Construction of the “Tech Spec” building was completed in October 1996. The building has remained vacant since completion. The City Manager indicated this property was intended to draw industrial businesses to the area by placing it on a speculative building list maintained by the State Department of Economic Development. The city has recently been finalizing negotiations for the lease-purchase of this building and property with an industrial business. A review of planning and construction of this project disclosed the following concerns:

1. The city did not request that NABIF obtain an independent appraisal to value the land prior to purchase. NABIF purchased 9.5 acres for \$80,000 (approximately \$8,400 per acre). The city recently sold some land in the area for approximately \$5,100 per acre. Good business practice requires that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid.
2. While the Chamber of Commerce retained some documentation for the proposed plans of the “Tech Spec” building, neither the city nor the economic development sales tax committee prepared or retained documentation to support the city’s decision to construct the “Tech Spec” building and any future plans to sell the property. The city invested a substantial amount of funds in the “Tech Spec” building without any formal plans to ensure the city would receive an adequate return on its investment.

WE RECOMMEND the City Council:

- A. Improve the control and accountability over the use of economic development sales tax monies spent by the Chamber of Commerce.
- B.1. Ensure independent appraisals are obtained for all future property purchases.
2. And the economic development committee ensure future projects are adequately planned and documented. In addition, a formal review of the proposed costs and potential return on investments of future speculative building plans should be completely documented.

AUDITEE’S RESPONSE:

- A. *As acknowledged in Auditor McCaskill’s report, the Neosho Area Chamber of Commerce provided her auditors with detailed financial reports regarding the use of Economic Development Sales Tax monies. There were no irregularities identified. The Neosho Area Chamber of Commerce retains the services of a local CPA firm for purposes of generating quarterly reports of the economic development funds. The City of Neosho recognizes the risk of not adequately monitoring these funds and as such, effective March 2001, the City of*

Neosho will require the quarterly written reports generated by this CPA firm be submitted to the Neosho City Council for review.

- B.1. When selling or purchasing land it is important to understand that land by its very nature is unique. Many factors come into play when making a valuation of one tract of real estate verses another tract. Improvements, amenities and location play a very important role to potential purchasers as well as the seller. The two tracts of land identified in this report are likewise two totally separate and unique parcels, one is unimproved vacant land and the other has improvements such as an active railroad spur. To compare the two as equal, calls for a simplification of the valuation process. Additionally, the City of Neosho must make strategic decisions when selling industrial land so as to best compete with other municipalities for the jobs and monies that are generated by the proposed buyer. In other words, if the City of Neosho makes an informed decision that the economic impact of the proposed business or manufacturer outweighs the cost of selling a tract of land at a discounted price, then said sale is still in the best interest of the City of Neosho. Certainly, the City of Neosho concurs with Auditor McCaskill's premise that under normal business practices independent appraisals are valuable for the determination of fair market values. Conducting the business of municipal economic growth however calls for creative business practices that in turn develop into jobs and tax revenue. The City of Neosho will give due consideration to Auditor McCaskill's recommendation prior to entering into future land purchases.*
- 2. It is completely acceptable for a municipality to invest in the construction of a speculative building knowing that said building might not be immediately occupied. A speculative building program should be looked upon not as an investment, but as a marketing tool that derives its value from the amount of industrial jobs/payroll and expansions or new firms locating in a municipality. This was the intent of the Economic Development Committee, Neosho Area Chamber of Commerce and the Neosho City Council when the speculative building was constructed. As a result of this decision, the City of Neosho has received a substantial economic impact that includes, but is not limited to the following:*

<u>COMPANY</u>	<u># OF EMPLOYEES</u>
<i>Applegate Steel</i>	<i>20</i>
<i>BASF</i>	<i>12</i>
<i>Brass Eagle-Neosho</i>	<i>230</i>
<i>Outland Sports-Underground</i>	<i>190</i>
<i>Scholastic, Inc.</i>	<i>450</i>
<i>Twin Rivers Poultry</i>	<i>475</i>
<i>Total Annual Payroll</i>	<i>\$21,028,400</i>

According to the U.S. Chamber of Commerce, every payroll dollar turns over within a community seven times. Clearly, there has been a great economic impact of the speculative building within the City of Neosho.

As recommended by Auditor McCaskill, all future projects will be adequately planned and documented with the goal of each being as successful as the above noted project.

Due to the volatile nature of the economy, it is impossible to perform formal reviews on the “potential return” of investments with the expectation of such review being accurate. Corporate and manufacturing layoffs, cutbacks and mergers are an unknown that simply cannot be predicted. The City of Neosho believes that although important, formal reviews are just one aspect of gaining the “upper hand” in a very competitive job growth market. Noting this, the City of Neosho strongly believes it can aggressively and successfully compete with other municipalities for jobs and monies that become available provided “all” available economic development tools are made available. According to the Missouri Department of Economic Development, speculative building programs top the list as one of the most effective marketing tools. A speculative building listed with the Missouri Department of Economic Development attracts nationwide attention. The City of Neosho’s track record with regard to the speculative building is proof that such a program can be very successful. As far as Auditor McCaskill’s recommendation, the City of Neosho is of the opinion that the speculative building was adequately planned and documented. This being stated, the City of Neosho will continue to adequately plan and document future projects.

3. City Expenditures

- A. The city contracts with an independent contractor for management services for the Neosho golf course. The city paid this contractor \$202,609 for these contract services during the year ending September 30, 2000. The City Manager indicated that bids have not been solicited by the city for these services. The city also paid this contractor an additional \$74,600 in “grow-in” fees for the golf course project during the period of September 1999 thru January 2001.

Soliciting proposals and entering into a truly competitive bidding process provides the city a means to select the contractor best suited to provide the service required. Good bidding practices provide the city with a range of possible choices which should allow for a better-informed decision to be made when acquiring necessary services.

The city should also evaluate whether these services could be provided by city employees at a lower cost to the city. Most of the communities we contacted managed their municipal golf course by paid municipal employees. The city’s audited financial statement noted an operating loss of \$78,037 for the Golf Course Fund for the year ended September 30, 2000.

- B. The city paid \$65,000 to a not-for-profit corporation for a downtown revitalization

project without entering into a written contract. In addition, the city paid \$3,575 in rental payments for a storage building without a written rental agreement.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

- C. The city contracted with the Freeman Southwest YMCA, a not for profit corporation, to provide admission tickets with a face value of \$53,054 for the city to distribute. In exchange, the city has agreed to provide water and sewer hookup services and waive the applicable city permit, inspection, and meter deposit fees totaling \$26,527. The city manager indicated this contract was negotiated to provide an indoor pool to its city residents for year-round use since the city pool is only open during the summer months. The applicable city fees offset actual costs incurred by the city to provide services by the water and sewer departments. The city should not use water and sewer funds to support recreational activities. The city should ensure all costs related to the contract are charged to the general fund and determine an equitable manner to distribute the admission tickets.
- D. The city expended approximately \$97,000 as a result of change orders needed for the golf course renovation and expansion project. The original contract totaled \$474,000 for phase I. Council minutes indicated some of these change orders were due to a delay of a dam project and wet weather conditions. Due to these delays the council requested the contractor to start work on another phase of the golf course (approximately \$53,000 of the change order total above) which had not been included in the original bid.

Change orders are normally used to make adjustments for minor problems that are unknown when construction projects are originally bid. They should not be used to make significant changes to existing contracts. The city should ensure that all aspects of the projects are adequately bid.

- E. The city does not properly allocate administrative salaries to the various funds. The city attempts to allocate administrative salaries to various funds based upon total fund expenditures. The city should consider allocating administration salaries based on the number of hours related to streets, water and sewer, or other activities. Adequate procedures should be established to ensure expenditures are properly allocated among the various funds benefiting from the expenditures based upon the number of hours worked for each activity and to ensure restricted revenues are expended only for their intended purposes.

Proper allocation of expenses is necessary for the city to ensure the water and sewer

rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services. Furthermore, the uses of state motor vehicle-related revenues, are limited by state law for specified purposes. Therefore, documentation and proper allocation of expenses based upon actual hours worked is useful for both management and compliance purposes.

- F. Timesheets are not always signed by the employee. During our review of timesheets for one pay period, we noted fifteen timesheets that were not signed by the employee. Adequate control over payroll expenditures requires documentation, such as properly completed timesheets signed by employees and approved by supervisors, to provide evidence that the appropriate amount of time is worked each month.
- G. The city does not maintain mileage or maintenance logs for many of the vehicles and equipment owned by the city. Mileage logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The mileage and maintenance logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles and equipment are used only for city business, are being properly utilized, and help identify vehicles and equipment which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.
- H. The city expended \$12,905 for cellular phone charges for 32 cellular telephones assigned to various city employees during the year ended September 30, 2000. Although the city does have a written personnel policy discouraging employees from making personal calls, we noted numerous instances where the city incurred phone charges for personal calls to employee's relatives and homes. In addition, a documented review of cell phone charges by each employee's supervisor has not been performed.

A policy is needed to ensure that cellular phones are used only for business purposes. Such a policy should address which employees need a cellular phone, proper use of the phone, and a reimbursement policy if the council authorizes the phone to be used for personal purposes. Procedures should be implemented to monitor cellular phone usage and review invoices for propriety.

WE RECOMMEND the City Council:

- A. Solicit bids for golf course management services. In addition, the city should evaluate whether these services could be provided by city employees at a lower cost to the city.
- B. Ensure formal written contracts are entered into for services obtained by the city.
- C. Ensure all costs related to the contract are charged to the general fund and determine

an equitable manner to distribute the admission tickets.

- D. Ensure that all aspects of the projects are adequately bid.
- E. Ensure the allocation of administrative salaries is based on the number of hours related to streets, water and sewer, or other activities.
- F. Ensure timesheets are signed by all employees.
- G. Maintain mileage and maintenance logs for all city vehicles and equipment.
- H. Develop a policy regarding the use of cellular phones including an assessment of which employees need a cellular phone and procedures to monitor use.

AUDITEE'S RESPONSE:

- A. *Upon the expiration of the current golf management contract, the City of Neosho will consider proposals for this service as well as the potential of municipal operation.*
- B. *The City of Neosho has entered into a contract in relation to the downtown revitalization project. The City of Neosho will continue to follow this recommendation in the future.*
- C. *The cost of the water meter will be borne by the general revenue fund. The City of Neosho agrees with Auditor McCaskill in her premise that water and sewer funds should not be used to support recreational activity and will continue to follow her recommendation in the future.*
- D. *Seven bids were received for phase 1 of the golf course expansion project. Courtney Construction was low bid at \$474,059. The next low bid was \$558,165, a difference of \$84,106, and the bids ranged to a high of \$920,946. Had the City of Neosho chosen to bid some of the change order items suggested, these would have been the same contractors who would have bid the work.*

There were two reasons that Flatt Golf Services suggested proceeding with some of the next phase of work. The first reason was an attempt to catch up on some lost time due to the delays of the federally designed and managed dam project. The second reason was to take full advantage of the excellent unit costs obtained in the contract with Courtney Construction.

The fact that the price incurred included the original bid price, an amount that clearly saved the City of Neosho increased cost, led the Neosho City Council to approve the change order rather than incur additional cost. The recommendation of Auditor McCaskill will be considered in future projects and weighed as to the best value for the City of Neosho.

- E. *The City of Neosho allocates administration fees based on the amount of a department's budget as compared to the total budget. This ratio is then calculated as to the department's*

budget and charged accordingly. It is the City of Neosho's position that this formula is the most cost effective. However, the City will study alternative formulas and if one is found more effective, integrate that formula into the fiscal administration policy.

- F. The City of Neosho has corrected this infraction and now requires all employees to sign timesheets prior to receiving his/her paycheck.*
- G. Mileages of all vehicles are required each time a vehicle is fueled by the City of Neosho fuel card system. Maintenance costs are then retained in the City's accounting system. The City of Neosho recognizes Auditor McCaskill's recommendation and will review and implement better methods upon identification of said methods.*
- H. A procedure to review all cell phone use and charges has been implemented. Upon identifying personal cell phone calls the City of Neosho mandates reimbursement by the caller.*

4. Water and Sewer System Procedures

- A. The city's reconciliation of the total gallons of water billed to customers to the gallons of water pumped, indicates a significant water loss rate. During the year ending September 30, 2000, the gallons of water pumped exceeded the total gallons billed by 414,000,000 gallons, or 38 percent. The city manager indicated that he believed the loss was due to old residential meters that were running slowly and the use of fire lines at several industrial businesses that are not metered. In addition, the city does not monitor the meter at the pump station that provides water and sewer service to the industrial park area.

To help ensure all water usage is properly billed, the city should investigate and correct problems that cause the significant differences noted between total gallons of water billed to customers and the gallons of water pumped. The Public Service Commission generally recommends investigation if water usage not billed exceeds 15 percent. In addition, the city should perform meter readings at the pump station and reconcile these readings to amounts billed in this area to assist the city in detecting water leaks. A similar comment was made by the city's auditor during their annual audit.

- B. The city has not performed a formal review of the adequacy of the water and sewer rates since 1994. The city's audited financial statements show a loss of approximately \$224,000 in the Water and Sewer Fund for the year ended September 30, 2000.

The City fiscal policy requires a comprehensive study of water and sewer user charges to be conducted every three years. Water and sewer fees are user charges which should cover the cost of providing the related services, but rates should not be

set at a level which results in excessive fund balances. The city should perform a detailed review of its water and sewer costs, including depreciation and debt service costs, and set rates to cover the total costs of operation.

WE RECOMMEND the City Council:

- A. Investigate and correct the problems that cause the significant water loss rate. In addition, the city should perform meter readings at the pump station and reconcile these readings to amounts billed in the industrial park area.
- B. Review water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing this service.

AUDITEE'S RESPONSE:

- A. *The City of Neosho recently completed a comprehensive water leak survey of the entire municipality. This survey demonstrated no major leaks. It is the City's position that the high loss rate is attributable to three areas:*

- i. Old Water Meters;*
- ii. Unmetered Industrial Fire Lines; and*
- iii. Leaking Fire Hydrants*

The City is addressing all three of these areas. It is the City's belief that the majority of water loss is in the old water meters which will be the most costly to repair. The City will be accelerating its meter change out program as funds allow.

- B. *The City of Neosho agrees with Auditor McCaskill's recommendation that a comprehensive review is in order. The City is targeting this review for the upcoming 2001-2002 budget. The actual process of this review will initiate in the next few months.*

5. Sports Department

The city established a sports department and hired a sports director to manage the city's sporting events in February 2000. Our review of the sports department identified the following concerns:

- A. During the first eight months (February thru September, 2000) of employment with the city, the sports director accumulated 1,160 hours of compensatory time (in addition to his regular 40 hour week). The sports director claimed 14 or more hours worked per day sixty five times during this 33 week period (an average of 75 hours a week). On several days, the sports director claimed a total of 17 hours worked. While the creation of a new department may place additional demands to ensure the department is operating effectively, it is not reasonable to expect someone to work

such excessive hours. The city has paid the sports director \$6,771 in September 2000 for 640 hours of accumulated compensatory time. The sports director's compensatory balance at September 30, 2000, was 425 hours.

The city should review and monitor the number of hours worked by the sports director and determine whether it would be more cost effective to hire another employee to perform some of these duties. In addition, the city's personnel policy requires compensatory time balances over 120 hours to be paid to department heads.

- B. The sports director hired his daughter to work concessions during the year ending September 30, 2000, and the city paid her \$395 prior to discovering that she was a relative of the sports director. The city notified the sports director on June 15, 2000, that the hiring of immediate family within the same department is a violation of the city's personnel policy. The city should ensure all new employees are hired in accordance with its personnel policy, and those authorized to hire employees are familiar with city policy.
- C. The sports department began using cash registers for concessions in September 2000; however, the concession workers did not indicate the method of payment received or the type of item sold on the cash register tapes. To ensure all receipts have been recorded properly and transmitted intact, the method of payment should be noted on the cash register tapes and the composition of receipts should be reconciled to the composition of city transmittals. In addition, to properly account for concession inventories, the type of item sold should be recorded on the cash register tapes and should be reconciled to concession items purchased and inventories on hand.
- D. Concession receipts are taken home overnight by the sports director after sporting events and transmitted to the city the next business day. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, concession receipts should be transmitted intact to the city's night depository after the daily sporting events.
- E. The sports department has not performed a formal review of concession prices and related costs. To ensure the city is covering the cost of these services, a periodic review of concession prices and related costs should be performed.

WE RECOMMEND the City Council:

- A. Review and monitor the number of hours worked by the sports director and consider whether it would be more cost effective to add another employee. In addition, the city should ensure personnel policies regarding the payment of compensatory time earned are followed.
- B. Ensure all new employees are hired in accordance with city personnel policies.

- C. Ensure the method of payment received is noted on the cash register tapes and the composition of receipts should be reconciled to the composition of city transmittals. In addition, the type of item sold should also be recorded on the cash register tapes and reconciled to purchases and inventories on hand.
- D. Ensure concession receipts are transmitted intact to the city's night depository after the daily sporting events.
- E. Ensure a periodic review of concession prices and related costs is performed.

AUDITEE'S RESPONSE:

- A. *The Neosho Sports Department was a new department in 2000. The time required to get it set up was unknown. At the request of the Sports Director it was agreed to allow him to accumulate time to get the various programs established. Once the programs were established the time would then be credited back. The sports programs generated more revenue than anticipated and thus the City had sufficient funds to buy down some of the excess hours. This winter the hours have been reduced as planned and agreed to. In the future, the Sports Director's hours of work will be required to remain within the appropriate limits. Additionally, the City has added two part-time employees to assist in this department.*
- B. *Upon discovery of the hiring of this individual, she was promptly released from the City's employ. The City has implemented a new hiring procedure that centrally locates all records to prevent the possibility of future infractions.*
- C. *The City of Neosho will assure proper training is given to concession workers so as to assure the proper use and documentation of register sales. The current cash register machines are capable of full documentation and inventorying.*
- D. *This practice has been corrected. All reconciliation and deposits will be made the same day as the sporting event.*
- E. *The City of Neosho will follow Auditor McCaskill's recommendation and initiate a formal price/cost review prior to the opening of the 2001 concessions.*

6.	Depository Contract
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Prior to fiscal year 2001, the city did not solicit proposals for a depository contract. In response to the recommendation made by the city's auditor during their previous annual audit, the city solicited proposals for a depository contract and increased the interest rate earned on city deposits by approximately 2 percent. To ensure the city continues to receive competitive banking services, the city should periodically seek depository banking proposals from area banks.

WE RECOMMEND the City Council continue to periodically seek proposals or competitively bid the city's depository banking services.

AUDITEE'S RESPONSE:

The City of Neosho has sought competitive bids on its deposit contracts. Currently, the City is under contract and upon conclusion of the contract term the City will again solicit proposals to ensure the City receives competitive services.

This report is intended for the information of the management of the city, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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**AUDIT OF
COLLECTION AND DISTRIBUTION OF RESTITUTION
FOR CRIME VICTIMS**

From The Office Of State Auditor
Claire McCaskill

Victims of crime need better support to receive
reimbursement for financial loss caused by offenders.

**Report No. 2001-29
March 29, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

At least \$ 37 million in restitution is owed to crime victims, but the money may never reach them because Missouri laws are not victim friendly

This audit examined how well Missouri restores the financial loss to crime victims through collecting court-ordered restitution payments from offenders. In 1999, 52 percent of the cases requiring restitution received no payments at all. The report analyzed how Missouri's crime victim laws and statewide procedures affect collecting, distributing and monitoring these payments.

Offenders free from paying restitution after probation ends

Nearly \$3 million of the \$37 million in restitution owed in 1999 will never make it to victims. This money cannot be recovered because the offenders have been released from probation, sent to prison, or have died. As a result of these conditions, in 1999, 2,574 offenders who owed \$2.9 million to victims no longer had to make their payments. Paying restitution in full is not a condition for parole in Missouri. This is not the case across the nation where at least 29 other states have laws that better ensure the victim will be compensated. (See page 3)

Offenders that could pay, did not

At least 353 offenders who owed restitution in 1999 never made a payment even though they all worked and earned wages greater than \$20,000 a year. In total, these offenders earned \$7.2 million while on probation and owed their victims \$1.6 million. In addition, 66 offenders who owed restitution also received worker's compensation or second injury fund settlements. Missouri law does not allow the victim in either of these cases to obtain restitution by garnishing wages or attaching liens to settlements. (See page 5)

Courts, attorneys and police receive offender money before victim

When offenders make their court-ordered payments, the victim ranks 36th of the 38 entities that receive a portion of the money. The Office of State Court Administrators created this disbursement hierarchy, which applies to all courts on the state's Banner computer system. Some of the entities that receive an offender's money before the victim include various court divisions, sheriff's retirement accounts and law enforcement training funds. OSCA's reasons for this hierarchy included: an offender can more likely pay court costs, which are often lower than restitution owed; victims can more easily retrieve restitution through civil lawsuits than a court can obtain its fees through civil action; and to keep the Sheriff's Association satisfied. (See page 6)

YELLOW SHEET

Inaccurate data on restitution payments

Our review noted more than \$13 million inaccurately included in the restitution data, which the Division of Probation and Parole regularly used to update legislators and the public about collection progress. The data often overstated how much restitution actually reached victims. For example, the data included child support payments as victim restitution payments. (See page 12)

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly

The State Auditor's Office performed an audit of restitution collection and disbursement for victims of criminal acts. The audit focused on the policies and procedures of the Department of Correction - Division of Probation and Parole and the Crime Victims' Compensation program administered by the Department of Labor and Industrial Relations - Division of Workers' Compensation as well as various state laws covering restitution. Offenders who create financial loss for the victim of their crime may be ordered by the court to pay restitution to the victim(s) of the crime while on probation under Section 559.021, RSMo. Victims can also apply for reimbursement from the Crime Victims' Compensation Fund for medical and wage loss under Section 595.015, RSMo.

Compliance with restitution orders of courts is a condition of probation that is monitored by probation officers. The objectives of the audit were to determine if:

- ☐ Missouri's restitution laws are victim friendly, allowing for victims to be fully compensated for the losses they incurred,
- ☐ Missouri's restitution laws are comparable with those of other states,
- ☐ Probation officers are properly monitoring the restitution obligations of offenders and taking the necessary actions as outlined by the Division of Probation and Parole's policies,
- ☐ The Division of Probation and Parole's case management database system reports accurate restitution data. This database is used to report restitution collection results to agency management, the legislature, and the public, and
- ☐ Revenue for the Crime Victims' Compensation Fund is maximized.

We concluded that victims of crime, in many cases, are not receiving the restitution from the offender, to which they are entitled, due to various legal restrictions and lack of implementation of the Division of Probation and Parole's procedures. In addition, the centralized case management database maintained by the division contains inaccurate data which impacts reported restitution collection results.

Claire McCaskill
State Auditor

October 27, 2000 (fieldwork completion)

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RESULTS AND RECOMMENDATIONS

1. There is No Assurance Court-Ordered Restitution Payments for Victims of Crimes will be Collected and Disbursed to Victims

During the year ended December 31, 1999, court-ordered restitution payments amounting to approximately \$3 million were not made, cannot be recovered, and cannot be distributed to the victims of the crimes. In addition, the outstanding balance of court-ordered restitutions for active cases at December 31, 1999, was approximately \$34 million for more than 15,070 cases. Audit tests disclosed that there were no payments made in 1999 on 9,106 (52 percent) of the probation supervised cases for which restitution was owed at some point in that year. The following reasons explain why victims do not always receive proper restitution and why the \$34 million balance is vulnerable to default.

- ❑ State law does not extend the liability for restitution beyond the offender's probation period.
- ❑ State law does not require payment of restitution before releasing offenders from probation.
- ❑ State law does not provide for collection methodologies such as garnishment of wages without the victim also being successful with a civil lawsuit.
- ❑ The victim is not considered a high priority payee when payments are received.
- ❑ There are no established formal guidelines to determine how to pay restitution to multiple victims.
- ❑ Repayment of restitution is treated as a low priority condition of probation for offenders.

Many victims are left to fend for themselves in civil court to obtain restitution that, in effect, victimizes them again because of the costs to file and prevail in court. Additionally, without stronger laws, procedures, and practices, there is no incentive for the offender to comply with the restitution requirement of his/her probation.

Missouri's laws and Department of Corrections - Division of Probation and Parole's procedures, are compromising victims. In addition, offenders are not being held accountable for their actions in all cases.

Victim restitution is ordered by courts and monitored by probation officers.

Prior to sentencing an offender, a court determines if the crime caused financial loss to the victim. The court, as a condition of probation, may order the offender to pay restitution for a victim's tangible losses (asset theft, property damage, loss of wages, medical expenses etc.). Normally the offender does not have the ability to pay the victim the full amount of restitution when sentenced. In those cases, the court will order, or have the assigned probation officer determine, a repayment schedule for payment of the restitution. The offender makes payments to the court or applicable local government official or office.

(See Appendix II, page 21, for more detail on the restitution process)

State law does not ensure victims' rights are protected

Under Missouri law, when the offender willfully fails to make payments, the recourse for the court is to revoke the offender's probation. However, once an offender is released from probation, has his/her probation revoked or dies, the probation period is over and the offender no longer owes the restitution. During 1999, 2,574 offenders were relieved of their restitution obligations:

Nearly \$3
million cannot
be collected

Reason Restitution Relieved	Number of Offenders	Amount of Lost Restitution
Released from probation	1,660	\$1,477,341
Probation Revoked	857	1,412,617
Death of Offender	<u>57</u>	<u>72,819</u>
Total	2,574	\$2,962,777

As of December 31, 1999, approximately \$34 million was owed to victims from offenders still active in the probation system.

(See Appendixes III and IV, pages 26 -27, for financial restitution data obtained from the Division of Probation and Parole case management database for the year ended December 31, 1999.)

Restitution cannot be collected beyond the offender's probation period

Section 559.021.2 (1), RSMo allows for collection of court ordered restitution for the duration of the offender's probation period. Per section 559.016, RSMo, the maximum probation periods are 2 years for a misdemeanor and 5 years for a felony. The offender is not legally obligated to pay any unpaid balance of restitution when he/she is released from probation or is imprisoned upon revocation of probation. When the offender has been removed from "probation" status, the only recourse for the victim to collect the remaining restitution is to file a lawsuit in civil court. This same rule applies for offenders who die during their probation period. A civil judgment would be required to file a claim against the

offender's estate. A victim normally must hire an attorney, file a motion, appear in court, and prove a loss caused by the crime including the amount or value of that loss. When successful, the victim may garnish the offender's wages for 90 days, place a lien on property, and other actions allowed by civil courts. The costs can be greater than the loss incurred by the victim from the originating offense. However, even after a successful civil judgment, the victim may find the offender has no means to pay the judgment and must endure the initial loss and the costs of the civil court action.

Victimized
how many
times?

Examples of offenders who were relieved of their restitution obligations follow.

Case Description	Restitution			Reason
	Ordered	Paid	Relieved	
Stealing	\$ 15,000	\$ 200	\$ 14,800	Released
Arson	7,175	0	7,175	Released
Receiving Stolen Property	29,538	0	29,538	Probation Revoked
Tampering with Motor Vehicle	8,417	1,870	6,547	Probation Revoked
Driving While Intoxicated	3,500	0	3,500	Death of Offender

Our review of the laws of other states indicated at least 29 states had more victim friendly laws than Missouri. These laws included provisions for collecting restitution after the offender completes probation or is imprisoned. For example:

<i>State Allows Collection of Restitution:</i>	<i>Number of States</i>
While Offender is in Prison	18
After Offender is Paroled	26
After Offender is Released from Probation or Parole	17

Many states have been more aggressive than Missouri in establishing or changing laws to benefit victims and holding offenders accountable for losses they have caused. Several states including Washington, Colorado, and Iowa allow for collection of restitution until paid in full. The states of Delaware and Kentucky will not allow the offender to be released from supervision (probation or parole) until the restitution balance has been paid in full.

(See Appendix V, page 28, for a summary of the other state restitution laws.)

Offenders are released without paying restitution

Since Missouri laws do not allow for collection of restitution after release from probation or revocation of probation, it would appear that restitution would have to be paid in full before the offender could be released. However, this is not always the case. If the court has not ordered the revocation of an offender's probation for failure to pay all restitution owed, the

court may still release the offender from probation if satisfied about the completion of other probation conditions. Based on interviews with court officials, there is no desire to keep offenders in the state's correctional system for failure to repay all ordered restitution when victims still have recourse in civil court.

With better laws, Missouri could ensure victims are properly compensated

The Crime Victims' Bill of Rights and section 595.209, RSMo (Victim's and Witness's Rights) provide that crime victims have the right to restitution, which shall be enforceable in the same manner as any other civil cause of action. However, our discussions with judges and county Prosecuting Attorney's indicated these laws are not interpreted to allow victims to enforce a restitution order against an offender without first prevailing in a civil suit against him/her.

In Missouri, there are no statutes that directly allow victims to obtain unpaid restitution by means of liens, garnishments, or attachments. Crime victim laws in 25 states specifically allow some of these enforcement measures. Eleven of these 25 states required state officials to take these enforcement measures to ensure victims received the restitution.

In 1999, there were 373 cases statewide in which 353 offenders

- ❑ had a balance of restitution at December 31, 1999,
- ❑ did not make restitution payments, and
- ❑ had wages greater than \$20,000 reported to the Department of Labor and Industrial Relations - Division of Employment Security.

These offenders earned approximately \$7.2 million during their 1999 probationary periods and as of December 31, 1999, owed their victims \$1.6 million (22 percent of the total applicable wages reported). This review indicates that many offenders had the means to pay at least some of the restitution balance owed. Since the offender chose not to make restitution, and Missouri does not have a statute to provide for garnishment of wages, the victim was unable to be compensated.

Offenders could have paid \$180,000 to victims

Thirty-nine of these 353 offenders were released from probation in 1999, which effectively canceled their obligation to pay. These offenders earned approximately \$758,000 in wages during 1999 after their release. The outstanding restitution balances for these 39 offenders was \$147,377. Of this amount \$76,241 was potentially available to victims.

Sixty-six offenders on probation who owed restitution received workers' compensation or second injury fund settlements during 1999. With better laws, some of these funds could have been made available to the victims.

Income Source	Number of Offenders	Benefit Settlement¹	Restitution Balance	Available to Victim
Workers' Compensation	56	\$ 198,899	\$ 133,000	\$ 79,675
Second Injury Fund	10	44,400	40,697	24,879
				<u>\$ 104,554</u>

As a result, in excess of \$180,000 (\$76,241 + \$104,554) was potentially available to compensate victims for their losses, but not accessible unless the victim was already successful in a civil lawsuit.

Victims are not considered high priority payees

Victims are often not receiving payments until all other court costs and fees are collected from the offender. There would not be any court costs or fees if the victim had not been victimized in the first place.

Victims cannot get paid with available funds

In 1999, 1,078 of the 9,106 offenders noted above who made no restitution payments to victims made payments on their cases totaling \$173,000. None of this money was given to the victims. Instead, all the funds were applied to court costs and statutory fees. One offender made payments of \$1,556 in 1999, on a case that included a \$1,000 restitution order and other surcharges and fees. No payments were applied to restitution; rather \$1,510 was applied to court costs and \$46 applied to Crime Victims' Compensation Fund surcharges.

The Office of State Courts Administrator has developed a hierarchy for disbursements of payments received from offenders. The hierarchy was adopted by the State Supreme Court by Administrative Rule 21.03 and became effective July 1, 1999. Within this hierarchy, restitution to victims is ranked 36th out of 38 disbursement priorities. The Supreme Court requires any court that is part of the new statewide court system (Banner) that collects restitution to follow this approved hierarchy. Courts that collect restitution but are not on the Banner system are not required to use this hierarchy. Therefore, these courts are free to establish different disbursement priorities. In addition, in counties where officials other than courts collect restitution, such as the Prosecuting Attorney or Sheriff, the hierarchy does not apply.

Restitution trickles down to victim

After a case has been heard, there may be court costs, fines, attorney fees, Crime Victims' Compensation Fund surcharges, and restitution ordered by the court. The case initiates because the victim has been injured or incurred losses due to an offender's actions; however, the hierarchy adopted by the Supreme Court ensures courts and attorneys collect applicable fees first in addition to all other surcharges before the victim is compensated. According to State Courts Administrator personnel, the hierarchy approved by the Supreme Court was attempting to achieve the most efficient collection for the courts. These personnel provided the following reasons for establishing the

¹ Net of Attorney Fees and Liens

hierarchy the way they did:

- ❑ Total court costs, attorney fees, and Crime Victims' Compensation Fund surcharges are normally less than the restitution ordered by the court, and it is more likely that the offender could satisfy those costs rather than the restitution amount owed to the victim.
- ❑ Judges have indicated it would be easier for the victim to collect restitution through civil action than it would be for the court to obtain court costs through civil action.
- ❑ To keep the Sheriff's Association satisfied, fees and surcharges were placed at higher priority.

Many other states as well as the federal government place victims' restitution as the highest priority for the distribution of monies collected from offenders. The goal is to make the victim whole again as soon as possible. In Colorado, a committee consisting of crime victims, legislators, victim advocates, and state officials established the state's victims' compensation fund and victim restitution as the highest priority distribution payees in that state. This decision prevents the victim from being penalized again over the state's desire for funding. Likewise, part of a statute in the state of Maryland states "... restitution payments ordered by a court to a victim of crime shall be the highest priority."

(See Appendix VI, page 29, for the state hierarchy for disbursement of court payments.)

State law does not address how restitution should be paid when there are multiple victims

The priority or method of disbursement of restitution payments to multiple victims of an offender is inconsistent from court to court and sometimes inconsistent within the same court jurisdiction. State law does not address the procedures to be followed when transmitting payments to individual victims when multiple victims are involved in a case. Without guidelines for such distributions, victims may not be receiving fair and consistent treatment when monies are disbursed.

Restitution is normally collected in installments from offenders. There are varying methods used by counties for distributing these installments to multiple victims. As the table shows, procedures are not consistent among the counties.

County	Distribution Method Used
Andrew County	Split equally among victims regardless of each victim's loss
Butler County	Proportionally based on the total restitution owed all victims
Cape Girardeau County	Based on the order listed in the official paperwork (computerized system)
Cole County	Proportionally based on the total restitution owed all victims
Dekalb County	Split equally among victims regardless of each victim's loss
Ozark County	The offender determines which victims receive payments and how much
St Charles County	Varies by case circumstances

Probation officers do not place emphasis on restitution

Probation officers are responsible for supervising and monitoring offenders to ensure they are complying with the orders set out by the court. One of the special conditions of an offender on probation may be the payment of restitution. If the court orders the offender to pay restitution as a condition of his/her probation, the probation officer is responsible for monitoring compliance with this financial obligation. Audit tests disclosed that probation officers are not

Restitution
should be
emphasized

- ❑ placing emphasis on financial obligations of the offender,
- ❑ always reporting non-compliance of restitution obligations,
- ❑ establishing restitution payment schedules, and
- ❑ posting the payments timely in the financial system.

The lack of emphasis on financial obligations results in the victim not receiving restitution and the courts being unable to take necessary action.

Probation officers are not properly reporting restitution non-compliance

Probation officers are not always preparing violation reports when an offender has failed to comply with the payment of restitution as ordered by the court. Audit test results showed a violation report was not prepared for 44 of 70 (63 percent) offenders who were not in compliance with their payment plans. Similarly, a violation report was not prepared for 3 of 7 offenders in the test population who were not in compliance with court ordered restitution obligations 90 days prior to expiration of the probation period.

Violation
reports must
be prepared

The Department of Corrections - Division of Probation and Parole's operations manual states a violation report is required at any point the offender is in violation of a special condition ordered by the court, including those related to court costs and restitution. A violation report is specifically required if restitution is outstanding 90 days prior to expiration of the probation period. Violation reports are required as formal notice to the court that an offender has failed to comply with the conditions of supervision. Violation reports are necessary to alert the court that restitution has not been made, and to enable the court to take appropriate action.

Restitution payment schedules are not always prepared

Neither the court nor the probation officer prepared a restitution payment schedule for the offender in 32 of 135 cases (24 percent) reviewed. Once the court orders restitution as a condition of probation, the court may prepare a payment schedule or the court may order the probation officer to establish the payment schedule. Without a predetermined restitution

payment schedule, neither the offender nor the probation officer can determine if the restitution can or will be paid 90 days prior to the end of the probation period. The probation officer cannot measure non-compliance with restitution payments, and there is no pressure on the offender to attempt to pay restitution.

The Division of Probation and Parole's operations manual states, "Restitution is an offender's obligation to pay, if so ordered by the sentencing court. Restitution is considered to be the offender's financial obligation to the victim. Immediately upon intake of a new case, the supervising probation officer will establish a reasonable payment schedule, in light of the court order, the term of supervision, and the offender's financial situation."

Probation officers rely on 6-month confirmations to monitor payments

Monthly payments made by offenders recorded in the Division of Probation and Parole's case management database system did not agree with payments confirmed by the court or local government official or office responsible for restitution collection for 64 of 133 (48 percent) probation cases reviewed.

Some probation officers primarily rely on verification of restitution payments with the court or local government office responsible for restitution collection every 6 months prior to preparing routine case summary reports. The case summary report is a narrative document with financial data prepared to update the court on the offender's progress in completing his/her conditions of probation. During the 6 months between case summary reports, some probation officers do not appear to be concerned with maintaining accurate payment information.

However, the Division of Probation and Parole's operations manual states that the probation officer is responsible for establishing and maintaining an accurate record keeping system to verify payments. Without posting payments timely to the division's database and requiring the offender to always present payment documentation, it is not possible for the officer to maintain an accurate record of payment for an offender. Therefore, some probation officers may have no idea if offenders are in compliance with their financial obligations during the 6 months between each case summary report. In addition, since non-compliance cannot be determined due to inaccurate financial information, non-compliance of restitution obligations may not be properly reported to the court.

Courts are not ordering restitution to the Crime Victims' Compensation Fund

In fiscal year 1999, the Crime Victims' Compensation Fund paid out approximately \$4.7 million to victims for their losses. However, the fund only received approximately \$100,000 in court ordered restitution. In the city of St. Louis, approximately \$1.2 million was provided to victims of offenders yet only \$3,958 was returned to the fund through court ordered restitution.

The Department of Labor and Industrial Relations - Division of Workers' Compensation administers the Crime Victims' Compensation Fund program. The fund reimburses victims for loss of wages

and medical expenses caused by criminal acts. Program personnel may submit restitution requests to prosecuting attorneys involved in cases for which fund expenditures were made. For example, if a victim was compensated \$5,000 from the Crime Victims' Compensation Fund, an order of reimbursement of \$5,000 from the offender to the fund would be sought as part of the judgment in the court case.

In 14 of 29 states we reviewed, judges are required to order restitution to the Crime Victims' Compensation Fund or explain why this was not done. In Missouri it is not required. In Missouri, judges order Crime Victims' Compensation Fund restitution to be paid by the offender on only about half of the requests received. Why these orders are not being made could not be determined unless the fund is considered to be more than adequately funded by other revenue sources.

By not being ordered to repay the Crime Victims' Compensation Fund, offenders are relieved of the financial responsibility of damage caused to victims. In addition, the future viability of the Crime Victims' Compensation Fund could be at risk if victim recovery limits are increased without an increase in the Crime Victims' Compensation criminal case surcharge, which is currently the primary funding source for the fund. State officials are currently evaluating an increase in recovery limits.

Conclusion

With a few changes in the law, amendment of the hierarchy of payment priorities, and improved compliance by probation officers with division operating procedures; the crime victim has a better chance to be reimbursed for losses, and offenders will be required to accept financial responsibility for the criminal actions and the losses they caused.

Recommendations

We recommend the General Assembly:

- 1.1 Pass legislation allowing collection of court ordered restitution at other times than just during probationary periods. Such a change should allow collection while the offender is in prison, on parole, or released from supervision when the financial status of the offender permits.
- 1.2 Clarify victims' restitution enforcement rights as currently addressed in state law by specifying enforcement means that do not require victims to file a civil action lawsuit against the offender.
- 1.3 Mandate courts order offenders to pay restitution to the Crime Victims' Compensation Fund for fund disbursements which resulted from their actions. In cases in which such restitution is not ordered, the judge or prosecuting attorney should be required to formally document why restitution was not ordered or recommended.

We recommend the Office of State Courts Administrator:

- 1.4 Establish guidelines to assist in the distribution of restitution payments owed to multiple victims in a fair and consistent manner.
- 1.5 Revise the hierarchy of disbursements for monies received from offenders to place restitution near or at the top of the priority listing.

We recommend the Division of Probation and Parole implement procedures to ensure:

- 1.6 Violation reports are appropriately submitted to courts when offenders are in non-compliance with restitution obligations.
- 1.7 All offenders have appropriate restitution payment schedules established or case files explain why a payment schedule was not prepared.
- 1.8 Reported restitution payments are timely posted to the division's database.

Office of State Courts Administrator Comments

The agency's responses to recommendations 1.4 and 1.5 indicate that with some reservations action will be taken to implement the recommendations. The detailed comments are found at *Appendix VIII, page 31*.

Division of Probation and Parole Comments

The division's responses to recommendations 1.6 - 1.8 indicate partial agreement with the recommendations. Division personnel believe violation reports for nonpayment of restitution are currently being submitted appropriately, will make procedural changes to ensure case files reflect when offenders do not have restitution payment schedules, and plan to discontinue entering payment information in the OPII system to track restitution financial activity unless it is provided by the primary collection source. The detailed comments are found at *Appendix IX, page 33*.

State Auditor's Comments

The responses provided are acceptable with a reasonable implementation period for recommendation 1.7. The division noted in the response to recommendation 1.7 that since the majority of offenders tested had payment schedules (76 percent) the majority of offenders are making restitution. This assumption is not correct since 50 of the 103 offenders (48 percent) tested with a payment schedule made no payments during 1999.

2. Improvements Should be Made to Data Systems for Managing Victim Restitution

The Department of Corrections - Division of Probation and Parole and the Crime Victims' Compensation Fund program unit of the Department of Labor and Industrial Relations - Division of Workers' Compensation do not have adequate data and management reporting systems to ensure victims, as well as the state, are properly compensated and that restitution information is adequately recorded and tracked. We attributed the inadequate data and poor management reporting systems to the following reasons:

- ❑ Personnel of the Division of Probation and Parole did not adequately identify information that was needed in the data collection system or verify the accuracy of the data input into the system.
- ❑ The Division of Probation and Parole used an inaccurate comparison to evaluate restitution collection performance. The performance measure, which is reported to division management, the legislature, and the public, provides a false impression of the success victims have in being compensated by offenders.
- ❑ The Crime Victims' Compensation Fund program unit did not establish formal guidelines for determining cases to request restitution orders for as well as a record keeping system to track the overall financial activity related to these cases. Currently, records are maintained in individual case files and summarized in various computer files.

Without accurate data and management reporting systems, neither the Division of Probation and Parole nor the Crime Victims' Compensation Fund program unit can effectively oversee victims' restitution. The Division of Probation and Parole has the only centralized case management database for restitution information and since this information is used to report program results to the legislature and the public, the data must be as accurate as possible.

Inaccurate restitution information exists within the Division of Probation and Parole's case management database

The financial information in the Division of Probation and Parole's case management database has some errors, which impact its usefulness as a management tool. The database was not initially designed to track offender financial data; however, the division modified it to do this. The modified system has limitations, which the division recognized; however, financial information from the system has been used to report division results. Court orders for items other than restitution are inappropriately entered as restitution, restitution orders are sometimes duplicated, and system fields have been improperly used or not used to their full potential.

- ❑ Court ordered child support obligations are inappropriately posted as restitution in the database. While child support is a court order and needs to be monitored by the probation officer as a condition of probation, it is not restitution and should not be posted as such in the database. The Division of Probation and Parole overstated the

balance of victim restitution owed at December 31, 1999, by \$12 million because child support payment obligations were included in that balance (*see Appendix III, page 26, for details on outstanding restitution balances*).

- ❑ When a change order is prepared by the court to reduce the restitution amount due from the offender, some probation officers will leave the original restitution balance as stated and post a payment to adjust for the change order. This procedure causes both the balance and payment information to be misstated in the database.
- ❑ Miscellaneous court orders for donations or payments unrelated to restitution are inappropriately being recorded as restitution.
- ❑ At least one district probation office incorrectly reports the current status code for some offenders due to a misunderstanding with the codes. The status code identifies the status of the offender in the probation and parole system (*See Appendix III for examples of such code descriptions*). The status code for an offender may affect a probation officer's management of the case. The problem noted resulted in some offenders being misidentified as discharged when their cases were still actually active.
- ❑ When there are related sentence sequences such as with bad check offenses, sometimes the restitution amounts are duplicated in the database system for each sequence. (i.e. An offender is convicted of 5 counts of forgery and ordered to pay restitution of \$500 in total. Often each count is entered separately on the database with the \$500 restitution amount posted to each count which overstates the amount due.)
- ❑ Restitution ordered to the Crime Victims' Compensation Fund is not always properly entered as restitution in the database. Rather, in some cases, probation officers post fund restitution in a field reserved for fund court surcharges.
- ❑ Overstatements occur in restitution balances and payments related to co-defendant cases. When a judge orders restitution to be paid jointly and severally, the total restitution is entered into the database as due from each defendant because each one is potentially liable for the full amount of restitution owed. However, the victim can only receive up to the total amount of restitution ordered. If a judge orders victim restitution of \$40,000 to be paid jointly and severally between 4 offenders when \$40,000 is posted to each case to reflect the potential liability for each defendant it results in the restitution balance being overstated, as in this example, by \$120,000. In order to compensate for this problem, payments made from one defendant were sometimes posted to each co-defendant's case; however, this solution only resulted in restitution payment totals also being overstated.
- ❑ Probation officers are not always using the co-defendant flag field when entering case information into the database. The co-defendant flag allows the probation officer to

indicate if the offender had any other defendants involved in the offense and to identify those offenders.

The cumulative effect of the errors or problems identified totaled approximately \$13.3 million. These amounts were adjusted out of the financial data presented in *Appendix III*.

Success rate of collection was overstated because the performance measure was invalid

The Division of Probation and Parole overstates the success rate for collection of offender restitution payments when these results are reported to the legislature and public. The division's restitution collection rate computation compares the restitution payments for the period to the new restitution court orders for the period. This computation does not consider the outstanding balance for all orders prior to the beginning of that period. Therefore, in the Department of Corrections fiscal year 2000 budget submitted to the legislature the division reported a restitution collection rate of approximately 45 percent for fiscal year 1999; however, this percentage is clearly high because the collection of restitution for the year ended December 31, 1999, was actually less than 17 percent as shown below.

Collections overstated by nearly 200 %

$$\frac{\text{1999 restitution payments}}{\text{1/1/99 restitution due} + \text{1999 new orders}} = \frac{7,384,764}{44,159,937} = 16.7 \text{ percent}$$

(See *Appendix III*, page 26, for financial restitution data for the year ended December 31, 1999.)

Division personnel did not validate the data used to derive the performance result reported. If the accuracy of the information in the database had been verified, errors such as the child support entries we noted would have been identified in the data. However, since this did not occur, erroneous data is left in the system undetected, which also contributed to the misstated success of restitution collections.

Formal criteria for requesting restitution for the Crime Victims' Compensation Fund program is needed, and a tracking system for requests for restitution should be developed

As noted above, the personnel of the Crime Victims' Compensation Fund program unit may submit restitution requests to prosecuting attorneys involved in cases for which fund expenditures were made. The unit has not established formal documented policies explaining for which paid claims a request for restitution reimbursement will be made. Without a formal policy documenting the criteria reviewed, personnel managing the program have no assurance that all paid claims have been appropriately considered for restitution requests.

For those cases in which the program unit has submitted a request for restitution, there are no summary records maintained to indicate the status of all requested claims. When a request is made, the program unit will prepare a formal written request and submit it to the prosecuting attorney. A copy of the request will be placed in the case file documenting that a request was made. The case files are separated by status, which allows for tracking of cases for which restitution has been

ordered. Separate computer files are also maintained summarizing pertinent case information as well as restitution received by month, in total by fiscal year and by court jurisdiction.

In fiscal year 2000, victims of crime submitted approximately 1,723 restitution claims to the program. Program unit personnel estimate that about half of those claims were approved for some payment being made from the fund. Of those claims paid, an estimated 1/3rd were submitted to courts for restitution to be made to the Crime Victims' Compensation Fund by the offender. Since there are no summarized tracking records, unit staff cannot easily determine a summary of case financial activity without retrieving the individual case files.

Inconsistency over who handles restitution collection in each county restricts the state's ability to effectively track restitution activity on a statewide basis

Within a county or the city of St. Louis, state law does not prescribe which official has the responsibility for collecting restitution payments from offenders. For the state's 114 counties and the city of St. Louis, the following summary itemizes which officials or offices have the responsibility to collect and distribute restitution monies:

Official, Office or Individual Responsible for Collection	
	<u>Number</u>
Prosecuting Attorney only	58
Circuit Clerk only	31
Both Circuit Clerk and Prosecuting Attorney	17
Both Prosecuting Attorney and the Victim	4
Sheriff's Department only	1
Both Circuit Clerk and Sheriff's Department	1
Both Prosecuting Attorney and Probation Officer	1
Both Circuit Clerk and the Victim	1
Both Department of Criminal Records and Probation Officer	<u>1</u>
	<u>115</u>

A court case management system (Banner) is being implemented in circuit courts across the state. This system is designed to track all court case financial activity going through the court including restitution. However, if the Banner system is implemented in a court but another office or official in the county collects restitution, the county is not required to shift the duties of restitution to the circuit court to ensure restitution is posted to the system. As of November 6, 2000, 30 counties were using the Banner system but the circuit courts were collecting restitution in only 7 of these counties.

All circuit courts statewide should be using the Banner system within a few years. If all circuit courts recorded restitution information on the Banner system, the Division of Probation and Parole could directly access this information for the division's database and improve its accuracy. As a result, victims should benefit from the improved information available to probation officers regarding offender restitution compliance. Such a change would also eliminate the situation in five counties where some victims must deal directly with offenders for restitution payments.

(See Appendix VII, page 30, Map - Restitution Collectors by County)

The Division of Probation and Parole was considering linking the division's database with the Banner system to increase the accuracy of the division restitution financial data. However, since many circuit courts will not be posting restitution financial activity on the Banner system such a project will not be worthwhile unless a change is made requiring circuit courts to collect restitution.

Conclusion

The Division of Probation and Parole's database needs some improvements to enhance its usefulness to the state and the public. In addition, the personnel managing the Crime Victims' Compensation Fund program need more formal policies and improved tracking of cases for which funding requests have been received. More consistency is needed statewide regarding who is responsible for collecting and reporting restitution.

Recommendations

We recommend the Division of Probation and Parole:

- 2.1 Add additional fields to the division's case management database to allow for the posting of miscellaneous payments unrelated to restitution, the tracking of offender's child support responsibilities, the adjustment of initial restitution balances when ordered by a court, and the handling of any other unusual circumstances impacting the accuracy of the restitution information in the system.
- 2.2 Improve the training of staff on the appropriate times to use the various offender status codes in the database as well as the appropriate way to report restitution for related sequence and co-defendant cases and court ordered Crime Victims' Compensation Fund restitution.
- 2.3 Fully utilize the co-defendant flag field in the division's database to improve the tracking of restitution owed in cases involving co-defendants.
- 2.4 Revise the restitution collection performance measurement calculation to ensure a relevant comparison is used. In addition, validate the data that is used for this computation which should include taking steps to adjust out overstated restitution information for applicable co-defendant cases.

We recommend the Crime Victims' Compensation Fund program unit:

- 2.5 Establish written criteria to determine for which paid claims a restitution request will be submitted to courts.
- 2.6 Prepare and maintain summarized tracking records of restitution reimbursed to victims, restitution requests submitted to courts, restitution orders awarded by courts, and restitution payments received from offenders.

We recommend the General Assembly:

- 2.7 Pass legislation that establishes the collection of restitution as a duty of the Circuit Courts. This would ensure all courts post restitution payments to the Banner case management system, improve the uniformity of restitution collection records statewide and allow the Division of Probation and Parole to obtain timely accurate restitution financial information.

Division of Probation and Parole Comments

The division's responses to recommendations 2.1 - 2.4 indicate disagreement with recommendations 2.1 - 2.3 and partial agreement with recommendation 2.4. The detailed comments are found at *Appendix IX, page 33*.

State Auditor's Comments

Division responses failed to address the recommendations being made. Rather than discuss the specific weaknesses in the OPII system pointed out in the report, the division suggests that the recommendations are not relevant because the division now plans to only input restitution data obtained from the primary collection source every 6 months since the system was not originally designed to handle financial data. Until the weaknesses noted in the report, the division has appeared to be willing to produce financial information from the OPII system to provide data to the public and legislature. The decision to input only information obtained from the primary collection source will not solve all weaknesses pointed out especially if the erroneous data already in the system is not corrected. Reports prepared from financial data in the OPII system will still have erroneous results. We will follow up on the Division's plans.

Division of Workers' Compensation Comments

The division's responses to recommendations 2.5 and 2.6 indicate recommendation 2.5 has been implemented and recommendation 2.6 will at least be partially implemented with a new computer program by the end of the year. The detailed comments are found at *Appendix X, page 39*.

The Division of Probation and Parole also provided the following general comments about the report:

- *This audit only considers restitution payments made in 1999. The audit fails to consider payments made by any probationers during the full term of their supervision. Division records reflect that 75 percent of probationers discharged in 1999 had fully paid their court ordered restitution.*
- *The audit's sample size is not statistically significant and as such, is insufficient in number to generalize performance observations.*
- *This audit fails to note that 35 percent of the probation population sampled began probation supervision in 1999. It is unlikely that these newly assigned probationers were able to obtain*

employment and begin restitution payments during the calendar year in which the fiscal audit occurred.

- Specific scope and methodology concerns were:
 - *Sampling protocols, including universe definition, subsamples (if any) and discarded cases. It is noted that the denominator changes throughout the report which raises questions as to the sampling and inclusion of cases in the review.*
 - *The calculated statistical confidence level of the cases sampled, given the stated universe of 15,070 active cases owing restitution payments.*
 - *Data collection instruments.*
 - *The audit was designed to only consider restitution payments made in 1999. The audit fails to consider payments made during the full term of supervision.*
 - *The audit fails to define the test or review cases upon which it has drawn generalized conclusions. Many of these cases are very small in number.*

The entire response is included at *Appendix IX, page 33.*

State Auditor Comments

For probation cases open prior to January 1, 1999, 45 percent of offenders made no restitution payments in 1999. In addition, 36 percent of offenders whose probation cases opened during 1999 made at least one payment during the year. The audit results have not been adversely impacted by new 1999 probation cases.

The division's reported 75 percent collection success for cases discharged in 1999 may be overstated due to the child support payment information for some offenders which was reported as restitution. We excluded child support payments because they were not part of the victim's restitution universe and should not be included in the analysis for this report. We advised the division personnel of this issue at the exit conference but they continue to report a 75 percent collection rate.

The sample population was selected to support a 90 percent confidence level and 4 percent precision. Probation cases statewide were systematically selected with only cases reporting child support activity incorrectly as restitution being removed from the population. The denominator for the test results changed because each attribute tested was not applicable for each test item due to the varying circumstances of each offender's case. The audit results reflect weaknesses that should be addressed.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

To determine if crime victims are receiving the full amount of restitution ordered by courts and if not the financial impact on them. Also, to determine how Missouri's crime victim laws compare with those in other states. In addition, to review and test some procedures of the state's Department of Corrections - Division of Probation and Parole's as well as the state's Crime Victims' Compensation Fund program to evaluate if offenders are being held accountable for their actions.

Scope and Methodology

To accomplish the audit objectives we:

- Reviewed applicable state statutes and the policies and procedures of the Division of Probation and Parole.
- Discussed statewide policies involving probation and the special condition of restitution with the management of the division, probation officers, and applicable court or local government officials.
- Contacted personnel with the Crime Victims' Compensation Fund program administered by the Department of Labor - Division of Workers' Compensation to determine the procedures for handling victim claims for this program as well as the methods used for seeking repayment from offenders for assistance provided to victims.
- Reviewed the Division of Probation and Parole's database for offenders on probation and parole since it is the only available statewide source for this data. We evaluated the accuracy of the database system, probation officer's compliance with the formal policies of the division, and the action by the courts through the following procedures:
 - ❑ Reviewed a statistical sample of probation cases with restitution balances in 1999. The sample included all statewide probation cases open at any point during 1999. The results were not projected to the population.
 - ❑ Reviewed the probation case files for the cases tested.
 - ❑ Verified the 1999 restitution payments and the December 31, 1999, remaining restitution balances with applicable court or local government officials handling restitution collection for the sampled cases.
 - ❑ Summarized the database's financial information by final offender status code to determine the total restitution due Missouri victims at December 31, 1999, and the approximate amount of restitution in 1999 which became uncollectable without civil

APPENDIX I

action being taken by the victim due to the offenders release from probation, revocation of probation or death.

- Reviewed the crime victim laws of other states as well as the federal government to determine how these laws compare with those in Missouri. We also contacted officials in various states to better understand the crime victim laws in those states and how victims benefit.
- Reviewed employment wage information and workers' compensation and second injury fund benefit payments as well as lottery winnings for offenders with restitution balances in 1999. This review was conducted to identify sources of income of offenders that victims could access to satisfy unpaid restitution.
- Reviewed the financial data in the case management database, adjusted for errors, and ensured the financial data in *Appendix III* is materially accurate.

The audit was made in accordance with applicable generally accepted government auditing standards and included such tests of the procedures and records as were deemed appropriate under the circumstances.

BACKGROUND

Restitution Process

Victims of crime may receive restitution for losses caused by an offender if ordered by a court. The court or the offender's probation officer may establish the restitution repayment schedule. Repayment of restitution is a condition of probation. In each county, different procedures have been established or are followed for offenders to make restitution payments and those payments to be turned over to the victim. Offenders are to provide copies of receipts to probation officers to document restitution payments made. Probation officers file case summary reports every 6 months with the court having jurisdiction over the case. If offenders fail to make required restitution payments or fail to meet other conditions of probation, the officer must file a violation report with the court. The offender's probation status will be reviewed by the court for each violation report filed which may result in the revocation of his/her probation and a prison sentence.

Victims of crime and others as defined in state statutes that incur unreimbursed medical or counseling expenses or loss of wages as the result of an offender's crime may file a claim for compensation with the Department of Labor and Industrial Relations - Division of Workers' Compensation from the Crime Victims' Compensation Fund. Victims cannot receive assistance related to loss of tangible property from this fund. Local government victim advocates generally encourage victims to file claims with this fund if applicable losses have been suffered. Compensation is limited to a maximum of \$15,000 with no compensation being paid unless the victim's out-of-pocket loss was at least \$50 or lost employment wages covered 2 weeks. Any victim can apply for compensation from the fund with payments for approved applications generally being made within a few weeks. The fund allows victims to be compensated more quickly for losses suffered than waiting for restitution to be ordered and received through normal judicial procedures as well as receive assistance when an offender is not arrested and prosecuted for a crime committed. Offenders are sometimes ordered to pay restitution to the Crime Victims' Compensation Fund in addition to any restitution ordered to the victim for tangible losses or other losses not covered by any payments received from this fund. (*See Appendix VII, page 30, Map - Restitution Collectors by County*)

Department of Corrections - Division of Probation and Parole

The Board of Probation and Parole is comprised of seven full-time members appointed by the Governor with one of the members appointed as the Chair or Division Director. The Board determines the release of individuals from confinement in state prisons through parole or conditional release. The Division Director is the appointing authority and is responsible for the administration of the Division. Investigation and supervision services for the Board and the Courts are provided by districts throughout the state organized into six field regions and one institutional region.

Division of Probation and Parole's Case Management Database

The quality and type of restitution records maintained in each county vary from jurisdiction to jurisdiction. This problem made it difficult to obtain statewide information on offender restitution

obligations. The Department of Corrections - Division of Probation and Parole developed a financial system to track offender restitution payments and balances owed to improve probation officers' abilities to identify non-compliance with restitution orders and evaluate willful failure to comply with payment requirements. Following inquiries from the legislature about statewide restitution information, the division expanded the use of this system to compile more information on offenders under the supervision of the division and provide statewide information to the legislature.

Statutes

Section 217.650, RSMo defines probation as a procedure under which a defendant found guilty of a crime upon verdict or plea is released by the court without imprisonment, subject to conditions imposed by the court and subject to the supervision of the Board of Probation and Parole.

Section 217.655.1, RSMo provides that the Board of Probation and Parole shall be responsible for determining whether a person confined in the department shall be paroled or released conditionally as provided by section 558.011, RSMo. The board shall provide supervision to all persons referred by the circuit courts of the state as provided by sections 217.750 and 217.760, RSMo.

Section 217.705, RSMo requires the appointment of probation and parole officers to carry out the purposes of the Board of Probation and Parole. Probation and parole officers:

1. Shall investigate all persons referred to them for investigation by the board or by any court as provided by sections 217.750 and 217.760, RSMo. They shall furnish to each offender released under their supervision a written statement of the conditions of probation, parole or conditional release and shall instruct the offender regarding these conditions. They shall keep informed of the offender's conduct and condition and use all suitable methods to aid and encourage the offender to bring about improvement in the offender's conduct and conditions.
2. May recommend and, by order duly entered, the court may impose and may at any time modify any conditions of probation. The court shall cause a copy of any such order to be delivered to the probation and parole officer and the offender.
3. Shall keep detailed written records of their work and perform such other duties as the board may require.

Section 217.750.1, RSMo provides that at the request of a judge of any circuit court, the Board of Probation and Parole shall provide probation services as provided in this section.

Section 559.016.1, RSMo provides that unless terminated as provided in section 559.036, RSMo the terms during which each probation shall remain conditional and be subject to revocation are:

1. A term of years not less than one year and not to exceed five years for a felony;
2. A term not less than six months and not to exceed two years for a misdemeanor;
3. A term not less than six months and not to exceed one year for an infraction.

APPENDIX II

The court shall designate a specific term of probation at the time of sentencing or at the time of suspension of imposition of sentence. The court may extend a period of probation, however, no more than one extension of any probation may be ordered. Total time on any probation term, including any extension, shall not exceed the maximum term as established.

Section 559.021, RSMo, provides that the conditions of probation shall be such as the court in its discretion deems reasonably necessary to ensure that the defendant will not again violate the law. When a defendant is placed on probation he shall be given a certificate explicitly stating the conditions on which he is being released. In addition to such other authority as exists to order conditions of probation, the court may order such conditions as the court believes will serve to compensate the victim, any dependent of the victim, or society. Such conditions may include, but shall not be limited to:

1. Restitution to the victim or any dependent of the victim, in an amount to be determined by the judge; and
2. The performance of a designated amount of free work for a public or charitable purpose, or purposes, as determined by the judge.

The court may modify or change the conditions of probation at any time prior to the expiration or termination of the probation term.

Section 559.100 RSMo, provides that the circuit courts of this state shall have power, herein provided, to place on probation or to parole persons convicted of any offense over which they have jurisdiction, except as otherwise provided in sections 195.275 to 195.296, RSMo, section 558.018, RSMo, section 565.020, RSMo, section 571.015, RSMo, and section 559.115, RSMo.

The circuit court shall have the power to revoke the probation or parole previously granted and commit the person to the department of corrections. The circuit court shall determine any conditions of probation or parole for the defendant that it deems necessary to ensure the successful completion of the probation or parole term, including the extension of any term of supervision for any person while on probation or parole. The circuit court may require that the defendant pay restitution for his crime. The probation or parole may be revoked for failure to pay restitution or for failure to conform his behavior to the conditions imposed by the circuit court. The circuit court may, in its discretion, credit any period of probation or parole as time served on a sentence.

Section 595.030, RSMo establishes the maximum award amounts to be disbursed to victims of crime through the Crime Victims' Compensation Fund. No compensation shall be paid unless the claimant has incurred an out-of-pocket loss of at least \$50 or has lost two continuous weeks of earnings or support from gainful employment. Out of pocket loss means unreimbursed or unreimbursable expenses reasonably incurred for medical care or other services including psychiatric, psychological, or counseling expenses except that the amount paid for psychiatric, psychological or counseling expenses per eligible claim shall not exceed \$2,500. Fifty dollars shall be deducted from any award granted. Any compensation for loss of earnings or support from gainful employment shall be in an amount equal to the actual loss sustained not to exceed \$200 per week; provided, however, that no award shall exceed \$15,000. (A victim cannot receive an award for the loss of tangible property.)

Section 595.209.1, RSMo provides that certain rights shall automatically be afforded to victims of dangerous felonies, as defined in section 556.061, RSMo, and specified other serious felonies and, upon written request, these rights shall be afforded to victims of all other crimes. One of these rights is for victims, to be informed by the prosecuting attorney of the right to restitution which shall be enforceable in the same manner as any other cause of action as otherwise provided by law.

Crime Victims' Bill of Rights (effective November 1992)

Section 32.1, Missouri Constitution provides that crime victims, as defined by law, shall have the following rights, as defined by law:

- (1) The right to be present at all criminal justice proceedings at which the defendant has such right, including juvenile proceedings where the offense would have been a felony if committed by an adult;
 - (2) Upon request of the victim, the right to be informed of and heard at guilty pleas, bail hearings, sentencing, probation revocation hearings, and parole hearings, unless in the determination of the court the interests of justice require otherwise;
 - (3) The right to be informed of trials and preliminary hearings;
 - (4) The right to restitution, which shall be enforceable in the same manner as any other civil cause of action, or as otherwise provided by law;
 - (5) The right to the speedy disposition and appellate review of their cases, provided that nothing in this subdivision shall prevent the defendant from having sufficient time to prepare his defense;
 - (6) The right to reasonable protection from the defendant or any person acting on behalf of the defendant;
 - (7) The right to information concerning the escape of an accused from custody or confinement, the defendant's release and scheduling of the defendant's release from incarceration; and
 - (8) The right to information about how the criminal justice system works, the rights and the availability of services, and upon request of the victim the right to information about the crime.
2. Notwithstanding section 20 of article I of the Constitution, upon a showing that the defendant poses a danger to a crime victim, the community, or any other person, the court may deny bail or may impose special conditions which the defendant and surety must guarantee.

APPENDIX II

3. Nothing in this section shall be construed as creating a cause of action for money damages against the state, a county, a municipality, or any of the agencies, instrumentalities, or employees provided that the general assembly may, by statutory enactment, reverse, modify, or supercede any judicial decision or rule arising from any cause of action brought pursuant to this section.
4. Nothing in this section shall be construed to authorize a court to set aside or to void a finding of guilt, or an acceptance of a plea of guilty in any criminal case.
5. The general assembly shall have power to enforce this section by appropriate legislation.

RESTITUTION FINANCIAL DATA *
YEAR ENDED DECEMBER 31, 1999

NUMBER OF OFFENDERS	BEGINNING BALANCE JANUARY 1, 1999	NEW RESTITUTION ORDERS	PAYMENTS	ADJUSTMENT **	ENDING BALANCE DECEMBER 31, 1999	PROBATION STATUS DESCRIPTION
7,790	\$ 15,509,701	5,935,514	4,010,447	18,411	17,453,179	NEW COURT PROBATION
1,480	1,620,742	1,296,649	340,916	1,519	2,577,994	OLD SENTENCE NEW CHARGE
2,076	2,426,439	3,777,755	948,328	1,883	5,257,749	REVISIT
531	951,401	129,375	49,767	(14,735)	1,016,274	PROBATION REVOCATION
140	155,257	56,210	20,655	30	190,842	PROBATION REVOCATION - 120 DAYS
14	17,346	101	1,883	(66)	15,498	RELEASE TO PROBATION
1,212	3,657,477	590,297	387,681	6,457	3,866,550	RELEASE TO PROBATION
216	331,952	22,422	16,173	(10,496)	327,705	PROBATION REVOCATION
807	1,649,437	160,222	299,095	(3,735)	1,506,829	PROBATION REINSTATED
1,165	1,795,901	258,433	139,496	353	1,915,191	COURT PROBATION SUSPENDED
95	167,908	9,545	44,245	0	133,208	INTERSTATE TRANSFER IN
291	561,468	379,275	47,639	2,252	895,356	INTERSTATE TRANSFER OUT
194	201,652	1,551	72,947	0	130,256	DISCHARGE
107	100,136	266	39,517	0	60,885	DISCHARGE CONFIDENTIAL
5	5,099	4,120	4,120	0	5,099	DISCHARGE NO FURTHER ACTION
1	936	0	0	0	936	PROBATION REVOCATION
54	196,054	9,436	24,794	0	180,696	RELIEVED OF SUPERVISION
726	1,111,614	4,105	427,785	0	687,934	DISCHARGE
564	811,282	8,140	497,171	595	322,846	DISCHARGE CONFIDENTIAL
10	91,775	2,592	4,578	(164)	89,625	NO FURTHER ACTION
109	56,132	17,496	4,680	(1,246)	67,702	PROBATION REVOCATION
57	67,569	9,155	2,847	(1,058)	72,819	DEATH
17,644	\$ 31,487,278	12,672,659	7,384,764	0	36,775,173	

RESTITUTION DESCRIPTIONS FROM ABOVE WHICH ARE UNCOLLECTABLE DUE TO OFFENDER:

DISCHARGE FROM PROBATION						
194	\$ 201,652	1,551	72,947	0	130,256	DISCHARGE
107	100,136	266	39,517	0	60,885	DISCHARGE CONFIDENTIAL
5	5,099	4,120	4,120	0	5,099	DISCHARGE NO FURTHER ACTION
54	196,054	9,436	24,794	0	180,696	RELIEVED OF SUPERVISION
726	1,111,614	4,105	427,785	0	687,934	DISCHARGE
564	811,282	8,140	497,171	595	322,846	DISCHARGE CONFIDENTIAL
10	91,775	2,592	4,578	(164)	89,625	NO FURTHER ACTION
1,660	\$ 2,517,612	30,210	1,070,912	431	1,477,341	
PROBATION REVOCATION						
531	\$ 951,401	129,375	49,767	(14,735)	1,016,274	PROBATION REVOCATION
216	331,952	22,422	16,173	(10,496)	327,705	PROBATION REVOCATION
1	936	0	0	0	936	PROBATION REVOCATION
109	56,132	17,496	4,680	(1,246)	67,702	PROBATION REVOCATION
857	\$ 1,340,421	169,293	70,620	(26,477)	1,412,617	
DEATH						
57	\$ 67,569	9,155	2,847	(1,058)	72,819	DEATH
2,574	\$ 3,925,602	208,658	1,144,379	(27,104)	2,962,777	TOTAL UNCOLLECTABLE

* The amounts presented have been adjusted for the errors or problems noted on pages 12-14

** Shifting of financial responsibility between offender's in co-defendant cases when a co-offendant's probation status ends

 Transfer control between Department of Correction's division - Division of Adult Institution transaction
 Transfer control between Department of Correction's division - Division of Probation and Parole transaction
 Sentence completion - other charges remain active or current charge has a pending disposition
 Cycle completion

Restitution Balance	36,775,173
Total Uncollectable	(2,962,777)
Active Restitution	<u>33,812,396</u>

APPENDIX IV

RESTITUTION FINANCIAL DATA - BY JURISDICTION YEAR ENDED DECEMBER 31, 1999

County/City	Total Collectable Restitution	Total Uncollectable Restitution	Total Restitution	County/City	Total Collectable Restitution	Total Uncollectable Restitution	Total Restitution
Adair	127,415	20,549	147,964	Linn	90,078	5,195	95,273
Andrew	7,350	284	7,634	Livingston	41,038	5,160	46,198
Atchinson	14,672	0	14,672	Macon	98,742	23,744	122,486
Audrain	370,286	3,052	373,338	Madison	54,622	13,040	67,662
Barry	216,903	30,655	247,558	Maries	12,216	0	12,216
Barton	142,814	14,099	156,913	Marion	163,836	52,263	216,099
Bates	78,331	70,952	149,283	McDonald	146,161	8,168	154,329
Benton	144,828	3,863	148,691	Mercer	57,383	0	57,383
Bollinger	18,181	20	18,201	Miller	515,973	33,299	549,272
Boone	1,319,152	257,005	1,576,157	Mississippi	135,748	16,614	152,362
Buchanan	352,731	52,815	405,546	Moniteau	41,425	0	41,425
Butler	178,418	21,905	200,323	Monroe	30,937	845	31,782
Caldwell	67,193	4,981	72,174	Montgomery	81,748	525	82,273
Callaway	192,854	39,273	232,127	Morgan	141,297	13,975	155,272
Camden	1,529,220	50,361	1,579,581	New Madrid	179,376	26,555	205,931
Cape Girardeau	317,980	18,887	336,867	Newton	211,373	6,235	217,608
Carroll	23,559	28,843	52,402	Nodaway	86,453	11,846	98,299
Carter	59,414	1,387	60,801	Oregon	48,391	17,720	66,111
Cass	408,592	17,794	426,386	Osage	107,497	2,500	109,997
Cedar	93,365	22,056	115,421	Ozark	77,951	1,706	79,657
Chariton	36,539	326	36,865	Pemiscot	92,979	8,684	101,663
Christian	423,563	14,642	438,205	Perry	108,143	2,425	110,568
Clark	11,089	2,285	13,374	Pettis	98,303	7,575	105,878
Clay	1,579,904	112,108	1,692,012	Phelps	196,289	24,447	220,736
Clinton	93,327	17,970	111,297	Pike	209,404	6,383	215,787
Cole	401,242	105,276	506,518	Platt	178,538	8,985	187,523
Cooper	184,590	7,760	192,350	Polk	21,288	2,294	23,582
Crawford	266,523	9,199	275,722	Pulaski	293,621	12,354	305,975
Dade	22,628	3,629	26,257	Putnum	20,767	190	20,957
Dallas	235,744	23,419	259,163	Ralls	13,306	1,566	14,872
Daviess	36,963	0	36,963	Randolph	219,077	26,314	245,391
DeKalb	54,660	11,671	66,331	Ray	187,822	19,845	207,667
Dent	86,428	11,612	98,040	Reynolds	44,064	1,131	45,195
Douglas	25,672	14,820	40,492	Ripley	39,146	2,885	42,031
Dunklin	179,095	21,284	200,379	Saline	307,628	13,462	321,090
Franklin	384,889	46,299	431,188	Schulyer	41,243	362	41,605
Gasconade	57,242	39,381	96,623	Scotland	3,669	374	4,043
Gentry	10,957	1,976	12,933	Scott	267,080	31,042	298,122
Greene	1,597,058	56,108	1,653,166	Shannon	90,481	1,736	92,217
Grundy	30,025	1,004	31,029	Shelby	63,695	4,807	68,502
Harrison	42,032	1,025	43,057	St. Charles	834,491	77,044	911,535
Henry	108,551	7,193	115,744	St. Clair	17,864	965	18,829
Hickory	10,885	0	10,885	Ste. Genevieve	48,444	3,689	52,133
Holt	14,673	4,597	19,270	St. Francois	547,795	54,893	602,688
Howard	26,057	0	26,057	St Louis County	1,995,382	158,464	2,153,846
Howell	401,021	63,940	464,961	St Louis City	5,259,504	312,208	5,571,712
Iron	207,337	126	207,463	Stoddard	112,415	2,929	115,344
Jackson	3,309,375	304,590	3,613,965	Stone	310,381	8,454	318,835
Jasper	782,798	98,817	881,615	Sullivan	14,029	16,134	30,163
Jefferson	435,409	22,228	457,637	Taney	552,071	29,328	581,399
Johnson	244,123	29,689	273,812	Texas	71,661	4,201	75,862
Knox	5,571	0	5,571	Vernon	288,230	12,634	300,864
Laclede	377,459	58,939	436,398	Warren	193,701	16,719	210,420
Lafayette	214,218	25,299	239,517	Washington	130,491	14,167	144,658
Lawrence	370,550	13,864	384,414	Wayne	97,454	0	97,454
Lewis	42,958	2,280	45,238	Webster	195,746	26,909	222,655
Lincoln	244,374	996	245,370	Worth	9,227	0	9,227
				Wright	95,935	14,655	110,590
					33,812,396	2,962,777	36,775,173

**OTHER STATE RESTITUTION LAWS
AT YEAR ENDED DECEMBER 31, 1999 OR MOST CURRENT**

State	Restitution can be Collected After Offender on Probation is:			Restitution may be Enforced Without Victim Taking Any Civil Action	Court Required to Order CVC Restitution
	Sent to Prison	Placed on Parole	Released from Supervision		
Arkansas	Y	Y	Y	Y	U
Arizona	N	Y	Y	Y	U
Colorado	Y	Y	Y	Y	Y
Delaware	N	Y	N/A	Y	U
Florida	Y	Y	N	Y	Y
Georgia	Y	N	Y	Y	N
Illinois	N	Y	Y	Y	U
Iowa	Y	Y	Y	Y	Y
Kansas	N	Y	Y	Y	Y
Kentucky	N	Y	N/A	Y	N
Louisiana	N	Y	N	Y	Y
Maine	Y	Y	Y	Y	Y
Maryland	N	N	N	Y	U
Michigan	Y	Y	Y	Y	Y
Nebraska	N	N	N	Y	N
New Hampshire	Y	Y	Y	N	Y
New Jersey	Y	Y	Y	N	U
New Mexico	Y	Y	N	N	U
Oklahoma	N	Y	Y	Y	U
Pennsylvania	Y	Y	Y	N	Y
Rhode Island	Y	Y	Y	Y	U
South Carolina	Y	Y	Y	Y	Y
South Dakota	Y	Y	Y	Y	U
Texas	N	Y	N	Y	Y
Virginia	N	Y	N	Y	U
Vermont	Y	Y	N	Y	Y
Washington	Y	Y	Y	Y	Y
Wisconsin	Y	Y	N	Y	Y
Wyoming	Y	Y	N	Y	N
Yes (Y)	18	26	17	25	14
No (N)	11	3	10	4	4
Not Applicable (N/A) *	0	0	2	0	0
Undetermined (U)	0	0	0	0	11
Total Reviewed	29	29	29	29	29

* State requires restitution to be paid prior to offender being released from probation or parole

APPENDIX VI

STATE HIERARCHY FOR DISBURSEMENT OF COURT PAYMENTS APPROVED BY THE MISSOURI SUPREME COURT

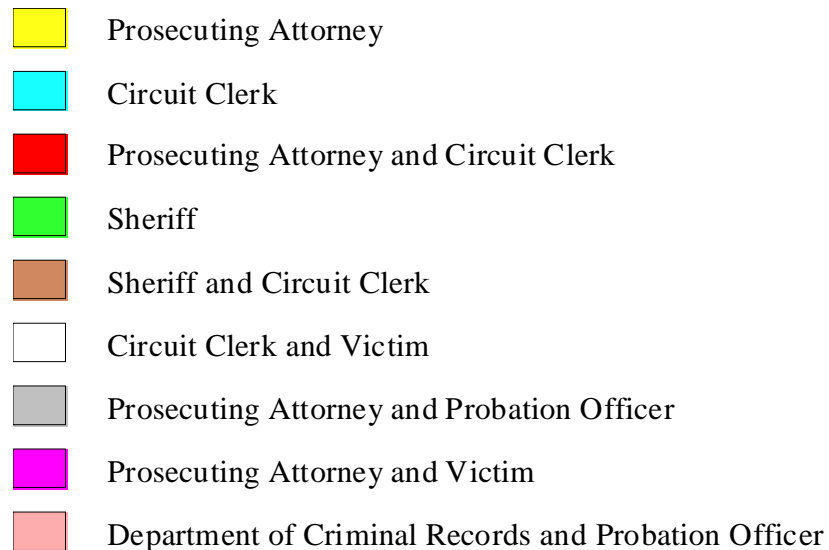
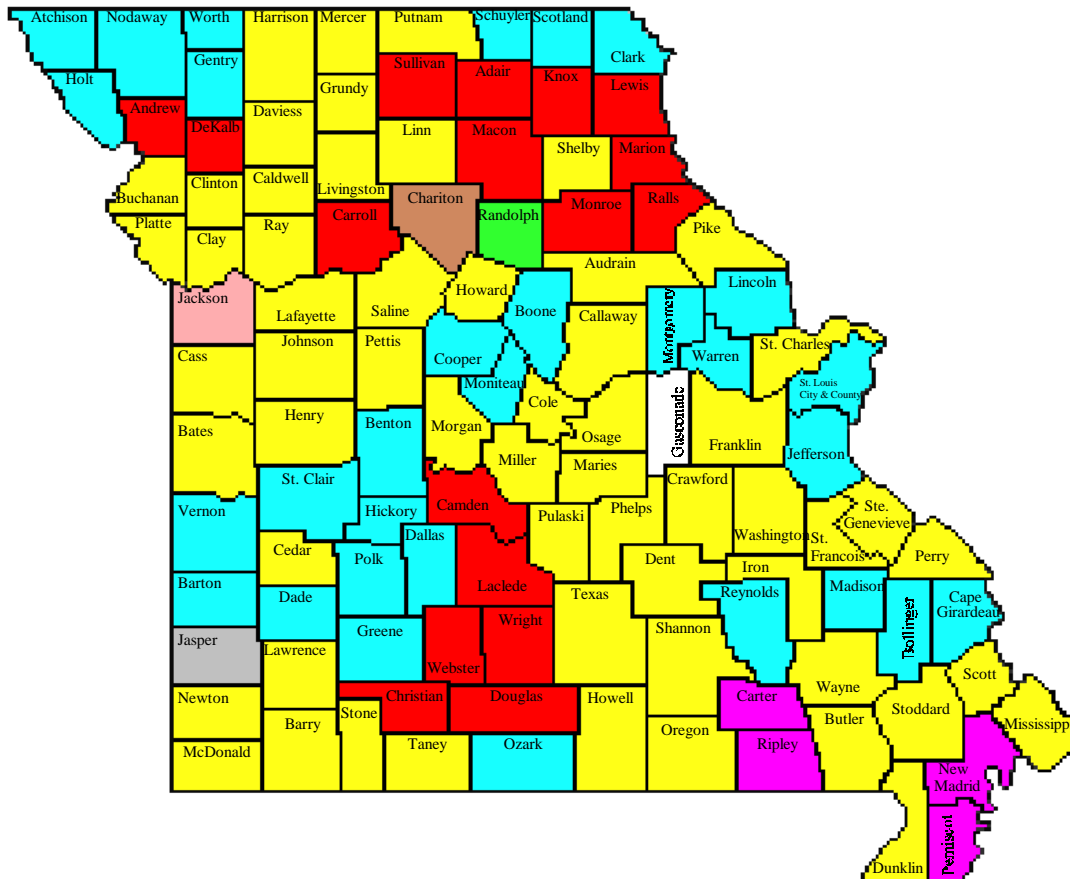
1. Clerk fee	
2. Court Automation fee	
3. County fee	
4. Sheriff's Retirement	
5. Independent Living Center surcharge	
6. Prosecuting Attorney Training surcharge	
7. Police Officer Standards and Training surcharge	
8. Crime Victim Compensation surcharge	
9. Sheriff's Fee - Criminal Cases	
10. Vital Records - Issuance of a Certification	
11. Clerk Fees - Appeals, Small Claims, etc.	
12. Law Library surcharge	
13. Family Court surcharge	
14. Family Access Fund fee	
15. Domestic Relations Resolutions Fund surcharge	
16. Sheriff's Fees - Civil Cases	
17. Courthouse Restoration surcharge	
18. Courthouse Operation surcharge	
19. Court Reporter fee	
20. Clerk Fee - Probate Cases	
21. Witness fees	
22. Interpreter/Translator fee	
23. Copying and Certification - Probate	
24. Copying and Postage	
25. Domestic Violence Shelter surcharge	
26. Law Enforcement Training Fund surcharge	
27. Board Bill/Incarceration costs	
28. Law Enforcement Arrest costs	
29. Storage Costs - CAFA Proceeding	
30. Jury Fees (Reimbursement to Counties)	
31. Domestic Violence Shelter surcharge - County/Municipal Ordinance Cases	
32. Drug Commissioner surcharge	
33. Juvenile Detention Facility surcharge	
34. Crime Victims' Compensation Fund judgment	
35. Motor Cycle Safety Trust Fund judgment	
36. RESTITUTION	
37. Other Judgments Ordered Paid Through the Court	
38. Fines	

Consolidated
Statement -
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RESTITUTION COLLECTORS BY COUNTY





APPENDIX VIII

SUPREME COURT OF MISSOURI OFFICE OF STATE COURTS ADMINISTRATOR

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65110

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GARY WAIN
DIRECTOR OF JUVENILE AND
ADULT COURT PROGRAMS

FAX (573) 751-5540

February 14, 2001

The Honorable Claire McCaskill
Missouri State Auditor
Truman State Office Building, Room 880
Jefferson City, Missouri 65101

Dear Ms. McCaskill:

Thank you for the opportunity to meet with your staff to discuss the Audit of Collection and Distribution of Restitution for Crime Victims report and our response to the report. Based on our meeting, some changes were made to the audit report and below is our response with respect to the changes that directly affect us.

Recommendation 1.4:

Using the Banner Case Management System, currently installed in over 30 counties, OSCA will research the various methods of paying restitution to crime victims. There will likely be a number of scenarios that will need to be covered in the guidelines. For example, a restitution order may include 50 businesses that each received a bad check for less than \$25. Such a situation is not atypical. An order may include an individual with restitution for a deductible of \$100 and the insurance company for the remaining restitution, which may be in the thousands. Many defendants make payments of less than \$50 per payment, thus prorating these amounts is not practical in many instances as it could result in some victims receiving payments to the exclusion of others, or payments that are embarrassingly small. We agree that some guidelines should be developed to eliminate examples of people paid in alphabetical order thus leaving some victims uncompensated compared to similarly situated victims. However, we believe a single guideline applicable throughout the state would be as counterproductive as some of the approaches currently in effect.

The Honorable Claire McCaskill
February 14, 2001
Page Two

After completing the research and in consultation with local court officials, OSCA will recommend that guidelines for the distribution of restitution to multiple victims be added to Court Operating Rule 21 by the Supreme Court.


Recommendation 1.5:

The hierarchy of distribution of moneys received from defendants is intended to give emphasis to those costs that benefited the taxpayers at large. These are funds that are used to reduce the cost of justice to the state and the counties. Although there are 38 costs and fees on the list, only part of those can be assessed in a criminal case. The "judgments" were placed lower on the list, since "judgments" can be enforced by garnishments and other means not normally used in the collection of costs. It is important to note that prosecuting attorneys collect a great deal of victim restitution in Missouri. Thus, a change in our distribution schedule will have limited overall impact.

OSCA will recommend that the Supreme Court place restitution at or near the top of the hierarchy which is used by clerks that have the Banner Case Management System.

Again, we appreciate the opportunity to review the audit report and to meet with your staff regarding the matter of restitution.

Sincerely,


Michael L. Buenger

MLB/jr

Missouri Department of Corrections
Division of Probation and Parole
Response to Performance Audit

*COLLECTION AND DISTRIBUTION OF RESTITUTION
FOR CRIME VICTIMS*

Overview

The Auditor's Office should be commended for a comprehensive review of victim restitution in Missouri. This report does identify several long-standing impediments to the collection and monitoring of victim restitution. There are a number of recommendations that, if implemented, will improve collection rates. Specifically, the Division endorses audit recommendations that:

- Orders collection of court-ordered restitution in full whether or not the sentence has expired and without the need for civil lawsuits.
- Creates a statewide computer system that integrates all restitution data entered by the various collectors of restitution.

We believe however, it is important for the reader of this report to remain cognizant of the following:

- The Division is not authorized by state statute or the state Constitution to collect restitution. As per RSMo. 217.705 it reports the degree to which probationers comply with conditions imposed by the court.
- The Division's primary responsibility, as outlined in RSMo. 217.705 and reflected in the agency's mission statement, is management of offender risk to ensure public safety. This directive is carried out by professional and dedicated staff who provide for the assessment, supervision, treatment, and control of the offenders assigned by the court.

Despite the positive aspects of this audit, the report falls short in several respects:

- This audit only considers restitution payments made in 1999. The audit fails to consider payments made by any probationers during the full term of their supervision. Division records reflect that 75 percent of probationers discharged in 1999 had fully paid their court ordered restitution.
- The audit's sample size is not statistically significant and as such, is insufficient in number to generalize performance observations.
- This audit fails to note that 35 percent of the probation population sampled began probation supervision in 1999. It is unlikely that these newly assigned probationers were able to obtain employment and begin restitution payments during the calendar year in which the fiscal audit occurred.

General Responses

The following comments are in response to the two primary points contained in the audit.

1. *There Is No Assurance that Court-Ordered Restitution Payments for Victims of Crimes will be Collected and Disbursed to Victims. (page 2)*

The opening paragraph of this section states that there were 15,070 active cases with outstanding restitution balances on December 31, 1999. The report does not provide detail or differentiate between cases newly assigned toward the end of 1999 who would have had little time to address their restitution condition. Further, the report does not reflect any payments made by offenders prior to the 12 month period covered by the fiscal audit

Probation and Parole Officers are not authorized by statute to collect restitution. As provided in RSMo. 217.705, officers confront risk issues that compromise public safety. Officers begin the supervision process with an assessment of offenders' risk and need issues that contributed to their criminality. They then develop a plan encompassing the special conditions imposed by the court to protect the community from further criminal activity. The audit findings do not reflect the scope of Probation and Parole Officers' activities and other realities such as the adequacy of offender income to meet their basic financial obligations as well as the other special conditions imposed by the court.

The statement on page 8, "*Probation officers do not place emphasis on restitution,*" as well as the bulleted list that follows, is misleading as it fails to reflect the above referenced job duties of the officer.

Those who work in the criminal justice system recognize that restitution is of vital importance to victims and to the criminal justice system, but realistic payment plans to reimburse victims must factor offenders' other financial obligations

2. *Improvements Should be Made to Data Systems for Managing Victim Restitution. (page 12)*

Agree in part. The maintenance of a statewide tracking system to monitor restitution payments is not the statutory obligation of the Department. As noted by the auditors, the Department database (OP II) was not designed to track restitution payments. The Department attempted to adapt the OP II database in a good faith effort to compile information maintained by those who are statutorily required to collect and track restitution.

In order to meet the recommendations made by the auditors, the OP II system would require significant revisions to its basic architecture. Revisions of this nature require development and installation of a separate accounting structure for integration with the basic OP II architecture. Our Information Systems Director has reviewed the requirements of such a system and estimates an 18-month time frame to complete the development process at a cost of \$525,000 over two fiscal years. Moreover, were these modifications accomplished, the system data would continue

at best be as a secondary tier of information obtained from a primary source, notably the prosecutor, circuit clerk or sheriff.

The Division will continue to rely upon those who are statutorily required to collect and track restitution payments, however only payments that have been confirmed by the primary source for collections will be included in the OP II database effective July 1, 2001. This will eliminate confusion between primary and secondary sources of records. Officers will continue to develop payment plans and monitor payments, as confirmed by the primary sources and will post those payments in OP II as the officer completes the semi-annual case summary report. Officers will use their road books to maintain ongoing records of payments, as confirmed by the primary sources, between semi-annual postings to OP II.

Finding #1

Probation officers are not properly reporting restitution non-compliance. (page 8)

Recommendation

1.6 Violation reports are appropriately submitted to courts when offenders are in non-compliance with restitution obligations.

Response

We agree that a violation report should be submitted when a violation of a special condition of probation occurs however, we disagree with the auditor's conclusion that an offender is in violation of probation when the offender is unable to make a restitution payment and does not have a specific payment schedule.

Division policy P3-5.4 requires a violation report is submitted when an offender is in violation of a special condition ordered by the court or if the restitution balance is outstanding 90 days prior to expiration. A missed payment by an offender, because of other approved financial obligations is not necessarily a violation of probation, although it may result in a revised payment plan being developed. Violation Reports are generated when willful refusal to pay restitution is documented or when outstanding restitution exists within 90 days of expiration of the supervision period.

Finding #1

Probation officers are not properly reporting restitution non-compliance. (page 8)

Recommendation

1.7 All offenders have appropriate restitution payments schedules established or case files explain why a payment schedule was not prepared.

Response

Agree in part. The audit recommendation that the case file should reflect why a payment schedule has not yet been prepared is useful and will be acted upon effective July 1, 2001.

As noted above, an appropriate payment schedule is one that is developed after offender obtains employment and is able to maintain himself and his family in the community. Payments are often delayed until an offender has sufficient funds available. Given the difficulty offenders have in obtaining and maintaining employment to support themselves and their dependents, an audit finding that “32 of 135 cases (24 percent)” did not have a court or officer payment schedule may be correct. Conversely, the fact that 76 percent do have a payment schedule indicates the majority of offenders are making restitution and the officer or court has established a payment plan.

Finding #1

Probation officers are not properly reporting restitution non-compliance (page 8.)

Recommendation

1.8 Reported restitution payments are timely posted to the division’s database.

Response

Agree in part.

Under Division policy P3-5.4, this is the current expectation. As noted previously, effective July 1, 2001, the Division will rely solely on the primary source of collections for all reported restitution payments. The Division will not attempt to maintain a bookkeeping system in OP II and as outlined in P3-5.4, will only require restitution payment postings to this database at the time of the semi-annual report to the court.

Finding #2

Improvements Should be Made to Data Systems for Managing Victim Restitution
(Page 12)

Recommendation

2.1 Add additional fields to the division’s case management database to allow for the posting of miscellaneous payments unrelated to restitution, the tracking of offender’s child support responsibilities, the adjustment of initial restitution balances when ordered by a court and the handling of any other unusual circumstances impacting the accuracy of the restitution information in the system.

Response

Disagree. While the Division will provide reports to the court concerning offender compliance with restitution orders, the Division is not required to collect restitution or to maintain a separate accounting system.

The OP II system was designed to compile the offender's sentence structure, program activity, and supervision status. As noted above, the OP II system has no accounting or bookkeeping capability, as it was not designed for that purpose. In order to meet the recommendations by the auditors, the system would require significant revisions to its basic architecture. Revisions of this nature would require the development and installation of a separate accounting structure for integration with the basic OP II architecture. Our Information Systems Director has reviewed the requirements of such a system and estimates an 18-month time frame to complete the development process at a cost of \$525,000 over two fiscal years. Even if funds were appropriated for these modifications, the system data would continue to represent a secondary tier of information entered by Division personnel, which was obtained from the prosecutor, circuit clerk, or sheriff department.

In the alternative, we endorse a statewide system maintained by the State Court Administrator's Office that integrates all data entered by the primary sources of this information.

Finding #2

*Improvements Should be Made to Data Systems for Managing Victim Restitution
(Page 12)*

Recommendation

2.2 *Improve the training of staff on the appropriate times to use the various offender status codes in the database as well as the appropriate way to report restitution for related sequence and co-defendant cases and court ordered Crime Victims' Fund restitution.*

Response

Disagree. As noted above, the Division relies solely on the primary source of collection for restitution payments. The Division will no longer attempt to maintain a secondary bookkeeping system in OP II. OP II will only be used to collect semi-annual reports of payments as confirmed by the primary sources for collections.

Finding #2

*Improvements Should be Made to Data Systems for Managing Victim Restitution
(Page 12)*

Recommendation

- 2.3** *Fully utilize the co-defendant flag field in the division's database to improve the tracking of restitution owed in cases involving co-defendants.*

Response

Disagree. As noted above, the Division relies solely on the primary source of collection for restitution payments. The Division will no longer attempt to maintain a secondary bookkeeping system in OP II. OP II will only be used to collect semi-annual reports of payments as confirmed by the primary sources for collections.

Finding #2

Improvements Should be Made to Data Systems for Managing Victim Restitution (Page 12)

Recommendation

- 2.4** *Revise the restitution collection performance measurement calculation to ensure a relevant comparison is used. In addition, validate the data that is used for this computation, which should include taking steps to adjust out overstated restitution information for applicable co-defendant cases.*

Response

Agree in part. In the future the Division will publish reports based solely on information provided by the primary sources of collection. The Division is not responsible for validating information provided by those who are statutorily required to collect restitution.

Scope and Methodology

The Division expresses concerns regarding the scope and methodology of the audit, specifically:

- Sampling protocols, including universe definition, subsamples (if any) and discarded cases. It is noted that the denominator changes throughout the report which raises questions as to the sampling and inclusion of cases in the review.
- The calculated statistical confidence level of the cases sampled, given the stated universe of 15,070 active cases owing restitution payments.
- Data collection instruments.
- The audit was designed to only consider restitution payments made in 1999. The audit fails to consider payments made during the full term of supervision.
- The audit fails to define the test or review cases upon which it has drawn generalized conclusions. Many of these cases are very small in number.



Bob Holden
Governor

State of Missouri

Department of Labor and Industrial Relations

DIVISION OF WORKERS' COMPENSATION

P.O. Box 58 Jefferson City, MO 65102-0058

APPENDIX X

Catherine B. Leapheart
Department Director

Lawrence D. Leip
Division Director

Reply to:

Above Address
(573) 751-7646

February 8, 2001

William D. Miller, CIA
Director of Audits
Office of the State Auditor
224 State Capitol
Jefferson City, Missouri 65101

RE: ***Restitution Audit***

Dear Mr. Miller:

This letter is in response to your letter dated January 24, 2001 regarding the Audit of Collection and Distribution of Restitution for Crime Victims.

After reviewing the draft report and particularly 2.5 and 2.6, we agree, in part, to the referenced sections.

2.5 - Establish written criteria to determine for which paid claims a restitution request will be submitted to courts.

RESPONSE: *Written criteria have been established (see attached).*

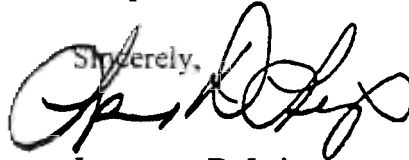
2.6 - Prepare and maintain summarized tracking records of restitution reimbursed to victims, restitution requests submitted to courts, restitution orders awarded by courts, and restitution payments received from offenders.

RESPONSE: *(1) We do not have the staff nor the technological capability to track restitution reimbursed to victims; (2) With the implementation of a new computer program projected to be completed by December 2001, we will have the capability to track restitution requests submitted to courts; (3) Information on Restitution orders awarded by courts is subject to reporting to the program by the courts; (4) Restitution payments received from offenders have been and are currently being tracked and maintained.*

William D. Miller, CIA
February 8 2001
Page 2

APPENDIX X

Thank you for this opportunity to respond to these recommendations. If you have any questions or need additional information, please do not hesitate to call me at (573) 751-7646.

Sincerely,

Lawrence D. Leip
Director

Enclosure



CRIME VICTIMS COMPENSATION PROGRAM

TWO YEARS ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-28
March 29, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

The following concerns were discovered as a result of a review conducted by our office of the Crime Victims Compensation Program.

Missouri state law requires a crime victims compensation fee to be assessed on each criminal conviction in each court in the state. State law also requires the court clerks to distribute ninety-five percent of the fees collected to the state Department of Revenue at least monthly. The Department of Revenue deposits these fees into the Crime Victims Compensation Fund, the Services to Victims Fund and the State Forensic Laboratory Fund in accordance with state law.

As noted in our prior audit, the Department of Labor and Industrial Relations has not established procedures to ensure that the Crime Victims Compensation Program receives all crime victim fees assessed and collected by the courts. From October to December 1999, the labor department followed-up on recommendations, concerning Crime Victims Compensation fee collections and distributions, issued in State Auditor's Office reports on various state courts. As a part of this follow-up, the Crime Victims Compensation Program sent letters to seven state courts; however, no follow-up letters have been issued since December 1999. In addition, no other procedures exist to identify courts not properly remitting Crime Victims Compensation fees to the Department of Revenue.

During our review of payments made to the state, we noted that the City of Joplin did not remit Crime Victims Compensation fees from January to October 1999 and from December 1999 to May 2000.

We also noted inconsistent and untimely payments from the City of St. Louis during the two years ended June 30, 2000. For example, several months were noted where payments were not made appropriately and in May 2000, \$208,600 was remitted to the Department of Revenue (municipal payments averaged approximately \$35,000 per month for this time period). In addition, all payments for the City of St. Louis were generally made at least two months late. The Crime Victims Compensation Program did not identify this situation and therefore was not able to ensure that Crime Victims Compensation fees were properly assessed and collected by the City of St. Louis and that the fees were remitted to the Department of Revenue in a timely manner.

The Department of Labor and Industrial Relations needs to establish procedures to recognize situations such as the City of Joplin and the City of St. Louis, where Crime Victims Compensation fees are not being remitted to the state as required by state law.

(over)

YELLOW SHEET

The Services to Victims Fund was established by state law, allowing the Department of Public Safety to contract with public or private agencies to provide assistance to crime victims through direct services, emergency services, crisis intervention counseling and victim advocacy. To obtain funding from the Services to Victims Fund, these agencies/shelters must submit an annual application to the Department of Public Safety. The Department of Public Safety reviews each applicant for eligibility, programs offered, funding requested, etc. If the application is approved by the Department of Public Safety, a contract is awarded.

The Services to Victims Fund application packet includes financial and administrative guidelines. According to a monitoring provision contained in the financial and administrative guidelines, the Department of Public Safety is required to monitor each contract award at least once for each contract period (12 months) and prepare a report documenting the results of this monitoring.

During our review of 25 Services to Victims Fund contracts, we noted that 16 had not been properly monitored for the applicable contract periods. To ensure the funds are utilized for the intended purpose, to ensure the quality of the program, and to ensure agencies/shelters are in compliance with state and federal guidelines, formal on-site monitoring procedures should be performed on a regular basis and documented.

CRIME VICTIMS COMPENSTATION PROGRAM

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Catherine Leapheart, Director
Department of Labor and Industrial Relations
and
Gary Kempker, Director
Department of Public Safety
Jefferson City, MO 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Crime Victims Compensation Program as of and for the years ended June 30, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the program's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the Crime Victims Compensation Fund, the Services to Victims Fund, and the State Forensic Laboratory Fund; and the appropriations and expenditures of the various funds of the Crime Victims Compensation Program and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the program.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Crime Victims Compensation Fund, the Services to Victims Fund, and the State Forensic Laboratory Fund; and the appropriations and expenditures of the various funds of the Crime Victims Compensation Program as of and for the years ended June 30, 2000 and 1999, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 24, 2000, on our consideration of the program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the program's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

August 24, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	Robert L. McArthur II
Audit Staff:	Jerry C. Lamprecht Jr., CPA
	Anissa J. Falconer



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Catherine Leapheart, Director
Department of Labor and Industrial Relations
and
Gary Kempker, Director
Department of Public Safety
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the Crime Victims Compensation Program as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated August 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Crime Victims Compensation Program are free of material misstatement, we performed tests of the program's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Crime Victims Compensation Program, we considered the program's internal control over financial

reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Crime Victims Compensation Program and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

August 24, 2000 (fieldwork completion date)

Financial Statements

Exhibit A-1

CRIME VICTIMS COMPENSATION PROGRAM
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
 YEAR ENDED JUNE 30, 2000

		Crime Victims Compensation Fund	Services to Victims Fund	State Forensic Laboratory Fund	Total (Memorandum Only)
RECEIPTS					
Penalties	\$	4,554,831	3,109,202	250,000	7,914,033
Interest		457,167	0	0	457,167
Other		351,622	0	0	351,622
Total Receipts		5,363,620	3,109,202	250,000	8,722,822
DISBURSEMENTS					
Personal service		308,696	0	0	308,696
Expense and equipment		249,248	0	0	249,248
Employee fringe benefits		84,143	0	0	84,143
Hancock refund		111,792	61,985	6,260	180,037
Program disbursements		4,138,382	2,756,733	229,326	7,124,441
Total Disbursements		4,892,261	2,818,718	235,586	7,946,565
RECEIPTS OVER (UNDER) DISBURSEMENTS		471,359	290,484	14,414	776,257
CASH AND INVESTMENTS, JULY 1		7,991,887	3,412,801	95,610	11,500,298
CASH AND INVESTMENTS, JUNE 30	\$	8,463,246	3,703,285	110,024	12,276,555

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

CRIME VICTIMS COMPENSATION PROGRAM
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
 YEAR ENDED JUNE 30, 1999

		Crime Victims Compensation Fund	Services to Victims Fund	State Forensic Laboratory Fund	Total (Memorandum Only)
RECEIPTS					
Penalties	\$	4,260,906	3,004,163	250,000	7,515,069
Interest		431,106	0	0	431,106
Other		296,313	0	0	296,313
Total Receipts		4,988,325	3,004,163	250,000	8,242,488
DISBURSEMENTS					
Personal service		183,792	0	0	183,792
Expense and equipment		153,484	0	0	153,484
Employee fringe benefits		51,076	0	0	51,076
Hancock refund		176,504	78,729	11,534	266,767
Program disbursements		4,121,352	2,259,852	305,542	6,686,746
Total Disbursements		4,686,208	2,338,581	317,076	7,341,865
RECEIPTS OVER (UNDER) DISBURSEMENTS		302,117	665,582	(67,076)	900,623
CASH AND INVESTMENTS, JULY 1		7,689,770	2,747,219	162,686	10,599,675
CASH AND INVESTMENTS, JUNE 30	\$	7,991,887	3,412,801	95,610	11,500,298

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

CRIME VICTIMS COMPENSATION PROGRAM
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

		Appropriations	Expenditures	Lapsed Balances
CRIME VICTIMS COMPENSATION FUND				
Program disbursements	\$	4,650,000	4,142,266	507,734
Personal service		390,150	311,992	78,158
Expense and equipment		408,508	268,384	140,124
Total Crime Victims Compensation Fund		<u>5,448,658</u>	<u>4,722,642</u>	<u>726,016</u>
SERVICES TO VICTIMS FUND				
Program disbursements		<u>3,150,000</u>	<u>2,776,466</u>	<u>373,534</u>
STATE FORENSIC LABORATORY FUND				
Program disbursements		266,000	196,827	69,173
Expense and equipment		60,000	60,000	0
Total State Forensic Laboratory Fund		<u>326,000</u>	<u>256,827</u>	<u>69,173</u>
Total	\$	<u><u>8,924,658</u></u>	<u><u>7,755,935</u></u>	<u><u>1,168,723</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

CRIME VICTIMS COMPENSATION PROGRAM
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

		Appropriations	Expenditures	Lapsed Balances
CRIME VICTIMS COMPENSATION FUND				
Program disbursements	\$	4,550,000	4,153,421	396,579
Personal service		332,530	183,849	148,681
Expense and equipment		233,402	142,682	90,720
Total Crime Victims Compensation Fund		<u>5,115,932</u>	<u>4,479,952</u>	<u>635,980</u>
SERVICES TO VICTIMS FUND				
Program disbursements		<u>2,411,000</u>	<u>2,341,548</u>	<u>69,452</u>
STATE FORENSIC LABORATORY FUND				
Program disbursements		250,000	184,962	65,038
Expense and equipment		59,000	59,000	0
Total State Forensic Laboratory Fund		<u>309,000</u>	<u>243,962</u>	<u>65,038</u>
Total	\$	<u><u>7,835,932</u></u>	<u><u>7,065,462</u></u>	<u><u>770,470</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule

CRIME VICTIMS COMPENSATION PROGRAM
SCHEDULE OF PROGRAM PAYMENTS

Agency	City	Payment Amount for Year Ended June 30,				
		2000	1999	1998	1997	1996
CRIME VICTIMS COMPENSATION FUND						
Boone County- 13th Circuit Family Court	Columbia	\$ 0	24,157	0	0	0
Comprehensive Human Services, Inc.	Columbia	46,046	0	0	0	0
Avenues	Hannibal	0	0	32,000	0	32,000
Cass County Prosecuting Attorney	Harrisonville	0	0	16,750	0	0
Christian Associates of Table Rock Lake	Kimberling City	0	0	0	0	18,000
CASA, Inc.	Sedalia	0	0	0	19,540	0
Bridgeway Counseling Services, Inc.	St. Charles	0	0	0	30,000	0
Christos House	West Plains	0	18,292	0	0	0
Total Crime Victims Compensation Fund		46,046	42,449	48,750	49,540	50,000
SERVICES TO VICTIMS FUND						
Douglas County	Ava	22,686	0	0	0	0
Women's Crisis Center of Taney County	Branson	10,676	0	0	0	0
Stone County	Branson West	19,400	0	0	0	0
Stone County Assistance Team	Branson West	14,316	9,732	0	0	0
Moniteau County	California	26,982	10,295	0	0	0
Citizens Against Domestic Violence	Camdenton	9,500	4,732	4,702	0	0
Cape Girardeau Police Department	Cape Girardeau	0	1,573	0	0	0
Safe House for Women, Inc.	Cape Girardeau	19,399	18,563	0	0	9,566
Jasper County Prosecutor's Office	Carthage	0	0	0	0	14,500
Barry County	Cassville	26,500	0	0	0	0
FAITH, Inc.	Clinton	30,450	13,936	10,147	0	0
Boone County	Columbia	30,926	0	0	0	0
Comprehensive Human Services, Inc.	Columbia	0	49,364	29,524	28,803	27,633
Midwest L.E.A.D. Institute	Columbia	84,997	85,000	45,136	38,114	0
Susanna Wesley Family Learning Center	East Prairie	29,654	26,661	0	0	0
Whole Health Outreach	Ellington	43,600	39,238	25,000	17,933	18,000
Southeast Missouri Family Violence Council	Farmington	36,777	34,658	20,000	0	0
COMTREA	Festus	0	0	0	30,000	30,000
Card V/Coalition Against Rape	Fulton	18,385	0	0	0	0
Avenues	Hannibal	53,843	45,000	0	32,766	0
Cass County Prosecuting Attorney	Harrisonville	14,178	15,650	0	13,555	0
Hope Haven of Cass County	Harrisonville	17,039	23,936	15,884	0	0
Mary Shaw Butler Shelter & Victims Center	Hermitage	0	2,000	0	0	0
Child Abuse Prevention Association	Independence	0	37,702	0	0	0
Hope House, Inc.	Independence	82,410	53,932	44,000	34,000	104,000
Jefferson City Rape and Abuse Crisis Center	Jefferson City	39,000	35,428	17,274	21,527	20,547
Missouri Coalition Against Domestic Violence	Jefferson City	32,204	30,771	30,000	15,994	17,407
Missouri Department of Corrections	Jefferson City	0	0	0	0	1,667
Missouri Victim Assistance Network	Jefferson City	84,806	113,459	35,830	0	0
Children's Center of SWMO	Joplin	35,000	33,150	0	0	0
Lafayette House	Joplin	75,000	69,628	59,983	30,000	30,000
City of Kansas City	Kansas City	50,544	53,053	42,957	39,049	35,602
Jackson County	Kansas City	0	0	0	29,830	26,510
Jackson County Prosecutor's Office	Kansas City	36,830	33,694	28,949	0	0
Metropolitan Organization to Counter Sexual Assault	Kansas City	65,000	93,309	63,691	25,000	25,000
NEWHOUSE	Kansas City	100,000	137,537	50,000	37,244	40,000
Rose Brooks Center	Kansas City	99,091	62,000	143,741	46,415	49,000
Safehaven of Kansas City, Inc.	Kansas City	0	0	0	111,000	41,000
Synergy Services, Inc.	Kansas City	86,718	65,000	65,000	0	0
Christian Associates of Table Rock Lake	Kimberling City	25,520	33,201	19,747	18,154	0
Victim Support Service Inc.	Kirksville	64,009	49,083	0	0	0
Cope	Lebanon	49,700	0	0	0	0
Council for Prevention of Domestic Violence	Lebanon	0	37,000	20,000	0	0
Parents of Murdered Children	Lee Summit	4,235	3,000	3,191	3,141	2,257
House of Hope, Inc.	Lexington	53,911	24,336	21,848	0	0
Center for Family Resources, Inc.	Malden	45,683	35,600	34,714	26,927	0
Dunklin County Community Council	Malden	0	0	0	0	27,000
Lighthouse Shelter Inc.	Marshall	27,515	0	0	0	0

CRIME VICTIMS COMPENSATION PROGRAM
SCHEDULE OF PROGRAM PAYMENTS

Agency	City	Payment Amount for Year Ended June 30,				
		2000	1999	1998	1997	1996
Audrain County Crisis Intervention	Mexico	24,310	18,056	0	0	0
Safe Passage Domestic Violence	Moberly	18,879	21,876	0	0	0
Council on Families in Crisis, Inc.	Nevada	50,000	43,149	39,739	33,000	32,482
New Start Domestic Violence	New Franklin	5,120	0	0	0	0
Perry County Women's Crisis Center	Perryville	54,158	33,211	14,814	0	0
Platte County Prosecutor's Office	Platte City	14,941	16,670	14,899	14,880	14,880
Haven House, Inc.	Poplar Bluff	35,403	29,689	16,753	9,514	8,485
Phelps County Family Crisis Services, Inc.	Rolla	65,000	53,047	42,000	24,000	24,000
Phelps County Prosecutor's Office	Rolla	36,650	28,947	29,271	18,863	14,002
CASA, Inc.	Sedalia	45,907	42,124	19,406	0	15,068
Family Violence Center, Inc.	Springfield	62,495	69,680	51,901	39,833	30,000
Greene County Prosecuting Attorney	Springfield	0	0	8,693	0	0
Missouri Victim Center	Springfield	45,000	45,000	41,260	34,368	34,958
Bridgeway Counseling Services, Inc.	St. Charles	101,566	49,720	36,000	0	30,000
Bridgeway Counseling Services, Inc. - Lincoln County	St. Charles	0	35,519	22,000	0	0
St. Charles County Circuit Court	St. Charles	0	23,591	18,558	0	0
St. Charles County Prosecutor's Office	St. Charles	54,669	30,000	28,935	24,000	24,000
Young Women's Christian Association	St. Joseph	37,000	30,158	30,147	20,000	20,000
Aid for Victims of Crime, Inc.	St. Louis	45,000	41,286	33,000	37,300	33,000
Family Resource Center	St. Louis	33,052	24,242	0	0	0
Fortress Outreach	St. Louis	10,000	0	0	0	0
Legal Advocates for Abused Women	St. Louis	15,500	13,383	9,876	0	0
Life Source Consultants	St. Louis	9,000	0	0	0	0
Lydia's House Inc.	St. Louis	20,000	0	0	0	0
National Center for Violence Prevention	St. Louis	0	2,511	18,280	17,452	0
St. Louis Circuit Attorney's Office	St. Louis	74,702	82,289	59,425	19,690	16,746
St. Martha's Hall	St. Louis	56,860	33,505	34,367	32,484	32,300
Women's Safe House	St. Louis	50,472	19,596	18,746	16,175	19,878
Women's Support and Community Services	St. Louis	24,234	0	0	0	0
YWCA of Metropolitan St. Louis	St. Louis	14,004	11,734	11,537	12,000	12,000
Crawford County Sheriff	Steelville	17,030	18,250	18,159	0	0
Cedar County Prosecuting Attorney	Stockton	21,500	27,785	0	0	0
North Central Missouri Mental Health Center	Trenton	0	0	0	0	19,000
Franklin County Prosecuting Attorney	Union	12,432	11,963	13,301	13,893	14,660
University City Police Department	University City	13,595	13,595	11,925	12,000	12,681
Morgan County Prosecutor's Office	Versailles	0	0	10,852	0	8,480
Johnson County Prosecutor's Office	Warrensburg	0	0	5,176	8,440	0
Survival Adult Abuse, Inc.	Warrensburg	32,415	34,555	23,847	13,864	15,000
Warren County Council Against Domestic Violence	Warrenton	19,966	0	0	0	0
Pulaski County	Waynesville	20,551	18,169	0	0	0
Pulaski County Crisis Center	Waynesville	36,570	35,317	27,000	16,000	13,000
Christos House	West Plains	32,000	1,709	18,000	11,243	12,228
Total Services to Victims Fund		2,776,466	2,341,548	1,559,185	1,028,451	976,537
STATE FORENSIC LABORATORY FUND						
Southeast Missouri Regional Crime Lab	Cape Girardeau	22,000	22,000	22,000	22,000	22,000
St. Louis County Police Department	Clayton	29,458	32,586	36,996	36,869	33,854
Independence Police Department	Independence	12,000	12,000	9,990	0	0
MSSC Regional Crime Lab	Joplin	22,000	22,000	22,000	22,000	22,000
Kansas City Police Department	Kansas City	36,742	36,969	36,913	37,000	37,000
Truman State Regional Crime Lab	Kirksville	12,000	11,110	12,000	12,000	12,000
St. Charles County Police Department	St. Charles	12,013	11,992	11,815	11,999	12,007
St. Louis Metropolitan Police Department	St. Louis	34,615	36,305	36,723	36,938	37,000
Total State Forensic Laboratory Fund		180,828	184,962	188,437	178,806	175,861
Total		\$ 3,003,340	2,568,960	1,796,372	1,256,797	1,202,398

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

CRIME VICTIMS COMPENSATION PROGRAM
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Crime Victims Compensation Program.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the Crime Victims Compensation Fund, the Services to Victims Fund, and the State Forensic Laboratory Fund. Appropriations from these funds are expended by or for the program for restricted purposes.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the program's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the program and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, present amounts when they are received or disbursed.

The Statements of Appropriations and Expenditures, Exhibit B, are presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period. For years ended on or before June 30, 1999, the lapse period ended August 31 for regular appropriations and December 31 for capital improvement appropriations. For years ended on or after June 30, 2000, the lapse period ends August 31 for both regular and capital improvement appropriations. The authority to expend appropriations ends with the close of the

lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The program administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Crime Victims Compensation Fund: As provided by Chapter 595, RSMo 2000, this fund receives costs assessed on criminal convictions determined by a graduated scale depending on the seriousness of the offense. The purpose of the fund is to determine and award compensation to, or on behalf of, victims of crimes. Appropriations from this fund authorize payments directly to the provider of the services for medical or funeral expenses, or expenses for other services as allowed as a last resort for the victim. Any monies remaining in the fund are perpetually maintained for the purposes of the fund.

Services to Victims Fund: As provided by Chapter 595, RSMo 2000, this fund receives costs assessed on criminal convictions determined by a graduated scale depending on the seriousness of the offense. The purpose of the fund is to contract with public or private agencies to provide assistance to victims of crime through direct services, emergency services, crisis intervention counseling and victim advocacy. Any monies remaining in the fund are perpetually maintained for the purposes of the fund.

State Forensic Laboratory Fund: As provided by Chapter 595, RSMo 2000, this fund receives two hundred and fifty thousand dollars annually from costs assessed on criminal convictions. The purpose of the fund is to provide financial assistance to defray expenses of crime laboratories. Appropriations from this fund authorize distributions to labs making analysis of a controlled substance or analysis of blood, breath or urine for a court proceeding. Monies may only be used for equipment or capital improvements. Any monies remaining in the fund are perpetually maintained for the purposes of the fund.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibit A are the transfers from the Crime Victims Compensation Fund for costs related to salaries paid from that fund. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit B.

2. Cash and Investments

The balances of the Crime Victims Compensation Fund, the Services to Victims Fund, and the State Forensic Laboratory Fund are pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit B as follows:

		Year Ended June 30,					
		2000			1999		
		Crime Victims Compensation Fund	Services to Victims Fund	State Forensic Laboratory Fund	Crime Victims Compensation Fund	Services to Victims Fund	State Forensic Laboratory Fund
DISBURSEMENTS PER EXHIBIT A	\$	4,892,261	2,818,718	235,586	4,686,208	2,338,581	317,076
Employee fringe benefits		(84,143)	0	0	(51,076)	0	0
Expense and equipment transfers		(5,957)	0	0	(2,617)	0	0
Hancock refunds transfers		(111,792)	(61,985)	(6,260)	(176,504)	(78,729)	(11,534)
Lapsed period expenditures:							
2000		183,000	261,728	69,083			
1999		(148,818)	(231,316)	(46,860)	148,818	231,316	46,860
1998					(24,917)	(160,299)	(104,337)
Accounts payable, June 30:							
2000		42	0	5,278			
1999		(1,951)	(10,679)	0	1,951	10,679	0
1998					(101,911)	0	(4,103)
EXPENDITURES PER EXHIBIT B	\$	4,722,642	2,776,466	256,827	4,479,952	2,341,548	243,962

Note to the Supplementary Data:

4. Program Contracts

The Crime Victims Compensation Program enters into contracts, on a fiscal year basis, with local agencies to provide services to victims of crime. Amounts presented in the Schedule of Program Payments are actual payment amounts made to local agencies. Amounts presented in the Schedule of Program Payments for the Crime Victims Compensation Fund only include payments to local agencies for which a contract was awarded and do not include payments made to reimburse a crime victim's actual loss for medical bills, lost earnings or support, and other miscellaneous expenses. Amounts presented in the Schedule of Program Payments for the State Forensic Laboratory Fund only include payments to local agencies for which a contract was awarded and do not include the purchase of rape test kits for laboratories as authorized by the state legislature.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

CRIME VICTIMS COMPENSATION PROGRAM SUMMARY OF FINDINGS

1. Collection of Crime Victims Compensation Fees (pages 23-25)

The Department of Labor and Industrial Relations has not established procedures to ensure that the Crime Victims Compensation Program receives all crime victims compensation fees assessed and collected by the courts and that they are received in a timely manner.

2. Monitoring of Services to Victims Grants (pages 25-27)

The Department of Public Safety is not performing timely monitoring of contract awards granted from the Services to Victims Fund.

**CRIME VICTIMS COMPENSATION PROGRAM
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS**

We have audited the special-purpose financial statements of the Crime Victims Compensation Program as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated August 24, 2000.

The following Management Advisory Report presents our findings arising from our audit of the program's special-purpose financial statements.

1. Collection of Crime Victims Compensation Fees

Section 595.045, RSMo 2000, requires a crime victims compensation (CVC) fee to be assessed on each criminal conviction in each court in the state. This section requires the court clerks to distribute ninety-five percent of the fees collected to the state Department of Revenue (DOR) at least monthly. The DOR deposits these fees into the Crime Victims Compensation Fund, the Services to Victims Fund and the State Forensic Laboratory Fund in accordance with statute.

As noted in our prior audit, the Department of Labor and Industrial Relations (DLIR) has not established procedures to ensure that the Crime Victims Compensation Program receives all CVC fees assessed and collected by the courts. From October to December 1999, the DLIR followed-up on recommendations, concerning CVC fee collections and distributions, issued in State Auditor's Office reports on various state courts. As a part of this follow-up, the CVC Program sent letters to seven state courts; however, no follow-up letters have been issued since December 1999. In addition, no other procedures exist to identify courts not properly remitting CVC fees to the DOR.

During our review of payments made to the DOR, we noted that the City of Joplin did not remit CVC fees from January to October 1999 and did not remit fees from December 1999 to May 2000. Although the CVC Program did not contact the City of Joplin, the city remitted CVC fees of \$55,666 in November 1999 for the period of January to October 1999 and remitted \$29,642 in June 2000 for the period of December 1999 to May 2000.

We also noted inconsistent and untimely payments from the City of St. Louis during the two years ended June 30, 2000. For example, several months were noted where payments were not made appropriately and in May 2000, \$208,600 was remitted to the DOR (municipal payments averaged approximately \$35,000 per month for this time period). In addition, all payments for the City of St. Louis were generally made at least two months late. The CVC Program did not identify this situation and therefore was not able to ensure that CVC fees were properly assessed and collected by the City of St. Louis and that the CVC fees were remitted to the DOR in a timely manner.

The DLIR needs to establish procedures to recognize situations such as the City of Joplin and the City of St. Louis, where CVC fees are not being remitted to the state as required by state law. In such situations, the DLIR should determine if the courts have properly assessed, collected, and remitted all CVC fees to the Crime Victims Compensation Program as required by state law.

WE AGAIN RECOMMEND the DLIR establish procedures to monitor payments being made by the courts and follow up with the courts when CVC fees are not remitted on a regular basis.

AUDITEE'S RESPONSE

Following receipt of the audit report for the two years ended June 30, 1998, members of the DLIR met with representatives from the Office of State Courts Administrator (OSCA) and the Department of Revenue (DOR) to discuss how the recommendation made in that audit report could be implemented. The result of the meeting was a determination that there exists no short-term way to determine whether courts have properly assessed, collected or remitted all CVC fees.

Following receipt of the audit report for the two years ended June 30, 2000, we again discussed the problem with the OSCA. Representatives of OSCA confirmed that presently there is no effective way to monitor court deposits to the fund and there is no way to know which courts owe money, nor is there any way to monitor how much they owe.

In response to the prior state audit, the CVC Program has followed up on recommendations concerning CVC fee collection and distribution, issued in State Auditor's Office reports of various state courts. As a result of this follow-up, our management analyst sent letters to seven municipal courts between October and December 1999.

Some of the letters were informative letters mentioning that CVC had reviewed audit reports and several others were letters requesting the immediate remittance of CVC collections due the state. Of the seven letters sent, we received only one response from a municipal court clerk who had no concept of what the CVC Program was about and what the money collected was used for. Our management analyst discussed the program with the clerk.

During FY 2000, our management analyst again traveled to all 114 Missouri counties and the City of St. Louis. During those county visits, she stopped by at every Circuit Clerk's office and Associate Circuit Clerk's office.

When meeting with these people (either Circuit or Deputy Circuit Clerk or Associate or Deputy Associate Clerk), she stressed the importance of our offices working together as a team; how the courts and the Missouri Crime Victims' Compensation Program are interconnected; and how the Program depended on them to remit their CVC fines and fees to the Department of Revenue on a monthly basis as required by state law. Our agency depends on the courts to collect CVC fees so we

can assist victims across the state and in their respective counties. Many responded right away by saying that they do remit the money on a monthly basis.

Our management analyst will continue to contact each circuit court system. We will also follow up with the city courts within the circuit court districts by contacting and sending letters to them with reminders to deposit the fees that are due to the CVC Program.

In addition, we will contact the DOR within the next two months and request a disk indicating which courts have remitted CVC fees. Upon receipt of the disk, we will see if it is feasible for us to do a sort by courts, date, and past payment history. By following through on these suggestions, we hope to improve the collection of CVC funds.

2. Monitoring of Services to Victims Grants

The Services to Victims Fund (SVF) was established by Chapter 595, RSMo 2000, allowing the Department of Public Safety (DPS) to contract with public or private agencies to provide assistance to crime victims through direct services, emergency services, crisis intervention counseling and victim advocacy. To obtain funding from the SVF, these agencies/shelters must submit an annual application to the DPS. The DPS reviews each applicant for eligibility, programs offered, funding requested, etc. If the application is approved by the DPS, a contract is awarded.

The SVF application packet includes financial and administrative guidelines. According to a monitoring provision contained in the financial and administrative guidelines, the DPS is required to monitor each contract award at least once for each contract period (12-month period) and prepare a report documenting the results of this monitoring. The purpose of the monitoring is “to provide assistance to the contractor both from a technical and programmatic standpoint, as well as, to provide the DPS with the necessary information to ensure the contractor’s compliance with state and federal guidelines.”

During our review of 25 SVF contracts, we noted that 16 had not been properly monitored for the applicable contract periods. As of September 1, 2000, eight fiscal year 1999 contracts and eight fiscal year 2000 contracts had not been monitored. While many of these contracts are scheduled to be monitored in the last quarter of calendar year 2000 or the first quarter of 2001, at least twelve months have already lapsed since the end of the contract period for several of these contracts. In addition, two fiscal year 1999 contracts had not been scheduled to be monitored.

The DPS indicated that when they fall behind in their monitoring, they may perform a “desk” audit, asking the grant recipient to mail in supporting documentation such as time sheets, payroll records, or invoices; however, for the 16 contracts noted above, we observed no evidence that the DPS had performed a “desk” audit.

To ensure the funds are utilized for the intended purpose, to ensure the quality of the program, and to ensure agencies/shelters are in compliance with state and federal guidelines, formal on-site monitoring procedures should be performed on a regular basis and documented.

WE RECOMMEND the DPS perform formal on-site monitoring procedures of all SVF contracts on a regular basis and document the results of this monitoring.

AUDITEE'S RESPONSE

The Department of Public Safety (DPS) determines monitoring requirements. Chapter 595, RSMo, which establishes the Services to Victims Fund, does not require that grant contracts be monitored. However, the DPS believes that regularly scheduled monitoring of contracts is essential for proper and sound fiscal management of such grant programs.

Currently, the DPS uses several monitoring procedures to ensure regular contact with contracting agencies. These monitoring procedures include:

- Subcontractors submit a monthly report of expenditures and request for reimbursement to DPS by the 10th of each month. This report includes a detail sheet of all expenditures claimed on the report. The administrative staff reviews these monthly reports and any problems are resolved with the program staff.*
- All SVF subcontractors submit an annual performance report within 15 days after the end of the project period.*
- All potential SVF contractors are required to attend a compliance seminar each year that contracts are awarded.*

Starting with the next grant award cycle (April/May 2001), the DPS will monitor all contracts funded through SVF – either on-site or through desk monitoring – a minimum of one time every two years. In addition, the program staff will review the monthly reports of expenditures and detail sheets every month. Contracts with agencies, which have not previously received SVF funding through DPS, will always be monitored at least one time during the first six months of an initial contract.

In certain situations, a contract may need to be monitored on a more frequent basis, either on-site or through desk monitoring, to assure compliance. These situations include, but are not limited to:

- A report of mishandling of grant funds.*
- A report of the use of grant funds for ineligible activities.*
- Discrepancies noted on the monthly report of expenditures and detail sheet.*

- *A change in the management staff within a contracting agency.*
- *Financial and/or programmatic issues of noncompliance found during a regularly scheduled monitoring visit or through desk monitoring.*

The DPS feels that our current monitoring procedures along with the proposed enhancements will exceed the statutory requirements of Section 595.050.3, RSMo.

This report is intended for the information of the management of the Crime Victims Compensation Program and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

CRIME VICTIMS COMPENSATION PROGRAM FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Crime Victims Compensation Program on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 1998. The prior recommendation which has not been implemented is repeated in the current MAR.

Collection of Crime Victims Compensation Fees

The Department of Labor and Industrial Relations (DLIR) did not establish procedures to ensure that the Crime Victims Compensation Program received all crime victims compensation (CVC) fees assessed and collected by the courts. The Crime Victims Compensation Program did not review records of payments made by the courts to the Department of Revenue and, therefore, may not have received all CVC fees due to the state. In addition, the State Auditor's office sent audit reports of various state courts to the Crime Victims Compensation Program which indicated CVC fees were not being properly assessed and/or distributed. Although the Crime Victims Compensation Program reviewed these reports, no follow-up action was taken.

Recommendation:

The DLIR establish procedures to monitor payments being made by the courts and follow up with the courts when CVC fees are not remitted on a regular basis.

Status:

Not implemented. The DLIR held two meetings with the Office of State Courts Administrator and the Department of Revenue in an attempt to establish automated procedures to monitor payments; however, it was determined that no such procedures could be implemented due to limitations in each agency's computer system and programs. See MAR No. 1.

STATISTICAL SECTION

History, Organization, and
Statistical Information

CRIME VICTIMS COMPENSATION PROGRAM HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Crime Victims Compensation Program was established by Chapter 595, RSMo 2000, to assist victims who suffer actual bodily harm as a direct result of a crime. The Crime Victims Compensation Program consists of the Crime Victims Compensation Fund, the Services to Victims Fund, and the State Forensic Laboratory Fund. The Crime Victims Compensation Fund will pay a crime victim's actual losses for medical bills, lost earnings or support, and other miscellaneous expenses up to \$15,000, which are not reimbursed by any other means. The crime must have occurred in Missouri or the victim be a resident of Missouri in order for the victim to be eligible for benefits. The Services to Victims Fund provides funding to local service providers, law enforcement agencies, prosecutors, and other public and private non-profit organizations to assist crime victims in Missouri. The State Forensic Laboratory Fund provides financial assistance to defray expenses of crime laboratories.

Funding for the Crime Victims Compensation Program is from costs assessed on a criminal conviction determined by a graduated scale depending on the seriousness of the offense. The Director of Revenue shall deposit annually the amount of two hundred fifty thousand dollars to the State Forensic Laboratory Fund. Of the remaining funds, if on the first of the month, the balance of the Crime Victims Compensation Fund exceeds \$1,000,000 plus one hundred percent of the previous twelve month's actual expenditures then the Director of Revenue shall deposit fifty percent of the collections to the credit of the Crime Victims Compensation Fund and fifty percent to the Services to Victims Fund. If on the first of the month, the balance of the Crime Victims Compensation Fund is less than \$1,000,000 plus one hundred percent of the previous twelve month's actual expenditures then the Director of Revenue shall deposit seventy-five percent of the collections to the credit of the Crime Victims Compensation Fund and twenty-five percent to the Services to Victims Fund.

The Department of Labor and Industrial Relations has control over the majority of the Crime Victims Compensation Fund, while the Department of Public Safety has control over the Services to Victims Fund and the State Forensic Laboratory Fund.

* * * * *



NURSING HOME

MEDICAID REIMBURSEMENT PROGRAM

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-27
March 28, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

Missouri nursing home Medicaid rates need to be rebased more frequently using more current and actual nursing home cost report data.

This audit reviewed the financial status of Missouri's nursing home industry in relation to the state's Medicaid Reimbursement Program. Our audit determined the funding increase and projected effect on the industry if Medicaid reimbursement rates are adjusted (rebased), evaluated varying reimbursement methods, reviewed possible funding sources, and studied how the industry fared nationally. The following highlights our results:

Medicaid rates based on old cost data

Missouri Medicaid rates are adjusted (rebased) using actual nursing home cost data less often than other states. Missouri uses trend factors to annually adjust nursing home Medicaid rates, but these rates are based on nearly decade-old cost report data for many homes. In 1998, only one other state's nursing home Medicaid rates were based on cost data older than the 1992 cost data used in Missouri. In addition, a national study reported 33 other states used cost report data that was no more than two years old to set 1998 rates. Rate adjustments based on more current cost report data would allow Medicaid rates to more accurately reflect actual operating costs for each nursing home. (See page 10)

Nursing home industry is overbuilt.

Missouri's average occupancy rate for its nursing homes (80 percent) is one of the lowest in the nation and continues to decline. Nursing homes with low occupancy rates receive lower reimbursements and cannot fully recover administrative and capital costs under the current rate structure. In addition, the large number of unoccupied beds indicates more nursing homes are open than what is needed, which increase the costs for the Medicaid program. (See page 12)

Rebase cost lowest if Medicaid rates are capped at costs.

The additional funding needed to rebase Medicaid rates using the most current cost data range from \$57 million to \$132 million depending on the specific rate computation used. This audit reviewed various methods including those using current state regulations and methods if state regulations changed. If the state rebases using current regulations, our analysis showed it would cost as much as \$132 million. But it could cost less than half that amount (\$57 million) if the state capped reimbursement rates at allowable costs. (See page 15)

YELLOW SHEET

Missouri may receive up to \$436 million in additional funding in the next two calendar years through federal approval to participate in a Medicaid legislation “loophole.” This money, known as the Intergovernmental Transfer Program (IGT), can be used by the state for any purpose. The current plan for the money calls for “one-time efficiency grants” to the nursing homes of up to \$196 million over the next two fiscal years. These grants would replace the annual trend factor increases in each nursing home’s rate. This funding would be in addition to \$60 million in IGT monies already distributed to nursing homes in fiscal year 2001. These grants provide funding equally to financially-distressed and profitable nursing homes. (See page 18)

A “hold harmless” provision would cost state more.

After rebasing, the new Medicaid rate for some homes may be less than the home’s current rate. The Department of Social Services in the department’s initial budget request for fiscal year 2002 asked the General Assembly to institute a “hold harmless” provision. Such a provision would allow facilities whose rate might decrease as a result of rebasing to retain the higher current rate. This provision, which is currently not allowed under state regulation, would cost the state at least an additional \$2 million. (See page 16)

NURSING HOME
MEDICAID REIMBURSEMENT PROGRAM

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Members of the General Assembly
and
Dana Katherine Martin, Director
Department of Social Services
and
Gregory Vadner, Director
Division of Medical Services
Jefferson City, Missouri 65102

We have audited the State of Missouri's Nursing Home Medicaid Reimbursement Program. Using the most complete and current information available, we examined the state of the nursing home industry as of 1998. The objectives of this audit were to determine:

1. The estimated increase in Medicaid funding that would result if the Medicaid reimbursement rates are adjusted (rebased) under current state regulations using the 1998 cost report data.
2. The status of the nursing home industry in 1998 as impacted by the Medicaid reimbursement rates.
3. The projected effect upon the nursing home industry if rates are rebased.
4. If a correlation exists between 1998 Medicaid rates and overall quality of care provided by nursing homes as indicated by 1998 inspection deficiency data.
5. How Missouri nursing homes compare to national medians for selected statistics.

Our audit was conducted in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed applicable state laws and regulations, interviewed applicable personnel of the Department of Social Services - Division of Medical Services (DMS), and reviewed certain records, documents, and national studies.

As part of our audit, we assessed the state's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an

understanding of the design and relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Background Section and the information presented in the appendices is presented for informational purposes. This information was obtained from the Division of Medical Services' management or other indicated sources and was not subjected to the procedures applied to the audit of the Nursing Home Medicaid Reimbursement Program.

The Results and Overall Conclusion Section presents our findings arising from our audit of the Nursing Home Medicaid Reimbursement Program.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

December 12, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Jon Halwes, CPA, CGFM
In-Charge Auditor:	Dennis Lockwood, CPA
Audit Staff:	Mark Rodabaugh

EXECUTIVE SUMMARY

NURSING HOME
MEDICAID REIMBURSEMENT PROGRAM
EXECUTIVE SUMMARY

We have audited the state's Nursing Home Medicaid Reimbursement Program. Based upon our work, we reached the following conclusions:

- Missouri's nursing home Medicaid rates are adjusted (or rebased) using actual cost report data less frequently than many other states. A national study reported 33 other states use cost report data that is no more than two years old to make annual nursing home Medicaid rate adjustments. The current Medicaid rate for the majority of Missouri's nursing homes is based upon 1992 cost report data which has been adjusted for trend factors and other increases annually. More frequent adjustment of the base year would allow Medicaid rates to more accurately reflect actual operating costs for each nursing home.
- Current state regulations require nursing home Medicaid rates to be rebased using cost reports from at least one cost report year 1995 through 1999. The additional funding needed to rebase the 2002 Medicaid rates is dependent upon the specific methodology used. The following table indicates the expected impact under various methodologies discussed in this report. Under the \$57 million estimate, most nursing home Medicaid providers would be reimbursed at allowable costs while limiting the reimbursement to costs for economically and efficiently operated homes.

Additional Funding Requirements under Various Rebasing Methodologies
(In Millions)

Methodology	Prepared By	State Funds**	Federal Funds	Total Funds
Using current regulations	SAO	\$53	\$79	\$132
Using current regulations	DMS	\$50	\$76	\$126
Capped * without Minimum Utilization	SAO	\$29	\$43	\$72
Capped * without Minimum Utilization	DMS	\$27	\$41	\$68
Capped * with Minimum Utilization	SAO	\$23	\$34	\$57

* Revised current regulations to limit rates to no more than a home's allowable costs

** General Revenue or Intergovernmental Transfer Program funding.

- The \$256 million in Intergovernmental Transfer Program funding that has been or is planned to be provided to nursing homes as one-time grants does not eliminate the need to rebase nursing home Medicaid rates. The remaining \$196 million which has not been distributed is an available source to fund the state's share of the costs to rebase nursing home rates.
- The average overall occupancy rate for Missouri nursing homes (about 80%) is one of the lowest in the nation. The occupancy rate has declined from 84.9 percent in 1995 to 80.8 percent in 1999 and this trend appears to be continuing. The total number of available

bed days has remained relatively stable over the same period. Homes that have low occupancy rates cannot fully recover administrative and capital costs under the current rate structure. In addition, the large number of unoccupied beds indicates more nursing homes are open than otherwise might be needed and, as a result, increase the costs for the Medicaid program.

- After rebasing, the new Medicaid rate for some nursing homes may be less than the homes' current rate. Granting a hold harmless provision allowing such facilities to retain the higher current rate following rebasing would cost the Medicaid program at least an additional \$2 million. Such a provision is currently not allowed under state regulations, but was proposed in the fiscal year 2002 initial budget request made by the Department of Social Services – Division of Medical Services (DMS).
- Within the nursing home Medicaid rate structure, cost component ceilings are used to limit payments to homes at levels considered to be appropriate for those that are economically and efficiently operated. The ability of homes to maintain allowable reimbursable costs below these ceilings impacts the homes' profitability in relationship to their Medicaid rates.
- There appeared to be no definitive correlation between the overall quality of care provided by nursing homes and the home's Medicaid rate, allowable costs per day, rate versus cost differential, or direct care cost per day.
- For 1997, Missouri's nursing homes ranked below national medians for direct care expenses, average wages for full-time employees, net revenues per day, and operating expenses per resident; while the overall median profit margin for these homes exceeded the national median.

SCOPE AND METHODOLOGY

NURSING HOME MEDICAID REIMBURSEMENT PROGRAM SCOPE AND METHODOLOGY

Scope

We reviewed nursing home Medicaid cost report data for the 1998 cost report year. We compared facility specific cost data to the 1998 Medicaid rates. We obtained deficiency data arising from inspections of nursing homes performed by the Department of Social Services - Division of Aging. We reviewed applicable state laws and regulations, interviewed applicable personnel of the Department of Social Services, and reviewed department records and procedures related to determination of nursing home Medicaid rates.

Methodology

We performed the following procedures as part of our audit work:

- Reviewed 13 CSR 70-10.015 which describes current nursing home Medicaid rate setting methodology.
- Obtained an understanding of the internal controls and procedures used by the Department of Social Services - Division of Medical Services (DMS) to determine the Medicaid reimbursement rates for nursing homes.
- Obtained the 1998 cost report data submitted by nursing homes and desk audited by the DMS.
- Prepared a projection of the additional funding required to adjust the Medicaid rates based upon the 1998 cost reports and examined possible rebasing alternatives and funding sources.
- Analyzed cost report and rate setting data to identify the relationships between costs and rates and examined the impact upon the nursing home industry if rebasing is adopted.
- Obtained the deficiency data as recorded in the Online Survey and Certification Reporting System (OSCAR) arising from inspections performed by the Department of Social Services - Division of Aging for the last four inspection cycles.
- Developed a scale of quality of care based upon the OSCAR deficiency data to evaluate the correlation between a nursing home's Medicaid rate and client quality of care.
- Analyzed various national nursing home statistics cited in studies, *The Guide to the Nursing Home Industry, 2000* and *1998 State Data Book on Long Term Care Program and Market Characteristics*.
- Analyzed nursing home occupancy data.

RESULTS AND OVERALL CONCLUSIONS

NURSING HOME MEDICAID REIMBURSEMENT PROGRAM

Frequency of Rebasing

Missouri's 1998 and current Medicaid rates for the majority of nursing homes are based on cost report data for the base year of 1992. The *1998 State Data Book on Long Term Care Program and Market Characteristics*¹ reported thirty-three states used cost data that was no more than two years old to set the 1998 Medicaid rates.

Most nursing home rates are based upon 1992 cost data.

Under 13 Code of State Regulations (CSR) 70-10.015, nursing home Medicaid rates shall be adjusted (rebased) using the nursing home cost report data from one or more cost report years from the period 1995 to 1999. The Department of Social Services - Division of Medical Services (DMS) proposed in the department's initial fiscal year 2002 budget request using the 1998 cost reports to adjust the Medicaid rates.

The current rate methodology was implemented in 1995. As discussed in the Background Section of this report, nursing home rates are adjusted annually based on industry trend factors and other items. In Missouri, the base year for the majority of homes is nearly a decade old. More frequent adjustment of the base year would allow Medicaid rates to more accurately reflect actual and current operating costs for each facility.

Analysis of 1998 Cost Report Data

We reviewed the state of the nursing home industry using statistics generated from the cost report data as well as other nationally compiled information. We compared the 1998 cost data and 1998 rates for the following 489 nursing homes which currently remain in the Medicaid program:

In 1998, most rates were significantly below allowable costs.

<u>Nursing Home Rate Type</u>	<u>Number of Homes</u>
Prospective Rate	450
Interim Rate	27
Hospital - Based	10
State run	<u>2</u>
Total	<u>489</u>

We compared the total patient related revenues as reported on the cost reports to the total allowable costs per patient day as well as Medicaid rates to those costs for each of the 489 homes:

¹ 1998 State Data Book on Long Term Care Program and Market Characteristics, Harrington, C., Ph.D., et al, Nov 1999, page 7.

Revenues versus Allowable Costs

<u>Relationship</u>	<u>Number of Homes</u>	<u>Percentage of Total</u>
Patient related revenue exceeded costs	331	68%
Costs exceeded patient related revenues	158	32%

Medicaid Rate versus Allowable Costs

<u>Relationship</u>	<u>Number of Homes</u>	<u>Percentage of Total</u>
Medicaid rate exceeded costs	202	41%
Costs exceeded Medicaid rate	287	59%

For these facilities the overall average:

- revenue per day was \$97.23,
- allowable costs per day were \$97.46, and
- Medicaid rate was \$87.66.

We also analyzed the cost data by facility location, overall occupancy, Medicaid share of occupancy, facility type, and component ceiling impact:

Location

<u>Type</u>	<u>Number of Homes</u>	<u>Number of Homes with Costs > Rates</u>	<u>Percentage of Homes with Costs > Rates</u>
Metropolitan ²	150	104	69%
Non-metropolitan	339	183	54%

Nursing homes costs may be rising faster in metropolitan areas than in rural areas.

Occupancy

<u>Type</u>	<u>Number of Homes</u>	<u>Number of Homes with Costs > Rates</u>	<u>Percentage of Homes with Costs > Rates</u>
Above 85%	219	117	53%
Below 85%	270	170	63%

Under the current rate methodology, the administrative and fair rental value components of the rate include a minimum utilization factor set at 85 percent occupancy. As a result, homes with lower occupancy are reimbursed for a lower proportion of their administrative and fair rental value costs than higher occupancy homes.

² Facilities located in the cities of St. Louis, Kansas City and Springfield and the counties of St. Louis, St. Charles, Jefferson, Jackson, and Clay.

*The Guide to the Nursing Home Industry, 2000*³ reported Missouri's 1997 nursing homes occupancy rate (84.07 percent) ranked 45th lowest among all states. The *1998 State Data Book on Long Term Care Program and Market Characteristics*⁴ reported the Missouri's average 1998 occupancy rate ranked 21st of 22 states reported in this study. We obtained a report from the state's Certificate of Need Program indicating the following occupancy rates from 1995 through June 30, 2000. That report is based upon the results of quarterly surveys of occupancy in Intermediate Care Facilities and Skilled Nursing Facilities (ICF/SNF) conducted by the Department of Social Services - Division of Aging.

Missouri's occupancy rate is among the lowest in the nation.

ICF/SNF Licensed and Available Beds

Year	Available Days	Occupied Days	Occupancy %
1995	20,615,477	17,495,421	84.9
1996	20,663,774	17,371,774	84.1
1997	20,743,505	17,196,411	82.9
1998	20,749,679	16,920,556	81.5
1999	20,537,127	16,591,034	80.8
2000 (6 mo.)	10,134,424	8,084,665	79.8

The total number of available bed days decreased very little from 1995 through 1999; however, overall occupancy rates fell by 4 percent over the same period. Department of Social Services officials indicated this trend appears to be due to expanded in-home and community-based services available to individuals who previously only had the option of going to a nursing home.

As noted above administrative and capital costs must be allocated using the 85 percent minimum utilization factor. Homes with low occupancy receive proportionately lower Medicaid rates. In 1998, 114 of 270 (42 percent) homes with occupancy rates below 85 percent had per day costs that were greater than per day revenues. However, only 43 of 219 homes (20 percent) with occupancy rates above 85 percent had costs greater than revenues.

Medicaid Share of Occupancy

Type	Number of Homes	Number of Homes with Costs > Rates	Percentage of Homes with Costs > Rates
Above 75%	127	70	55%
Below 75%	362	217	60%

As the Medicaid share of occupancy increases homes must more closely align costs to rates since their ability to fund additional costs from other sources is reduced. In addition, homes qualifying for the first part of multiple component incentive will also receive an additional incentive if the

³ *The Guide to the Nursing Home Industry, 2000, HCIA Inc., Baltimore, MD, © 1999. Reprinted with Permission. For more information, please call (800) 568-3282*

⁴ *Harrington, C., Ph.D., et al, page 11*

Medicaid share is above 75 percent. The total number of nursing home days covered by Medicaid has declined at about the same rate as overall occupancy.

Entity Type

<u>Type</u>	<u>Number of Homes</u>	<u>Number of Homes with Costs > Rates</u>	<u>Percentage of Homes with Costs > Rates</u>
Profit Homes	344	197	57%
Non - profit Homes	145	90	62%

Nothing significant was noted in the entity type analysis.

Component Ceilings

A key factor affecting whether allowable costs are greater than rates or rates are greater than costs appears to be the ability of nursing homes to operate at or below the various cost component ceilings. These component ceilings are discussed in more detail in the Background Section of this report. The following tables reflect the number of homes exceeding certain cost ceilings or component limits and the percentage of those homes with reimbursable allowable costs exceeding rates:

Analysis by Individual Ceiling or Component Limit

<u>Ceiling/Component Limit</u>	<u>Number of Homes</u>	<u>Percentage of These Homes with Costs > Rates</u>
Patient care	187	81%
Ancillary	377	70%
Administrative	271	75%
Capital Costs > highest rental value component of \$16.98	113	95%

Analysis by Number of Limits Exceeded

<u>Number of Ceiling/ Component Limits Exceeded</u>	<u>Number of Homes</u>	<u>Percentage of These Homes with Costs > Rates</u>
0	50	6%
1	127	28%
2	153	63%
3	121	94%
4	38	100%

For the 1998 cost-reporting year, 66 percent of all nursing homes participating in the Medicaid program exceeded 2 or more of the rate component ceilings or limits.

Key issues from these statistics:

- The state's nursing home rate methodology is designed to limit the amounts of reimbursable costs through the imposition of cost component ceilings and minimum utilization factors so that homes are reimbursed at rates that would cover the costs of economically and efficiently operated nursing homes. Nursing homes that cannot keep costs below the ceiling component limits or have low occupancy will be more likely to have overall costs that exceed their Medicaid rate.
- The longer the interval between rebasing costs the greater the number of homes for which actual growth or change in costs will vary from the granted trend factors. As a result, nursing homes whose actual cost increases each year exceeded industry trends may gradually fall behind financially. Conversely nursing homes that have been able to reduce costs or whose actual cost increases each year were less than industry trends should benefit financially.
- The current trend of decreasing nursing home occupancy with a relatively stable number of available beds seems to reflect an over capacity in the industry which ultimately causes the need for more Medicaid funding. The minimum utilization factor helps limit the impact of low occupancy rates on Medicaid per diems.

(See Appendices B - E in this report for various tables or charts with more detailed results of this analysis.)

Profit Margin

The *Guide to the Nursing Home Industry, 2000*⁵ reported the following 1997 median values for Missouri and nationally for various statistics:

Comparison of Median Statistics, U.S. vs. MO, 1997

<u>Statistical Category</u>	<u>Average National Statistics</u>	<u>Missouri's Reported Statistics</u>	<u>Missouri's Rank</u>
Revenue per Day	\$109.70	\$101.05	32
Operating Expense per Day	\$107.94	\$98.74	34
Profit Margin	4.61%	5.06%	18
Direct Care Cost per Day	\$36.18	\$25.75	44
Annual Salary per Full Time Employee	\$25,182	\$18,230	44

This data reflects that Missouri nursing homes had expenditures, especially direct care costs, during that year below national median statistics and profit margins that exceeded national median statistics.

⁵ *The Guide to the Nursing Home Industry, 2000, HCIA Inc., Baltimore, MD, © 1999. Reprinted with Permission. For more information, please call (800) 568-3282*

The cost report data used in our analysis did not include total revenues and expenses for nursing homes, only patient related revenue and allowable costs. We were therefore unable to calculate a true profit margin for nursing homes, however, in order to estimate industry profitability we netted patient related revenues per day against the allowable costs per day and divided this amount by the total revenues. The average ratio of the netted computation to total revenues was 1.87 percent and the median was 5.44 percent. Nursing home profitability appeared to be as follows:

	<u>Percentage</u>
Percentage of homes losing money	32%
Percentage of homes marginally profitable	36%
Percentage of homes with 10 % + profit margins	32%

Future Costs of Medicaid Nursing Home Funding Under Current Proposals

The DMS has estimated annual state and federal funding for nursing homes will increase by \$126 million (state share \$50 million) after rebasing. Using the 1998 cost data and current Medicaid rate setting methodology set forth in state regulations, we determined that state and federal funding requirements could increase by as much as \$132 million (state share \$53 million).

The primary reasons for the differences in the two calculations are:

- The DMS used a trend factor rate for the period 1999 to 2002 of 14.9 percent while we used 15.75 percent. Our calculation used the same annual and estimated rates; however, we compounded them annually while the DMS did not.
- We used September 2000 interest rates in our calculation while DMS used the September 1998 rates.
- We took the 1998 costs and ran them through the rate methodology as set forth in 13 CSR 70-10.015 to determine what the rate would have been in 1998 and then trended the rate forward while DMS had trended the 1998 costs to 2002 and then ran them through the rate methodology to calculate the 2002 rate.
- The DMS calculation included a hold harmless provision (discussed below) while ours did not.

After rebasing our estimates indicate 73 percent of nursing homes will have Medicaid rates greater than allowable costs. The increased funding for the industry would result from:

- Differences over the numerous years since rebasing last took place, between the trend factors granted and changes in actual costs.

- Higher computed component ceiling limits that would allow homes to recover some allowable costs they otherwise would not have under prior ceiling limits. Part of the reason for this is that costs related to approximately 100 homes that have entered the Medicaid program since 1992 are not included in the current ceiling component limit total calculations.

Hold Harmless Provision

State regulation clearly indicates the rates are to be adjusted upward or downward when rebasing is done. The DMS's rate calculation and fiscal 2002 initial budget request for nursing home Medicaid funding allowed homes with a current rate that is higher than the rate that would result from rebasing to retain the higher rates, that is be "held harmless." The estimated impact of this provision would be:

<u>Source</u>	<u>Number of Homes</u>	<u>Estimate Additional State and Federal Funding</u>
DMS estimate	25	\$2.6 million
State Auditor estimate	19	\$2.2 million

While the additional cost is minimal, the majority of these homes will have rates greater than allowable costs and as a result there does not appear to be any need for such a provision. If Medicaid rates were rebased with rates capped at allowable costs as discussed below, the estimated additional state and federal funding to cover a hold harmless provision could be as much as \$24 million.

Other Rate Setting Methodologies

The *1998 State Data Book on Long Term Care Program and Market Characteristics*⁶ reported that states use the following general rate-setting Medicaid reimbursement methodologies:

<u>Method</u>	<u>Number of States⁷ Using the Method</u>
Prospective adjusted (rates may increase during the rate year)	24
Prospective facility-specific	20
Prospective class	3
Combination prospective and retrospective	3
Retrospective	<u>1</u>
	<u>51</u>

Missouri uses a prospective facility-specific methodology. Retrospective methodologies set rates based on the cost of providing care while prospective methods set rates in advance for each facility based on historical costs (facility-specific) or set a flat rate for groups of facilities (class method). Adjusted methods allow rate increases during a period over which rates have already

⁶ Harrington, C., Ph.D., et al, page 6

⁷ Includes Washington D.C.

been established. In recent years this method has increased in usage by many states. The study also noted 26 states enhance the general rate-setting methodology used with a case-mix reimbursement approach which uses patient care needs as a basis to set at least some portion of the overall rate. This approach has also increased in popularity over the last several years. Missouri does not include any case-mix analysis in the rate setting process.

Use of a case mix component adds more subjectivity to the rate setting process since the level of patient care needs which is determined by the nursing home could be exaggerated for the patient's initial and annual assessment to increase funding. Expected higher state administrative costs along with patient rating subjectivity appear to limit the usefulness of this approach. More frequent rebasing should allow the Medicaid rates to reflect changes in the overall acuity level of a nursing home's residents while avoiding the administrative complexity associated with case-mix methodologies.

Besides the estimate used in the budget proposal noted above, the DMS also considered a proposal under which nursing home Medicaid rates would be rebased using the 1998 cost reports as the base year but the resultant Medicaid rates would be capped at no more than the allowable facility specific costs per day. The DMS estimated the additional funding required to implement this proposal to be \$68 million (state share \$27 million.) Under this scenario, the rates would be determined under the current methodology including component ceilings based upon the 1998 cost report data. Some facilities would receive some benefit from the patient care, ancillary and multiple component incentives. However, the Medicaid rate would be capped at the allowable costs per day. The DMS estimate did not include the 85 percent minimum utilization factor. We prepared an estimate using a methodology similar to that used by the DMS but based it upon the compounded trend factor and current interest rates as well as another estimate which incorporated the minimum utilization factor:

Consider capping rates at no more than allowable costs.
--

<u>Estimate</u>	<u>Amount</u>
Without Minimum Utilization	\$72 million (state share \$29 million)
With Minimum Utilization	\$57 million (state share \$23 million)

Under the \$57 million estimate, most nursing home Medicaid providers would be reimbursed at allowable costs while limiting the reimbursement to costs for economically and efficiently operated homes. No provider would be paid more than allowable costs. If this rate methodology were adopted, 173 facilities would have their Medicaid rate reduced from state fiscal year 2001 levels while 316 facilities would receive rate increases.

New Funding Source

For fiscal year 2001, the state received approval based on an amendment in the Medicaid State Plan to participate in a “loophole” in federal Medicaid legislation that allows states to receive additional federal matching funds based on enhanced payments to some government operated health care providers as allowed under Medicare’s “upper payment limit” rules. Under the state’s Intergovernmental Transfer (IGT) Program, after the state claims the federal matching funds, the enhanced payments to these providers are returned to the state. Based on the funding derived from this process, in November 2000, each nursing home participating in the Medicaid program was distributed a share of \$60 million (approximately \$6.30 per Medicaid day) in funding based on the number of Medicaid days of service provided in fiscal year 2000. According to the DMS, the state may receive up to \$117 million in additional funding under this program during the fiscal year. IGT program funding can be spent by the state for any purpose.

The IGT program may provide up to \$436 million in funding to the state in the next 2 years.
--

Effective March 2001, the federal government implemented changes to modify the existing rules to significantly limit the upper payment limit funding states can receive. Under the federal legislative changes, Missouri will only be able to participate under previous upper payment limit rules one more federal fiscal year. The DMS has estimated an additional \$256 million will be made available during state fiscal year 2002. The current estimate for state fiscal year 2003 is \$63 million. The actual amount available in 2003 will depend upon future changes in Medicare rates and actual funding provided to nursing homes in 2002.

The DMS has developed an IGT spending plan. Under this plan nursing homes would receive “one time efficiency” grants of \$196 million over state fiscal years 2002 and 2003 in addition to the \$60 million already received in fiscal year 2001. The remainder of the Intergovernmental Transfer revenues (\$180 million) would be used to supplement other Medicaid programs. The DMS has not developed eligibility criteria or other “efficiency” grant requirements at this time.

If the “efficiency” grants are distributed under the same methodology as the \$60 million distribution in November 2000, nursing homes would receive an estimated \$13.52 per day in fiscal year 2002 and \$6.41 per day in fiscal year 2003. In fiscal year 2002, 69 percent of nursing homes would have a combined rate plus grant per diem that exceeds their fully trended allowable costs. Those homes would be paid \$87 million more than allowable costs. In fiscal year 2003, 42 percent of homes would have a combined rate plus grant per diem that is greater than the estimated fiscal year 2003 allowable costs per day. Those homes would be paid \$35 million more than costs. See the following tables:

POTENTIAL IMPACT OF IGT GRANTS

	<u>Fiscal Year 2002</u>		<u>Fiscal Year 2003</u>	
	Rate + IGT Grant >Cost	Cost >Rate + IGT grant	Rate + IGT Grant >Cost	Cost >Rate + IGT grant
# of Homes	337	152	205	284
% of Homes	69%	31%	42%	58%
Compensation in Excess of Allowable Costs	\$87 million	---	\$35 million	---
Compensation Less Than Allowable Costs	---	\$58 million	---	\$108 million

<u>RATE + IGT grant versus Allowable Costs</u>			
<u>Fiscal Year 2002</u>	<u>Rate + IGT grant</u>	<u>Allowable Costs</u>	<u>Difference</u>
Average	\$109.25	\$107.77	\$1.48
Median	\$109.46	\$100.32	\$7.55
<u>Fiscal Year 2003</u>			
Average	\$102.13	\$111.21	\$(9.08)
Median	\$102.35	\$103.53	\$(2.71)

It appears that simply using the funds designated for the nursing home program arising from the IGT program to make “efficiency” grants to nursing homes in 2002 and 2003 would provide significant funding to the industry, but not address long-term funding needs or the need to rebase rates. The Department of Social Services does not want to include the IGT funding in the nursing home rate structure since there will be no identified funding source when the revised upper payment limit rules reduce the state’s IGT funding. The department indicated that there would be significantly less industry resistance to the ending of the IGT grant payments if the program is terminated by the federal government than to cutting established rates in the future. Under the proposed usage of the IGT monies as one-time efficiency grants, Missouri is only delaying by no more than two years an inevitable increase in General Revenue funding that will be necessary for the Medicaid nursing home program once rates are rebased.

The IGT monies are a currently available source to fund the costs of rebasing nursing home Medicaid rates. Rebasing rates would more closely align Medicaid rates and provider costs and could be tailored to limit rates to costs of economically and efficiently operated homes. Regular rebasing would help to ensure the highest number of providers practically and reasonably possible would be reimbursed for the cost of providing Medicaid services. The legislature should consider use of the IGT monies as a transitional source to fund the cost of rebasing nursing home Medicaid rates.

Medicaid Rates and Quality of Care

To examine the relationship between a nursing home’s quality of care and Medicaid rate we performed the following procedures:

- Obtained the inspection deficiency data for the 489 homes in our analysis from the Department of Social Services - Division of Aging. The data is maintained in the federal Online Survey and Certification Reporting (OSCAR) system.
- Identified the inspection survey falling within or most closely following the facility's 1998 cost report year.
- Sorted the 489 homes by the difference between their Medicaid rate and their 1998 allowable costs per day.
- Chose three groups of nursing homes for our study:
 - 50 with patient day costs that significantly exceeded the home's Medicaid rate,
 - 50 with Medicaid rates and costs that were approximately equal,
 - 50 with Medicaid rates that significantly exceeded the patient day costs.
- Developed a scale under which increasing values were assigned to increasingly severe deficiencies. The quality score was determined by adding together the values of all the deficiencies in the survey. Homes with higher scores were considered to have a lower overall quality of care. We then analyzed the quality scores for the three groups by cost/rate differential, location, overall occupancy, Medicaid share of occupancy, and direct patient care costs:

Cost Rate Differential Analysis

Cost Rate Differential	Average \$ Difference	Average Quality Score	Average # of Deficiencies	# of Homes with No Deficiencies
Cost > Rate	(49.25)	25.90	4.96	15
Cost \cong Rate	(.17)	33.84	6.52	7
Rate > Cost	16.39	30.22	6.14	10

Location, Occupancy and Medicaid Share of Occupancy Analysis

	Number in Group	Average Quality Score	Average # of Deficiencies	Homes with No Deficiencies
Metropolitan	51	32.39	6.41	11
Non-Metropolitan	99	28.75	5.60	21
High Occupancy	62	22.16	4.61	14
Lower Occupancy	88	35.50	6.76	18
High Medicaid Share	42	37.31	7.14	8
Lower Medicaid Share	108	27.14	5.38	24

Direct Patient Care Costs per Day and Quality Score

Patient Care Cost Range	Average \$/day	Average Quality Score	Average # of Deficiencies	Homes with No Deficiencies
High 50	64.91	20.44	3.98	15
Middle 50	45.78	35.86	6.96	12
Low 50	38.68	33.66	6.68	5

There was no definitive correlation between the quality score and the rate cost relationship. There were similar numbers of nursing homes with high and low quality scores in each of the three groups. Also, nursing homes with the highest direct patient care costs as well as those with higher overall occupancy and lower Medicaid occupancy had slightly, but not significantly so, better quality scores but the correlation factor for this data was not significant.

No statistical correlation between rates and quality of care was found.

Overall Conclusions

Missouri's nursing homes are being impacted by overall trends of decreased occupancy and Medicaid patient days along with trended rates based on actual cost report data that are nearly 10 years old for many homes. National statistics compiled for 1997 indicated Missouri's nursing homes ranked below national medians for several expenditure categories while the overall median profit margin for these homes exceeded the national median. In addition, 1998 nursing home cost reports indicated 59 percent of the state's nursing homes had allowable costs that exceeded the home's Medicaid rate while 68 percent of the state's nursing homes were profitable.

Missouri's nursing home Medicaid rates are rebased less frequently than in most other states. More frequent and timely rebasing would better align the Medicaid rates and the costs of economically and efficiently operated nursing homes.

Current state regulations require nursing home Medicaid rates to be adjusted or rebased using cost reports from at least one cost report year 1995 through 1999. Rebasing Medicaid rates for Missouri nursing homes using 1998 cost data will require additional state and federal funding in fiscal year 2002 of amounts ranging between \$57 million and \$132 million based on the specific rate computation methodology used. The additional costs would be required for all future years. Any desired change in the rate methodology would require revision to existing state regulations covering the computation of nursing home Medicaid rates.

The \$256 million in Intergovernmental Transfer Program funding that has been or is planned to be provided to nursing homes as one-time grants does not eliminate the need to rebase nursing home Medicaid rates. The remaining \$196 million which has not been distributed is an available source to fund the state's share of the costs to rebase nursing home rates.

Revising Missouri's laws to allow a hold harmless provision for nursing homes whose rebased rate is less than the current rate received will require state and federal funding of at least an additional \$2 million.

There appeared to be no definitive correlation between the overall quality of care provided by nursing homes and the home's Medicaid rate, costs per day, rate versus cost differential or direct care cost per day.

Recommendations

We Recommend the General Assembly:

- 1.1 Adjust state law to ensure nursing home Medicaid rates are rebased annually using cost reports that are no more than 2 years old like the majority of other states.
- 1.2 Consider a rate structure that limits nursing homes rates to no more than allowable costs using established minimum utilization factors. If incentives are still considered necessary to provide additional funding to the industry, the eligibility criteria for those incentives should consider the home's quality of care as well as direct patient care costs.
- 1.3 Consider using the funding generated through the Intergovernmental Transfer Program to pay for the state's share of the costs to rebase nursing home Medicaid rates.
- 1.4 Consider declining nursing home occupancy and Medicaid patient day trends when determining the funding needs for Missouri's nursing homes.
- 1.5 Not adjust state law to allow a hold harmless provision when nursing home rates are rebased.

The Department of Social Services Comments:

- 1.1 *This recommendation would be difficult, if not impossible, for the department to implement due to the timing of submission of nursing home cost reports. Costs reports are required to be filed with the department five months following the facilities fiscal year end. The department would not have audited cost report information to develop a budget decision item for General Assembly consideration until the following budget cycle. Thus, the earliest the department would be able to comply with the proposed statutory provision would be for cost reports that are three years rather than two years old.*
- 1.3 *Moneys gained through the intergovernmental transfer (IGT) program should be treated as one-time add-on payments and not be used to support on-going per diem increases. Facilities rely on consistent per diem rates for future planning. If the state were unable to replace the IGT monies when this funding ends, per diems would have to be reduced and the nursing facilities would be forced to make unanticipated reductions.*

The department did not comment on the other recommendations.

This report is intended for the information of the management of the state of Missouri, the Department of Social Services, and the General Assembly. However, this report is a matter of public record and its distribution is not limited.

BACKGROUND

NURSING HOME MEDICAID REIMBURSEMENT PROGRAM BACKGROUND

The current Medicaid rate determination methodology is set forth in 13 CSR 70-10.015. Under this methodology, the reimbursement rate is based upon allowable costs as reported on an individual nursing home cost report for a base year. When the current methodology was developed in 1995 the base year chosen was 1992. If nursing homes entered the program after 1992, the base year cost report for that facility will generally be the one covering the second full business year for that home. Only the base year cost data is used to determine the prospective Medicaid rate for each facility. In subsequent years, the rates are adjusted for all homes with prospective rates through trended percentages or specific dollar amount increases in the per diem as determined from appropriations by the state legislature. In 1998, the highest Medicaid rate per-diem rate paid to a nursing home was \$100.68 and the lowest rate paid was \$64.34.

(See Appendix F for the average 1998 Medicaid rate for each state.)

The Department of Social Services - Division of Medical Services, Institutional Reimbursements (DMS-IR) section performs a desk audit of each cost report to identify unallowable costs or misclassified costs. If DMS-IR audit staff question particular expenditures, the nursing home may be required to submit additional detailed documentation. Nearly all 1998 cost reports had been desk audited as of January 2001. The DMS-IR may conduct onsite field audits of nursing home records if the cost report covers the rate setting base year and a significant number of questions arising during the desk review have not been resolved.

Sources of Funding

Monthly nursing homes funding for a Medicaid eligible resident is computed in the following manner:

$$\begin{array}{rclcl}
 \text{Daily Medicaid Patient} & & \text{Number of Days Patient in} & & \text{Amount Due} \\
 \text{Rate} & \times & \text{the Home} & = & \text{Nursing} \\
 & & & & \text{Home} \\
 \\
 \text{Amount Due Nursing} & - & \text{Resident's Share}^8 & = & \text{Medicaid} \\
 \text{Home} & & & & \text{Program} \\
 & & & & \text{Share}
 \end{array}$$

The Medicaid program share is paid from:

- Federal funding (approximately 60 percent)

⁸ Any monies (social security, pension, etc.) received that would cause the assets of a nursing home resident to exceed the \$1,000 retention limit.

- State funding along with redistribution of Nursing Facility Reimbursement Allowance (NFRA) tax assessments (approximately 40 percent). NFRA taxes are further discussed below.

Nursing homes also may receive funding under the federal Medicare program or private payments either from individuals or insurance companies.

(See Appendix A for actual and estimated nursing home Medicaid funding sources for the five fiscal years ending June 30, 2002.)

Rate Increases

Missouri has generally granted nursing homes annual rate adjustments based on a trend factor or adjustment for inflation. The DMS annual budget request increase for nursing home Medicaid funding is based on the Health Care Financing Administration (HCFA) Market Basket Index for Nursing Homes, a statistical measure of the change in costs of goods and services purchased by nursing facilities during the course of one year. The legislature generally appropriates a fixed amount of funding for the nursing home Medicaid program. The following table indicates the actual HCFA trend factors and the granted rate adjustments for the years 1995 through 2001. In addition, to the trend factor, the per-diem rates were increased in two steps by a total of \$4.43 in 1996 and 1997 for increases in the minimum wage. The minimum wage increases approximated a 6 percent increase in the rates.

	<u>Trend Factors 1995 – 2001</u>							
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Compounded</u>
ACTUAL	4.6	3.7	3.4	3.5	3.1	4.5	3.9*	29.95
GRANTED	4.6	7.0**	6.1**	3.4	2.1	1.9	3.0***	31.63

* estimated

** includes additional minimum wage adjustment

*** estimated - rate was adjusted \$3.20 per day (quality assurance incentive)

Nursing Facility Reimbursement Allowance

The Nursing Facility Reimbursement Allowance (NFRA) tax was established in 1995. These monies are placed in the state's NFRA Fund. Each nursing facility, except those operated by the Department of Mental Health, is assessed a per-diem provider tax based upon the annualized total patient days as determined from the applicable ICF/SNF Certificate of Need Quarterly Survey compiled by the Department of Social Services - Division of Aging. The tax is assessed on all nursing facilities regardless of whether they participate in the Medicaid program. The DMS determines the NFRA per-diem rate each year based upon the estimated funding requirements of the NFRA Fund. The total amount collected by the tax cannot exceed 6 percent of total nursing home revenue. The DMS has estimated that for fiscal year 2001 the NFRA assessments equal about 5.75 percent of total nursing home revenue. Each facility that participates in the Medicaid program receives as part of the facility's per-diem rate an amount equal to the assessed per-diem tax for each Medicaid day.

The NFRA per-diems in 1995 through 2001 were:

	1995	1996	1997	1998	1999	2000	2001
NFRA	\$2.76	\$3.55	\$5.30	\$5.88	\$5.88	\$7.04	\$7.50

In addition to funding the NFRA portion of the per-diem, the NFRA Fund is a source of funding for the patient care, ancillary, multiple component and quality assurance incentives. Up to \$1.5 million annually from the NFRA fund is transferred to the Nursing Facility Quality of Care Fund. This provider tax is matched at the federal financial participation rate (about 60 percent).

Cost Component Ceilings

Within the rate structure, cost component ceilings are used to limit reimbursement to the costs that would be incurred by economically and efficiently operated nursing homes. There are three components (patient care, ancillary, and administrative) for which the per-diem rate is limited by a ceiling. The ceilings were set in 1995 based upon a percentage of the median value for each component within the 1992 cost report data. In subsequent years the ceilings have been increased for the granted trend factors except in fiscal year 2001. The following table lists how the ceiling for each component is derived and the ceiling in place at October 1, 1998.

Cost Component Ceilings		
Component	Percent of Median	1998 Ceiling
Patient Care	120%	\$ 48.56
Ancillary	120%	\$ 7.76
Administrative	110%	\$ 14.15

For facilities with occupancy rates below 85 percent of the total available number of bed days, the administrative costs must be allocated over an 85 percent minimum utilization factor. This requirement reduces the allowable administrative cost per-diem for low occupancy homes.

Reimbursement for Capital Costs

Missouri uses a fair rental value system to reimburse nursing homes for capital costs. There is no ceiling for the fair rental value component, however, the highest fair rental value per diem in 1998 was \$16.98. The primary factors for determining the fair rental value are:

- the asset value assigned to a nursing home bed,
- the age of the bed,
- the 85 percent minimum utilization factor, and
- the interest rate used to determine the allowable return on equity and computed interest.

The current bed value was set at \$32,330 per bed in 1994 and has remained constant. The asset value is reduced for the age of the beds at 1 percent per year up to 40 years. Both the return on equity and computed interest factors are limited by the aged asset value. The interest rate for return on equity is set at the 30-year Treasury Bond rate at September 2, 1994 plus 2 percent

(9.48 percent). The interest rate for the computed interest factor is set at the prime interest rate plus 2 percent at September 2, 1994 (9.75 percent).

Working Capital Per-diem

Nursing homes are also granted a rate factor to cover the cost of working capital. The working capital per-diem was implemented to reimburse homes for the cost associated with carrying operating expenses from the time the Medicaid billings are submitted until the payments can be processed. Medicaid payment processing time averages about 4.75 weeks.

Incentives

The rate structure also includes add-on incentives. The following table describes each incentive and the number of homes receiving each incentive as well as the median incentive received for the year ended 1998:

<u>Incentive</u>	<u>Description</u>	<u>Number of Homes</u>	<u>Median Incentive Received</u>
Patient Care	Available to all facilities with a prospective rate	465	\$ 4.04
Ancillary	Available to facilities with an ancillary per-diem below the ancillary ceiling for all homes	323	0.95
Multiple Component I	Available to facilities for which the sum of the patient care and ancillary per-diems is greater than or equal to 60 percent but less than or equal to 80 percent of their total per-diem	456	1.30
Multiple Component II	Available to facilities receiving the first multiple component incentive if that home's Medicaid share of occupancy was greater than or equal to 75 percent.	146	0.30

In state fiscal year 2001, facilities were granted a quality assurance incentive of \$3.20 per day. Facilities are required to use the monies for direct patient care costs. The state fiscal year 2002 DMS budget proposal replaces this incentive with a 3.9 percent trend factor.

Interim Rates

The Medicaid rates for nursing homes entering the program are set on an interim basis until the base year cost report is received and desk audited. Under current regulations, interim rate homes receive:

- 100 percent of the patient care component ceiling,
- 90 percent of the ancillary and administrative component ceilings,
- 95 percent of the median capital component,
- Working capital component, applicable minimum wage adjustments, and, in fiscal year 2001, the quality assurance incentive.

Interim rate homes do not qualify for the patient care, ancillary or multiple component incentives. The interim rate homes provided 298,292 Medicaid days of service in 1998.

Hospital Based Nursing Homes

Hospital based nursing homes that submit cost reports have their rates set in the same manner as other nursing homes. Hospital based nursing homes providing less than 1,000 Medicaid days per year may submit a cost report and have their rate set in the same manner as other homes. If such homes choose not to submit cost reports, the rate received is based upon 100 percent of the patient care, ancillary, and administrative ceilings plus the capital component median along with the working capital per diem and the patient care incentive. Hospital based nursing homes generally report significantly higher direct care hours per patient day than the typical nursing home. Hospital based nursing homes provided 118,545 Medicaid days of service in 1998.

Rebasing is mandated

Under 13 CSR 70-10.015 (3) (T), the DMS is required to pick at least one cost report year from the cost report years of 1995 through 1999 and compare the costs from the selected cost report year or years to the rate in effect at the time of the comparison. Each facility's reimbursement rate shall be increased or decreased to reflect the allowable costs from the cost report selected. The process of switching base years is called rebasing. However, the regulations do not specify in which year the rebasing must occur.

The DMS has proposed adopting 1998 as the new base year. Under the department proposal:

- The 1998 costs would be trended forward to 2002 and those costs would be used to set the fiscal year 2002 rates.
- The DMS would revise the cost component ceilings to reflect the median costs as determined from the 1998 cost report data.
- The asset value assigned to a bed would rise to \$35,327.

- The interest rate for calculation of the return on equity factor of the fair rental value would be 8.25 percent.
- The interest rate used to determine the computed interest and the working capital factors would be 11.5 percent.
- All incentives would be based upon the trended costs.
- The quality assurance incentive granted for fiscal year 2001 would be eliminated and replaced by a trend factor of 3.9 percent for that year.

Explanation of Terminology:

<u>Term</u>	<u>Description</u>
Administrative Costs	Costs for office, management, and maintenance personnel, utilities, maintenance and repair, vehicles, and supplies.
Allowable Costs (costs)	Costs which are allowable under state regulation as determined by the Division of Medical Services using Medicare cost criteria and principles and generally accepted accounting principles (GAAP).
Ancillary Costs	Costs for therapy, lab, x-ray, and laundry and housekeeping services.
Ancillary Incentive	An add-on per-diem if the facility's ancillary per-diem is less than the ancillary ceiling.
Available Bed Day	A day in which a licensed bed is currently staffed and capable of being occupied or is occupied.
Base Year Cost Report	The cost report for the rate setting period which is usually the second full business year after the nursing home provider enters the Medicaid program.
Capital Costs	Rent, leases, insurance, real and personal property taxes, depreciation, amortization, and interest costs.
Computed Interest Per-Diem	The capital debt (limited to facility asset value) times the applicable interest rate (currently 9.75%) divided by the total occupied days with the minimum utilization factor applied.
Cost Component	Groupings of allowable costs used to calculate the per-diem rate. The four cost components are patient care, ancillary, administrative, and capital.
Cost per Patient Day	Total costs or component costs divided by the number of days of service provided to all residents in the cost report period.
Cost Report / Data	A financial and statistical report for each nursing home with required attachments which detail the cost of providing both covered and noncovered services according to the regulations and instructions.
Desk Audit	An audit of the cost report by the DMS conducted where a field audit is not performed.
Fair Rental Value Per-Diem	The per-diem portion of the rate based upon the rental value, and rate of return, computed interest, and pass through factors.

Explanation of Terminology:

<u>Term</u>	<u>Description</u>
HCFA Market Basket Index	An index representing a statistical measure of change in costs of goods and services purchased by nursing facilities during the course of one year published quarterly by DRI/McGraw Hill.
ICF/SNF Quarterly Survey	A survey conducted by the Division of Aging and compiled by the Certificate of Need Program to determine the occupancy rates of nursing homes, both Intermediate Care and Skilled Nursing Facilities.
Medicaid Share of Occupancy	The percentage of total occupied days provided to Medicaid eligible patients.
Minimum Utilization Factor	The requirement that administrative and capital costs components be computed based upon 85 percent of the available bed days if a home's occupancy rate is below 85 percent.
Multiple Component Incentive	An add-on per-diem if the sum of the patient care and ancillary per-diems is in the range of 60% to 80% of the total per-diem. Homes qualifying for this incentive that have a Medicaid Share of Occupancy above 75% receive an additional incentive.
Occupancy Rate	The total patient days divided by the available bed days.
Pass through Expense	Costs for property insurance and real and personal property taxes.
Patient Care Costs (Direct Care)	Costs for nurses, aides, orderlies, activity, social service and dietary employees, food, medical supplies, and nonprescription drugs.
Patient Care Incentive	An add-on per-diem equal to 10% of the patient care per-diem capped at 130% of the patient care median.
Patient Day	The period of service rendered to a patient between the census-taking hour (12 A.M.) on two consecutive days and includes allowable temporary leave-of-absence and hospital leave days.
Per-Diem	The daily rate calculated under the regulations using cost components in determination of the prospective or interim rate.
Profit Margin	As used in this report, (total patient related revenues less allowable costs) divided by total patient related revenues.
Rebase/Rebasing	Adjusting the Medicaid reimbursement rates by changing the base year upon which the rates are determined.

Explanation of Terminology:

<u>Term</u>	<u>Description</u>
Reimbursable Costs	Costs that are allowable and do not exceed cost component limits and are not excluded due to the minimum utilization factor.
Trends/ Trend Factors	The annualized actual or estimated increase in costs based upon the HCFA Market Basket Index.
Working Capital Allowance	The per-diem calculated as the sum of the patient care, ancillary and administrative per-diems times 1.1 divided by 12 times the applicable interest rate (currently 9.75%). This per-diem approximates the cost of financing operating expenses from the provision of services until payment is received.

APPENDICES

APPENDIX A

SOURCES OF MEDICAID FUNDING FIVE FISCAL YEARS ENDING JUNE 30, 2002

FISCAL YEAR	STATE FUNDS	FEDERAL FUNDS ****	NFRA TAX	RESIDENT FUNDS***	TOTAL NURSING HOME MEDICAID FUNDING
2002**	220,059,829	529,967,478	120,198,437	209,364,084	1,079,589,828
2001*	169,305,808	449,274,311	119,144,530	201,422,839	939,147,488
2000	150,336,660	440,052,450	105,700,671	192,462,192	888,551,753
1999	156,390,272	437,516,185	95,368,447	178,279,578	867,554,482
1998	149,286,641	424,787,975	93,687,417	169,874,762	837,636,795

* SFY 2001 - estimated

** SFY 2002 estimated with rebasing adopted

*** Primarily Social Security income

**** Does not include Intergovernmental Transfer Program activity

APPENDIX B

NURSING HOMES - ALLOWABLE COSTS VERSUS MEDICAID RATES BY VARIOUS CATEGORY - 1998
NUMBER OF NURSING HOMES BY CATEGORY

Line Description	Line Total	Medicaid Rate minus Allowable Costs Per Day						
		(\$25) or less	\$(15-24)	\$(5-14)	\$(0-4)	\$0-4	\$5-14	\$15 or more
# of Homes in Category	489	66	47	111	63	71	106	25
Prospective Rate	450	52	42	107	62	68	99	20
Other Rate Type	39	14	5	4	1	3	7	5
Metro Location	150	25	16	43	20	18	19	9
Rural Location	339	41	31	68	43	53	87	16
High Occupancy	219	20	16	54	27	33	53	16
Lower Occupancy	270	46	31	57	36	38	53	9
High Medicaid Share	127	13	12	29	16	19	31	7
Lower Medicaid Share	362	53	35	82	47	52	75	18
For Profit	344	38	41	75	43	52	74	21
Nonprofit	145	28	6	36	20	19	32	4
Chain Affiliated	291	38	37	75	37	35	57	12
Not Affiliated	198	28	10	36	26	36	49	13
Revenue>Expense	331	8	15	62	54	65	102	25
Revenue<Expense	158	58	32	49	9	6	4	0
# of Ceilings Exceeded:								
None	50	0	0	1	2	7	28	12
One	127	1	2	20	12	30	51	11
Two	153	13	13	38	33	28	26	2
Three	121	26	24	48	16	6	1	0
Four	38	26	8	4	0	0	0	0
Exceeded Ceiling:								
Patient Care	187	55	23	50	23	21	15	0
Ancillary	377	63	45	98	57	50	55	9
Administrative	271	48	38	83	33	27	36	6
Capital > \$16.98	113	43	26	25	13	6	0	0
Medicaid Days Provided	9,502,057	979,507	1,044,400	2,421,852	1,381,423	1,369,044	1,911,202	394,629

The Medicaid business in 1998 for nursing homes on the left of the chart was not profitable while it was profitable for those on the right of the chart. The differences appear to be due to the type of nursing home, the home's overall occupancy and ability to keep costs below the ceiling limits. Homes at each end of the chart provided a small percentage (14 percent) of the state's nursing home Medicaid services.

APPENDIX C

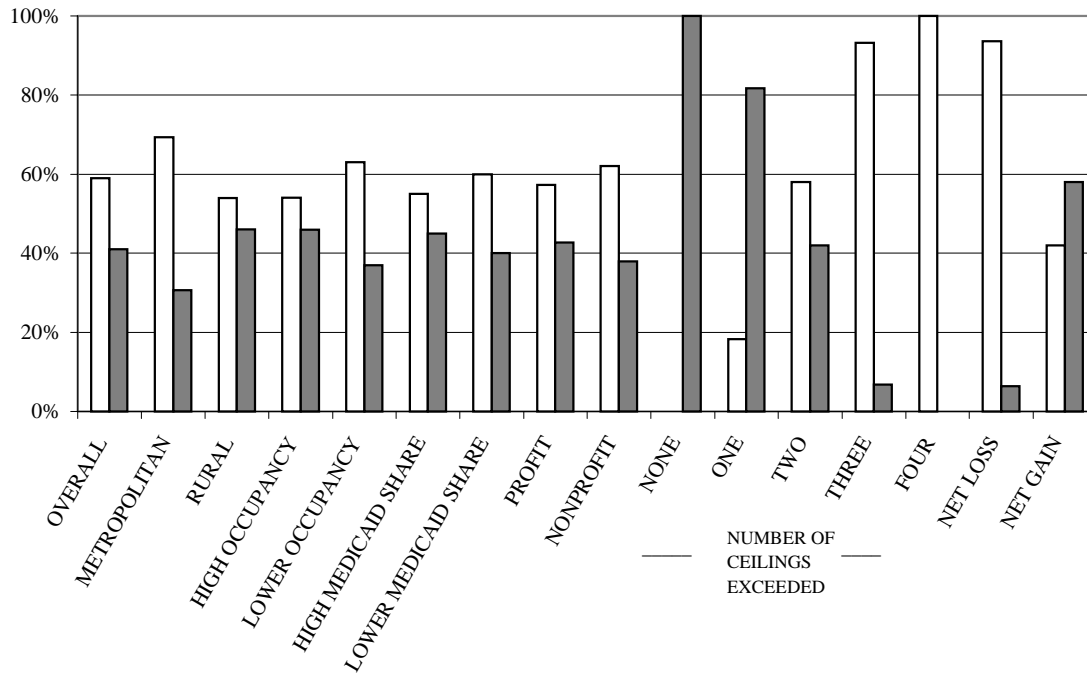
NURSING HOMES - ALLOWABLE COSTS VERSUS MEDICAID RATES BY VARIOUS CATEGORY - 1998
PERCENTAGE OF HOMES BY CATEGORY

Line Description	Line Total	Medicaid Rate minus Allowable Costs Per Day						
		(\$25) or less	\$(15-24)	\$(5-14)	\$(0-4)	\$0-4	\$5-14	\$15 or more
# of Homes in Category	489	66	47	111	63	71	106	25
Prospective Rate	92%	79%	89%	96%	98%	96%	93%	80%
Other Rate Type	8%	21%	11%	4%	2%	4%	7%	20%
Metro Location	31%	38%	34%	39%	32%	25%	18%	36%
Rural Location	69%	62%	66%	61%	68%	75%	82%	64%
High Occupancy	45%	30%	34%	49%	43%	46%	50%	64%
Lower Occupancy	55%	70%	66%	51%	57%	54%	50%	36%
High Medicaid Share	26%	20%	26%	26%	25%	27%	29%	28%
Lower Medicaid Share	74%	80%	74%	74%	75%	73%	71%	72%
For Profit	70%	58%	87%	68%	68%	73%	70%	84%
Nonprofit	30%	42%	13%	32%	32%	27%	30%	16%
Chain Affiliated	60%	58%	79%	68%	59%	49%	54%	48%
Not Affiliated	40%	42%	21%	32%	41%	51%	46%	52%
Revenue>Expense	68%	12%	32%	56%	86%	92%	96%	100%
Revenue<Expense	32%	88%	68%	44%	14%	8%	4%	0%
# of Ceilings Exceeded								
None	10%	0%	0%	1%	3%	10%	26%	48%
One	26%	2%	4%	18%	19%	42%	48%	44%
Two	31%	20%	28%	34%	52%	39%	25%	8%
Three	25%	39%	51%	43%	25%	8%	1%	0%
Four	8%	39%	17%	4%	0%	0%	0%	0%
Exceeded Ceiling								
Patient Care	38%	83%	49%	45%	37%	30%	14%	0%
Ancillary	77%	95%	96%	88%	90%	70%	52%	36%
Administrative	55%	73%	81%	75%	52%	38%	34%	24%
Capital > \$16.98	23%	65%	55%	23%	21%	8%	0%	0%
Medicaid Days Provided	100%	10%	11%	25%	15%	14%	20%	4%

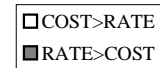
This table displays the values from Appendix B as a percentage of the homes falling into each category divided by the number of homes in that category.

APPENDIX D

STATUS OF NURSING HOME INDUSTRY 1998 COSTS vs. RATES



THIS CHART INDICATES THE PERCENTAGE OF EACH GROUP FOR WHICH THE COSTS EXCEEDED THE RATES AND THE RATES EXCEEDED THE COSTS IN 1998. IT SUMMARIZES THE DATA FOUND ON APPENDIX B AND C.



APPENDIX E

**NURSING HOMES - ALLOWABLE COSTS VERSUS MEDICAID RATES
MEDIAN STATISTICS - 1998**

Line Description	All Homes	Medicaid Rate minus Allowable Costs Per Day						
		(\$25) or less	\$(15-24)	\$(5-14)	\$(0-4)	\$0-4	\$5-14	\$15 or more
# of Homes in Category	489	66	47	111	63	71	106	25
<u>MEDIAN:</u>								
Patient Related Revenue	\$ 94.40	108.24	102.53	99.23	94.85	90.04	87.29	91.64
Allowable Costs	\$ 90.29	126.66	106.65	96.77	90.47	83.25	76.35	71.48
Net Revenue	\$ 4.75	(25.07)	(6.32)	2.27	4.17	7.41	11.36	20.44
Medicaid Rate	\$ 87.98	91.58	87.73	88.51	87.83	86.04	85.86	90.74
Rate/Cost Differential	\$ (3.34)	(36.68)	(18.88)	(9.63)	(2.80)	2.47	8.61	18.55
Net Revenues/Total revenues	5.44%	(18.17%)	(5.53%)	2.43%	4.66%	8.01%	13.05%	22.16%
Direct Care Hours Per Day	2.94	3.57	2.89	2.97	2.94	2.93	2.85	2.73
Wage Per Hour	\$ 10.27	11.54	11.09	10.85	10.31	9.89	9.57	9.79

APPENDIX F

AVERAGE 1998 MEDICAID RATES BY STATE

STATE	AVERAGE RATE	RANKING	STATE	AVERAGE RATE	RANKING
Alabama	98.69	20	Montana	87.54	32
Alaska	253.48	1	Nebraska	81.96	37
Arizona	88.23	31	Nevada	86.17	33
Arkansas	61.98	50	New Hampshire	115.07	10
California	83.12	34	New Jersey	115.76	9
Colorado	101.55	18	New Mexico	129.04	5
Connecticut	133.83	3	New York	158.93	2
Delaware	108.56	13	North Carolina	95.12	22
Florida	97.99	21	North Dakota	94.31	23
Georgia	78.43	42	Ohio	108.96	12
Hawaii	130.42	4	Oklahoma	64.20	49
Idaho	94.26	24	Oregon	89.18	28
Illinois	74.23	44	Pennsylvania	114.23	11
Indiana	80.32	40	Rhode Island	103.97	17
Iowa *	71.70	46	South Carolina	82.75	36
Kansas	71.94	45	South Dakota	76.96	43
Kentucky	88.81	29	Tennessee	81.16	38
Louisiana	65.54	48	Texas	71.69	47
Maine	115.77	8	Utah	83.11	35
Maryland	98.88	19	Vermont	104.10	16
Massachusetts	116.63	6	Virginia	79.47	41
Michigan	91.49	27	Washington	116.00	7
Minnesota	106.47	14	West Virginia	106.27	15
Mississippi	80.60	39	Wisconsin	91.70	26
Missouri	88.34	30	Wyoming	93.78	25

*Iowa rate for nursing facilities. The rate for Skilled Nursing Facilities was \$125.59.

Source: 1998 State Data Book on Long Term Care
 Program and Market Characteristics, Harrington, C.,
 Ph.D., et al, Nov 1999.



PUBLIC WATER SUPPLY DISTRICT NUMBER 16

JACKSON COUNTY, MISSOURI

YEAR ENDED DECEMBER 31, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-26
March 27, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Public Water Supply District Number 16, Jackson County, Missouri.

The Public Water Supply District #16 has a significant amount of debt and has not adequately funded the reserve accounts associated with a United States Department of Agriculture (USDA) loan. In 1996, the district formed the Jackson County Water Company, a not-for-profit organization, to obtain a \$5,000,000 loan from Rural Development, USDA. The proceeds of the loan and \$480,000 in lease participation certificates were used by the Jackson County Water Company to retire the district's outstanding Series 1991 and 1992 bonds. The district leases all of its assets to the Jackson County Water Company which leases them back to the district for an amount equal to the loan payments, required reserve account payments and other required payments. Apparently due to financial difficulties, the district has failed to make all the required payments.

The district owes approximately \$85,000 to two vendors for past billings and \$130,500 to the Jackson County Water Company to fully fund reserve accounts associated with a USDA loan. The district has not developed a plan to repay these debts and only had a cash balance at December 31, 2000, of approximately \$5,100.

The Board of Directors was not adequately monitoring the financial condition and expenditures of the district. District revenues received during 1999 and 2000 were not sufficient to cover current operating expenditures (including loan payments) of the district. Although the board took steps to reduce expenditures, including eliminating the manager position, the district remains in poor financial condition.

Since 1994 the district has contracted with a company owned by the spouse of current board member Robert K. Clifton to read meters. During 1999, the company was paid \$8,261. On occasions when the contract with the company was discussed, the board minutes indicate that Robert K. Clifton was either not present or did not vote. However, the service was not competitively bid. At the January 2000 board meeting, the board rejected a lower unsolicited bid from another party to read meters.

Also, payments were made to three children of current board member Geral Rinacke during 1994 and 1995, while he served as board president. A daughter was employed by the district as a clerk and two sons were contracted to read meters and pressure test water lines. No documentation was available to determine whether Geral Rinacke voted to hire his relatives. The Missouri Constitution prohibits the appointment or hiring of relatives.

(over)

YELLOW SHEET

In addition, the district purchased a truck in 1994, from current board member Geral Rinacke, while he served as board president, for \$3,500, without seeking bids.

These payments represent potential violations of state law. Prior to 1998, state law prohibited financial transactions between a political subdivision and an officer or employee of that political subdivision that involved more than \$500 per year unless there had been public notice to solicit proposals and competitive bidding, provided that the bid or offer was the lowest received. In 1998, this threshold was changed to \$500 per transaction or \$1,500 per year. In addition, the appointment or hiring of a relative by a public official is prohibited by the Missouri Constitution. Because the serious consequence of forfeiture of elected office or position can result by hiring a relative, the circumstances surrounding the hiring of a district official's relative should be fully documented.

During 1999, the district's former manager was paid \$1,854 for unused 1998 vacation leave and \$1,910 for unused 1999 vacation leave. According to the former manager, any leave days he had taken during 1998 and 1999 were compensatory time for overtime earned, so no vacation leave had been used and he was entitled to full compensation of his vacation leave. Because the former manager did not prepare time sheets, there is no record to document that he worked any overtime, earned compensatory time, or did not take any vacation leave.

The district does not have a formal bidding policy. Supporting documentation was not maintained or did not include sufficient detail for some expenditures. Some expenditures did not appear to be necessary costs of operating the district. Checks were being issued prior to expenditures being incurred.

The board minutes and meeting agendas normally did not document the specific reason to go into a closed session.

In addition, formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute a record of proceedings of the Board of Directors. Formal written minutes for closed meetings result in a better record of district transactions, proceedings, and decisions.

Board minutes of the open meetings do not always include sufficient detail of matters discussed and actions taken. For example, the district received an unsolicited bid for reading water meters, but the minutes did not include any discussion of the bid or the reason for rejecting it.

The district does not prepare annual budgets in accordance with state law and the Board did not approve them. Annual financial reports were not submitted to the State Auditor's office as required by state law.

PUBLIC WATER SUPPLY DISTRICT NUMBER 16
JACKSON COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Directors
Public Water Supply District Number 16
Jackson County
Sibley, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit Public Water Supply District Number 16, Jackson County, Missouri. The public water supply district had engaged Schmidt & Company, Certified Public Accountants (CPA), to perform a financial audit of the district for the year ended December 31, 2000. The same firm was engaged to perform a financial audit of the Jackson County Water Company, a related entity, for the year ended December 31, 2000. To minimize any duplication of effort, we reviewed the substantiating working papers of the CPA for both the district and Jackson County Water Company. Our audit of the district included, but was not limited to, the year ended December 31, 2000. The objectives of this audit were to:

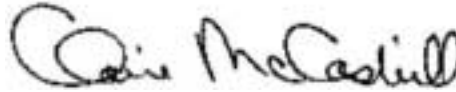
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, district policies, and various district financial records.

Our audit was limited to the specific matters discussed above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the district.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the district and was not subjected to auditing procedures applied in the audit of the district.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of Public Water District Number 16, Jackson County, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

January 5, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Todd M. Schuler, CPA
Audit In-Charge:	Lori Bryant
Audit Staff:	Cynthia L. Freeman

HISTORY AND ORGANIZATION

PUBLIC WATER SUPPLY DISTRICT NUMBER 16
JACKSON COUNTY, MISSOURI
HISTORY AND ORGANIZATION

Public Water Supply District Number 16, Jackson County, Missouri, was established in 1969 and currently serves approximately 1,100 customers. The Board of Directors consists of five members who serve three-year terms. The Board of Directors elects a President and Vice President from the board membership.

In 1996, the district formed the Jackson County Water Company, a not-for-profit (NFP) entity created to obtain a loan from the United States Department of Agriculture (USDA). The proceeds of the \$5 million loan, and \$480,000 in lease participation certificates, were used to retire the district's outsta series 1991 and 1992 bonds.

The Water District board members and other officials at December 31, 2000 were:

<u>Board Members</u>	<u>Term Expires</u>	<u>Surety Bond</u>	<u>Compensation for the Year Ended December 31, 2000</u>
James Rogers, Board President	April, 2003	10,000	\$ 0
Jack Graves, Vice President	April, 2002	10,000	0
Robert K. Clifton, Board Member	April, 2001	10,000	0
Glenn Bowerman, Board Member	April, 2001	10,000	0
Geral Rinacke, Board Member	April, 2003	10,000	0
<u>Other Officials (1)</u>			
Steve Fortney, Superintendent			16,333
Janet Mershon, Clerk		10,000	19,842

- (1) The district's manager position was eliminated in August 2000. This position had been held by Robert Long until his termination, and he was paid \$49,594 and \$32,946 during 1999 and 2000, respectively. Long also received \$12,000 and \$7,000 during 1999 and 2000, respectively in management fees from the Jackson County Water Company funded by transfers of \$1,000 a month from the district.

MANAGEMENT ADVISORY REPORT

PUBLIC WATER SUPPLY DISTRICT NUMBER 16
JACKSON COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Financial Condition (page 8)

The district owes approximately \$85,000 to two vendors for past billings and \$130,500 to the Jackson County Water Company to fully fund reserve accounts associated with the US Department of Agriculture loan. The district has not developed a plan to repay these debts and only had a cash balance at December 31, 2000, of approximately \$5,100.

2. Loan Agreement (pages 8-10)

The district has not been transferring adequate funds to the Jackson County Water Company as required by the loan agreement with the US Department of Agriculture. It appears the district's former manager was not bonded, as required by the loan agreement.

3. Expenditures (pages 10-13)

The district does not have a formal bidding policy. Supporting documentation was not maintained or did not include sufficient detail for some expenditures. Some expenditures did not appear to be necessary costs of operating the district. Checks were being issued prior to the expenditure being incurred. Incorrect amounts were reported on 1099-Misc forms for two vendors. Usage and maintenance logs for district vehicles were not prepared. Personal use of a district truck was not reported as additional compensation.

4. Accounting Controls and Procedures (pages 13-15)

Prior to April 2000, the board did not review invoices prior to approving expenditures for payment and a list of approved expenditures was not included in the board minutes. District policy requires two signatures only on checks over \$500, not on all checks as required by state law. The board should adopt procedures for independent reviews of billings, collections, and delinquent accounts.

5. Related Party Transactions (pages 15-16)

From 1994 to the current date, the district paid a company owned by the spouse of a board member to read meters without the service being competitively bid. Several relatives of a board member were paid for various services and in 1994, the district purchased a truck from a board member without getting bids.

6. Personnel Policies and Procedures (pages 16-17)

Unused vacation leave was paid without supporting documentation. Wages paid by the Jackson County Water Company were reported on a 1099-Misc form rather than on a W-2 form.

7. Board Minutes (pages 17-18)

The board minutes and tentative agendas do not normally specify the reason for closing the meeting. Formal written minutes are not maintained for closed meetings. Board minutes of open meetings do not always include sufficient detail of matters discussed.

8. Budgets and Financial Reporting (page 18)

The district does not prepare annual budgets in accordance with state law and the board did not approve them. Annual financial reports were not submitted to the State Auditor's office as required by state law.

9. Fixed Asset and Supply Records and Procedures (pages 19-20)

The district has not established formal policies and procedures for fixed assets. Fixed assets are not properly tagged. The district does not have a perpetual inventory of maintenance supplies.

PUBLIC WATER SUPPLY DISTRICT NUMBER 16
JACKSON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Financial Condition
-----------	----------------------------

The district has a significant amount of debt and has not adequately funded the reserve accounts associated with the USDA loan. As of December 31, 2000, the district owes approximately \$73,000 to its attorney for legal services and approximately \$12,000 to the city of Kansas City, Missouri for past due water bills. In addition, \$130,500 is due to the Jackson County Water Company (JCWC) to fully fund reserve accounts. (See MAR No. 2.) The district's cash balance at December 31, 2000 was only \$5,100.

The Board of Directors was not adequately monitoring the financial condition and expenditures of the district. District revenues received during 1999 and 2000 were not sufficient to cover current operating expenditures (including loan payments) of the district. Although the board took steps to reduce expenditures, including eliminating the manager position, the district remains in poor financial condition.

The Board of Directors should continue to review district finances to reduce any discretionary expenditures and ensure water rates are sufficient to fund necessary district operating costs and debt payments. These plans should be formalized in a detailed annual budget which addresses the district's plan to reduce debts and improve its financial condition. In addition, the board should ensure an effective system of accounting and administrative controls are in place.

The specific recommendations contained in the following MARs, if implemented, will help establish needed records, controls, and procedures. The weaknesses noted throughout our report must be corrected to achieve the required level of accountability, and to more effectively use the district's resources.

WE RECOMMEND the Board of Directors review water rates and prepare a budget to include repayment of debt and improve the financial condition of the district.

AUDITEE'S RESPONSE

The District is currently reviewing water rates and will be amending the 2001 budget to address the issues noted above.

2.	Loan Agreement
-----------	-----------------------

In 1996, the district formed the Jackson County Water Company (JCWC), a not-for-profit organization, to obtain a \$5,000,000 loan from Rural Development, USDA. The proceeds of

the loan and \$480,000 in lease participation certificates were used by the JCWC to retire the district's outstanding Series 1991 and 1992 bonds. The district leases all of its assets to the JCWC which leases them back to the district for an amount equal to the loan payments, required reserve account payments, and other required payments. Apparently due to financial difficulties, the district has failed to make all the required payments.

- A.1. The loan agreement requires one of the reserve accounts, the Reserve Fund, to be funded by a monthly transfer of \$2,000 until the balance reaches \$324,000. These funds shall be expended only to prevent any default in the payment of interest on or principal of the USDA obligation. The balance in this fund was only \$17,500, and as a result, \$88,500 was due to this fund, as of December 31, 2000.
2. The loan agreement requires another reserve account, the Renewal, Replacement, Depreciation, and Extension Fund, to be funded by a monthly transfer of \$1,000. These funds shall first be used to make up any deficiencies in the Debt Service on the USDA obligation or the Reserve Fund. Thereafter, monies may be withdrawn to purchase, replace, or construct any personal or real property that will constitute additional facilities. The balance in this fund was only \$11,000, and as a result, \$42,000 was due to this fund, as of December 31, 2000.

The failure of the district to adequately maintain the required reserve accounts could allow the USDA to take legal action to force compliance or immediate payment of the outstanding obligation.

- B. The USDA loan agreement requires that all officers and employees of the JCWC and the district be bonded in each fiscal year in an amount not less than the total amount of the principal and interest due for the current year, which was \$324,000 in 2000. JCWC has a commercial blanket bond for only \$300,000; and the policy has a provision to exclude from coverage any employee that had committed any fraudulent or dishonest act, whether committed before or after the date of employment by insured, if any officer of the insured had knowledge of such acts. The district's former manager was convicted of bank fraud in 1993 and a current board member indicates that the district's board knew of the manager's past when he was hired. Therefore, it appears the former manager would not have been covered by the blanket bond.

WE RECOMMEND the Board of Directors:

- A. Transfer \$130,500 owed to the JCWC at December 31, 2000, and ensure the proper amounts are transferred monthly in the future.
- B. Ensure all employees and officials are adequately bonded.

AUDITEE'S RESPONSE

- A. *The District is currently transferring an additional amount, over the required amount, to the Reserve Fund and plans to begin paying more than the required amount to the Renewal, Replacement, Depreciation and Extension Fund. The district will ensure the required monthly payments to both reserve accounts are made in the future.*
- B. *The District will review the bond coverage and consider raising the amount of coverage and will ensure all employees and officials are bonded.*

3. Expenditures

- A. The district does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained for setting meters, line extensions, and emergency repairs (\$104,581 to one vendor in 1999), reading meters (\$8,261 to one vendor in 1999), bobcat and dump truck use (\$7,323 to one vendor in 1999), and the leasing of two trucks in December 1998 and a replacement truck in January 2000.

Formal bidding procedures for major purchases provide a framework for economical management of district resources and help ensure the district receives fair value by contracting with the lowest and best bidder. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the district's business. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids and proposals received and reasons noted why the bid or proposal was selected.

- B. The district did not solicit requests for proposals for engineering services related to a geographic information system mapping and hydraulic modeling project or for legal services. The total amount paid for professional services during 1999 was \$43,066. Without requesting proposals for professional services, the district has less assurance it has received quality services at a fair price.
- C. Some payments did not include adequate supporting documentation or did not contain sufficient detail of the services provided.
 - 1. Payments made for credit card purchases were generally supported by the credit card statement, but not the individual credit card slips or supporting invoices. These expenditures included \$840 in hotel charges for two trips during 1999 and \$160 to a retailer of fishing and hunting gear. We obtained a copy of the detailed bill from the hotel for one of the trips taken by the district's former manager in 1999. The total charge for this bill was \$587, consisting of \$309 for 4 nights room charges, \$94 in phone charges, \$19 for in-room movies, and \$165 from the hotel's lounge. The program for the

conference indicated that registration was to begin on the morning of March 9, 1999 and the last scheduled activity was a banquet on the evening of March 11, but the hotel bill also included a room for the night of March 12, which was charged at a higher rate than the room rate for attendees of the conference. The in-room movies, the hotel lounge charges, and extra night room charges directly benefited the employee but not the district, and do not appear to be prudent uses of public funds. In addition, the board has not adopted written policies for travel expenses which would provide guidelines for allowable expenditures while traveling on district business.

2. There was \$473 in charges from restaurants from January 1999 to July 2000, ranging from \$20 to over \$110. The invoices and other supporting documentation for these meal charges did not generally identify the business purpose of the meal or the names of those individuals provided meals.
3. Invoices submitted since June 1999 for legal services by one of the district's attorneys did include an itemized listing of the work performed; however, the hours billed for each task and the hourly rate charged was not indicated. A total of \$27,914 was billed to the district for work done by the attorney since June 1999. In addition, invoices for bobcat and dump truck use and for setting meters after August 1999 did not indicate the work site addresses.

To ensure the validity and propriety of the expenditures approved for payment, all expenditures should be supported by paid receipts or vendor invoices which provide sufficient detail of goods or services being billed to ensure the obligations were actually incurred and the expenditures represent appropriate uses of public funds.

- D. Some expenditures did not appear to be prudent or necessary uses of public funds. These included health insurance premiums for employees' dependents and subscriptions to an internet provider for the former district manager's home computer.

These expenditures do not appear to be necessary costs of operating the district and constitute a questionable use of public funds.

The district's residents have placed a fiduciary trust in its public officials to expend monies in a necessary and prudent manner. Considering the financial condition of the district, the Board of Directors should seriously evaluate the propriety of spending public funds on these types of expenditures.

- E. Indication of the receipt of goods or services is not always indicated prior to an expenditure being approved for payment. Most invoices reviewed did not indicate the goods or services were received. The documentation of receipt of goods or services is necessary to ensure the district actually received the items or services being paid.

- F. The district occasionally prepares and/or issues checks prior to the expense actually being incurred.
1. Five checks, totaling \$10,000, written between July 1999 and December 1999 to one vendor for an on-going project, were not distributed until January 2000 through June 2000. Work was not completed and vendor invoices were not dated until two to four months after the checks had been written.
 2. Some payroll checks, written to the former district manager and former superintendent, were distributed and cashed prior to the end of the payroll period.

The practice of issuing checks prior to the expense actually being incurred increases the likelihood the district will pay for goods or services it does not receive.

- G. The district did not report all applicable payments on 1099-Misc forms as required by the Internal Revenue Code. During calendar year 1999, one vendor was paid \$104,581, but only \$97,964 was reported on the 1099-Misc form; another vendor was paid \$7,323, but only \$5,123 was reported.

Sections 6041 to 6051 of the Internal Revenue Code requires that non-wage payments of at least \$600 in one year to an individual or unincorporated business be reported to the federal government on 1099-Misc forms.

- H. While the district's written policy requires a usage and maintenance log showing use, purpose, mileage, and maintenance be maintained, such logs were not prepared or not submitted by the former manager. The district's former superintendent did prepare logs showing miles driven for five months in 1999, but these logs were not detailed and showed no maintenance information for his truck. In addition, the district's written policy for the former manager's vehicle allowed for personal use of the truck, however, the district did not report the usage to the IRS as additional compensation.

Logs should be maintained indicating the purpose and destination of each trip, the beginning and ending odometer readings, and the operation and maintenance costs. The log should be reviewed by the Board of Directors to help ensure there is no inappropriate personal use of the district's vehicle, verify the propriety of fuel and/or repair billings, and identify the need to replace the vehicle due to excessive maintenance costs. In addition, without procedures for determining personal use, the district cannot ensure all personal usage is approved and reported as additional compensation as required by the IRS.

WE RECOMMEND the Board of Directors:

- A. Establish formal bidding policies and procedures, with provisions for documentation of the justification for selecting and rejecting bids or proposals.

- B. Request proposals for professional services engaged by the district.
- C. Require adequate supporting documentation for all expenditures and develop a written travel policy.
- D. Ensure expenditures are limited to those necessary to support the operations of the district.
- E. Ensure the receipt of goods or services is indicated on the invoice prior to payment.
- F. Stop the practice of issuing checks prior to the expense actually being incurred.
- G. Ensure payments totaling greater than \$600 in one year to non-employees and unincorporated businesses are properly reported to the Internal Revenue Service as required and file amended forms for payments made in prior years.
- H. Require usage and maintenance logs be maintained for all district vehicles and perform a periodic review of the logs. The district should also ensure all personal usage of the vehicles is approved and reported to the IRS as additional compensation.

AUDITEE'S RESPONSE

A&B. The board plans to formalize a bid policy that addresses all these issues.

C. The board will develop a travel policy in the near future and will ensure adequate supporting documentation is maintained for all future expenditures.

D. We agree.

E&F. We agree and this will be done.

G. We have already filed amended forms for 1999 for applicable businesses and will ensure that future forms are correct.

H. We agree and have implemented this recommendation.

4.	Accounting Controls and Procedures
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- A. Although there is an occasional reference to a specific expenditure being approved for payment, the board minutes usually make only general reference that accounts payable are approved for payment. Prior to April 2000, the board did not normally review invoices before payment. While an accounts payable listing was presented at each monthly board meeting, these listings are not marked as approved by the board nor are they filed with the board minutes. In addition, bills received after one council

meeting but due before the next council meeting are not reflected on these listings and are not presented to the board for approval.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board members to denote board approval, and retained with the official minutes. In addition, supporting documentation should be reviewed by the board or someone independent of the disbursement process before payment is made. Failure to properly review all invoices and supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring.

- B. District policy requires only one signature on checks under \$500 and two signatures on checks over \$500. Section 247.100.3, RSMo 1994, requires all checks issued by a water district to be signed by both the clerk and board president. Dual signatures provide assurances that checks represent payments for legitimate district expenditures. The district should change this policy to comply with state law.
- C. There is no independent oversight or adequate segregation of duties related to the utility billing system. Presently, the clerk performs all functions related to generating monthly utility bills, receipting and recording utility payments, making credit adjustments, depositing monies received, and monitoring accounts for delinquencies.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts.

WE RECOMMEND the Board of Directors:

- A. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes, and requiring supporting documentation be reviewed by the board or someone independent of the disbursement process before payment is made.
- B. Require the board president and the clerk sign all checks as required by law.
- C. Segregate the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent reconciliation between utility payments deposited and recorded, and an independent approval of credit adjustments and follow-up on delinquent accounts.

AUDITEE'S RESPONSE

A&C. We agree and will discuss these concerns with our CPA and develop policies and procedures as appropriate.

B. We now require two signatures on all checks and will review this situation with our legal counsel.

5. Related Party Transactions

The following related party transactions were noted:

- Since 1994 the district has contracted with a company owned by the spouse of current board member Robert K. Clifton to read meters. During 1999, the company was paid \$8,261. On occasions when the contract with the company was discussed, the board minutes indicate that Robert K. Clifton was either not present or did not vote. However, the service was not competitively bid. At the January 2000 board meeting, the board rejected a lower unsolicited bid from another party to read meters.
- Payments were made to three children of current board member Geral Rinacke during 1994 and 1995, while he served as board president. A daughter was employed by the district as a clerk and two sons were contracted to read meters and pressure test water lines. No documentation was available to determine whether Geral Rinacke voted to hire his relatives. The Missouri Constitution prohibits the appointment or hiring of relatives.
- The district purchased a truck, in 1994, from current board member Geral Rinacke while he served as board president, for \$3,500, without seeking bids.

These payments represent potential violations of state law. Prior to 1998, Section 105.454, RSMo 1994, prohibited financial transactions between a political subdivision and an officer or employee (or spouse, dependent child, or business and corporate interest of the officer or employee) of that political subdivision that involved more than \$500 per year unless there had been public notice to solicit proposals and (except for real property) competitive bidding, provided that the bid or offer was the lowest received. In 1998, this threshold was changed to \$500 per transaction or \$1,500 per year. In addition, the appointment or hiring of a relative by a public official is prohibited by the Missouri Constitution. Because of the serious consequences which can result by hiring a relative, the circumstances surrounding the hiring of a district official's relative should be fully documented.

Discussions and decisions concerning appointments where nepotism or a potential conflict of interest exists should be documented so that the public has assurance that no district official or agent has acted improperly. Board members should abstain from voting when a relative's employment or appointment is involved, and their abstention should be clearly documented in the minutes.

WE RECOMMEND the Board of Directors refrain from entering into transactions with board members and their relatives. If a transaction must be entered into with such a party, the transaction should be conducted after public notice and competitive bidding in accordance with Section 105.454, RSMo Supp 1999. If a relative of a board member is considered for employment or appointment, that board member should abstain from voting on the issue and an adequate record of the abstention should be maintained.

AUDITEE'S RESPONSE

We agree and will comply with the law in the future.

6. Personnel Policies and Procedures

- A. During 1999, the district's former manager was paid \$1,854 for unused 1998 vacation leave and \$1,910 for unused 1999 vacation leave. According to the former manager, any leave days he had taken during 1998 and 1999 were compensatory time for overtime earned, so no vacation leave had been used and he was entitled to full compensation of his vacation leave. Because the former manager did not prepare time sheets, there is no record to document that he worked any overtime, earned compensatory time, or did not take any vacation leave.
- B. The former manager was paid \$1,000 per month from the Jackson County Water Company, as a management fee, in addition to the salary and vacation leave paid by the district. These payments, which began in January 1997 and ended in July 2000, totaled \$43,000 and were reported by JCWC to the Internal Revenue Service (IRS) on a 1099-Misc form, instead of W-2 forms.

The Internal Revenue Code requires employers to report wages on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 1994, includes requirements for reporting wages and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300, RSMo 1994, defines an appointive officer or employee of a political subdivision as an employee for social security tax purposes.

WE RECOMMEND the Board of Directors:

- A. Ensure payments for unused vacation leave are supported by adequate documentation.
- B. Ensure payroll taxes are properly withheld and remitted for any wages or salaries paid.

AUDITEE'S RESPONSE

A&B. We agree. This employee no longer works for us and these payments have stopped.

7.

Board Minutes

- A. The board minutes and meeting agendas normally did not document the specific reason to go into a closed session. Section 610.021, RSMo, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, personnel issues, some competitive bidding issues, confidential or privileged communications with auditors, etc. Section 610.022, RSMo 1994, requires a closed meeting, record or vote be held only for the specific reasons announced publicly at an open session. This law also provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

In addition, formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute a record of proceedings of the Board of Directors. Formal written minutes for closed meetings result in a better record of district transactions, proceedings, and decisions. Minutes would also help the district demonstrate that closed discussions related to the specific reason announced for closing the meeting pursuant to the Sunshine Law, Chapter 610, RSMo.

- B. Board minutes of the open meetings do not always include sufficient detail of matters discussed and actions taken. For example, the district received an unsolicited bid for reading water meters, but the minutes did not include any discussion of the bid or the reason for rejecting it.

The minutes are the only official record of the actions taken by the board. Care should be taken to ensure the minutes are complete and provide reasons and specific intentions behind board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to board intentions and possible incorrect interpretation of board actions by the general public, future board members, or other outside entities.

WE RECOMMEND the Board of Directors:

- A. Ensure the minutes and agenda state the specific reasons for going into a closed session, as required by state law, and ensures minutes of the closed meetings are maintained.
- B. Ensure the minutes document the information necessary to provide a complete description and explanation of board deliberations and actions.

AUDITEE'S RESNONSE

A&B. We agree and we intend to comply with the requirements of the Sunshine Law.

8. Budgets and Financial Reporting

- A. The board did not approve the annual budgets. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year. The budget prepared by the former manager did not include beginning available resources or an estimate of ending available resources, a budget message, or comparisons of actual or estimated revenues for the two preceding fiscal years. Section 67.010, RSMo 1994, requires all political subdivisions of the state to prepare an annual budget which presents a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for district operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and reasonable estimates of ending available resources. The budget should also include a budget message and comparisons of actual or estimated revenues and expenditures for the two preceding fiscal years.

- B. The district did not submit annual financial reports to the State Auditor's office as required by state law. The only financial report submitted was for the year ended December 31, 1999. Section 105.145, RSMo 1994, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's office.

WE RECOMMEND the Board of Directors:

- A. Ensure an annual budget, prepared in accordance with Section 67.010, RSMo 1994, is approved by the board.
- B. Submit annual financial reports to the State Auditor's office as required by state law.

AUDITEE'S RESPONSE

- A. *We agree and will do this in the future.*
- B. *This is now being done.*

9. Fixed Asset and Supply Records and Procedures

- A. The district does not maintain adequate property records of its fixed assets. While a list of assets was maintained by the former district manager, the list was not complete and did not contain serial numbers, historical costs, or acquisition dates.

Property records for fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage. To develop appropriate records and procedures for fixed assets, the district needs to undertake a comprehensive review of all property owned by the district. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The district should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the district should take physical counts of its assets and compare them to the detailed records.

- B. The district does not tag or otherwise identify the fixed assets as property of the district. Properly tagged items help assure the district that all fixed assets are included on the fixed asset records, and are identified as belonging to the district.
- C. The district has not established a perpetual inventory record to account for its inventory of maintenance supplies. As a result, the district does not have adequate controls over these items nor does it have information readily available concerning inventory balances as well as additions and uses of supplies.

In addition to maintenance supplies used by district employees, the district purchases supplies that are to be used by contractors. One such supply is copper pipe, which is solely used by a contractor when setting meters. The district purchased 2900 feet of copper pipe from January 1, 1999 through July 31, 2000, but only recorded using 1,807 feet. Records did not show the use of the remaining 1,093 feet of copper pipe, valued at \$1,093. As of August 8, 2000, the district had less than 50 feet of copper pipe on hand. Adequate controls over inventoriable items require that perpetual inventory records be maintained that document the purchase and use of such items, as well as provide inventory balances. Such records would allow the district to more closely monitor these assets and reduce the possibility of the loss or the misuse of these supplies.

WE RECOMMEND the Board of Directors:

- A. Establish property records for fixed assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.

- B. Properly tag, number, or otherwise identify all district property.
- C. Ensure a perpetual inventory record is established for the maintenance supply inventory.

AUDITEE'S RESPONSE

A&B. We are in the process of establishing these records.

C. We are working on developing the perpetual inventory records and have already changed the procedures for issuing materials to contractors.

This report is intended for the information of the district's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



WRIGHT COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-25
March 26, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Wright, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Wright County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- On the last working day of 1998, 1999, and 2000, the County Commission amended budgets for numerous county funds to reflect increased expenditures made during the year. Public hearings were not held prior to the adoption of the budget amendments, and prior to the amendment of these budgets, expenditures had already exceeded the original budget for several funds. It is questionable whether these amendments were for reasons specified in state law or if they were made to just present a balanced budget in accordance with state law. It does not appear as if the budget was used as a monitoring tool throughout the year.
- From January 1997 through November 2000 the county accumulated more than \$3,200 in the Domestic Violence Fund and disbursed only \$205 of these funds to domestic violence shelters. After brought to the county's attention, \$3,265 was distributed to three local domestic violence shelters in November 2000.
- Prior audit reports have addressed the inadequacy of the Sheriff's accounting controls and procedures. While the former Sheriff responded in previous audits that these recommendations would be implemented, conditions have not improved. Our review again noted numerous concerns regarding the accounting records and controls, including untimely deposits, lack of receipt and bank reconciliations and inadequate segregation of duties. In addition, approximately \$8,700 in civil fees had accumulated in the Sheriff's civil bank account and had not been disbursed to the County Treasurer. Seized property items are not properly accounted for, and the Sheriff maintains custody of a bank account for which there is no statutory authorization.

(over)

YELLOW SHEET

Also included in the audit are recommendations to improve the accounting controls and procedures of the Prosecuting Attorney, Health Center and Developmentally Disabled Board. The audit also noted the county owed approximately \$7,250 to the state for errors not detected in Assessment Fund reimbursement claims.

Copies of the audit are available upon request.

WRIGHT COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS**

To the County Commission
and
Officeholders of Wright County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Wright County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

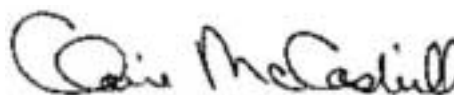
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Wright County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Wright County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Wright County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 18, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Wright County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

January 18, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA
In-Charge Auditor:	Amy Fast
Audit Staff:	Ted Fugitt, CPA
	Rachel Simons
	Bryan Meadows



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Wright County, Missouri

We have audited the special-purpose financial statements of various funds of Wright County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated January 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

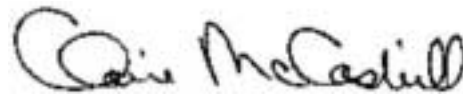
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Wright County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Wright County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Wright County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

January 18, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

WRIGHT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 348,887	1,195,527	1,144,656	399,758
Special Road and Bridge	115,734	895,862	890,164	121,432
Assessment	5,302	147,364	127,418	25,248
Law Enforcement Training	4,744	6,305	7,672	3,377
Prosecuting Attorney Training	22	1,920	1,706	236
Prosecuting Attorney Bad Check	1,877	16,278	11,351	6,804
Prosecuting Attorney Delinquent Tax	276	135	0	411
Local Emergency Planning Commission	4,807	3,409	4,576	3,640
Recorder User Fee	39,942	10,417	2,545	47,814
Domestic Shelter	1,536	875	0	2,411
Christmas Light	135	16	113	38
Drug	86	5	0	91
Road and Bridge Landfill Fees	2,543	139	0	2,682
Computer Upgrading/Remodeling	25,928	20,408	24,434	21,902
Sheriff Civil Fees	0	11,530	11,566	(36)
Sheriff Calendar	6,095	581	3,466	3,210
Juvenile Detention Center	50,183	234,981	185,586	99,578
Associate Circuit Division Interest	3,123	535	1,484	2,174
Developmentally Disabled	366,730	111,949	51,520	427,159
Health Center	113,420	322,207	287,423	148,204
Law Library	2,073	2,898	2,814	2,157
Circuit Clerk Interest	7,785	2,176	1,616	8,345
Family Access	150	61	0	211
Total	\$ 1,101,378	2,985,578	2,760,110	1,326,846

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

WRIGHT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 305,311	1,082,073	1,038,497	348,887
Special Road and Bridge	114,978	929,062	928,306	115,734
Assessment	983	127,579	123,260	5,302
Law Enforcement Training	1,735	5,580	2,571	4,744
Prosecuting Attorney Training	579	946	1,503	22
Prosecuting Attorney Bad Check	4,290	15,102	17,515	1,877
Prosecuting Attorney Delinquent Tax	132	144	0	276
Local Emergency Planning Commission	7,445	4,301	6,939	4,807
Recorder User Fee	36,638	8,884	5,580	39,942
Domestic Shelter	854	887	205	1,536
Christmas Light	157	18	40	135
Drug	230	17	161	86
Road and Bridge Landfill Fees	12,263	336	10,056	2,543
Computer Upgrading/Remodeling	20,000	23,437	17,509	25,928
Sheriff Civil Fees	510	15,550	16,060	0
Sheriff Calendar	6,850	3,467	4,222	6,095
Juvenile Detention Center	34,065	252,600	236,482	50,183
Associate Circuit Division Interest	4,949	791	2,617	3,123
Developmentally Disabled	312,864	96,222	42,356	366,730
Health Center	101,569	294,099	282,248	113,420
Law Library	1,390	3,761	3,078	2,073
Circuit Clerk Interest	6,348	3,435	1,998	7,785
Family Access	0	150	0	150
Total	\$ 974,140	2,868,441	2,741,203	1,101,378

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

WRIGHT COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	\$ 600,000	639,003	39,003	590,000	579,669	(10,331)
Intergovernmental	279,901	288,148	8,247	176,810	260,726	83,916
Charges for services	167,600	175,531	7,931	144,900	157,600	12,700
Interest	26,000	24,401	(1,599)	21,000	22,241	1,241
Other	24,503	29,972	5,469	38,730	27,114	(11,616)
Transfers in	27,000	38,472	11,472	95,000	34,723	(60,277)
Total Receipts	1,125,004	1,195,527	70,523	1,066,440	1,082,073	15,633
DISBURSEMENTS						
County Commission	60,330	60,117	213	54,865	55,628	(763)
County Clerk	60,230	60,159	71	56,375	57,965	(1,590)
Elections	9,750	4,322	5,428	28,150	28,911	(761)
Buildings and grounds	51,696	59,187	(7,491)	52,650	50,411	2,239
Employee fringe benefits	111,112	99,278	11,834	89,150	86,732	2,418
County Treasurer	60,779	61,397	(618)	59,071	58,856	215
Township collectors	2,800	701	2,099	3,000	2,745	255
Recorder of Deeds	22,891	20,106	2,785	22,572	23,830	(1,258)
Circuit Clerk	14,025	9,111	4,914	9,100	10,272	(1,172)
Associate Circuit Court	9,320	8,464	856	9,600	8,189	1,411
Court administration	6,168	6,002	166	5,842	6,166	(324)
Public Administrator	10,483	11,482	(999)	10,972	10,514	458
Sheriff	229,814	221,450	8,364	208,896	214,651	(5,755)
Jail	42,661	47,494	(4,833)	30,036	43,476	(13,440)
Prosecuting Attorney	91,259	89,416	1,843	66,552	70,224	(3,672)
Juvenile Officer	174,392	159,324	15,068	166,768	164,422	2,346
County Coroner	12,550	12,403	147	14,550	10,300	4,250
Public health and welfare services	20,048	19,655	393	16,428	17,719	(1,291)
Other	90,931	138,588	(47,657)	85,250	79,526	5,724
Transfers out	37,000	56,000	(19,000)	40,000	37,960	2,040
Emergency Fund	33,750	0	33,750	30,000	0	30,000
Total Disbursements	1,151,989	1,144,656	7,333	1,059,827	1,038,497	21,330
RECEIPTS OVER (UNDER) DISBURSEMENTS	(26,985)	50,871	77,856	6,613	43,576	36,963
CASH, JANUARY 1	348,887	348,887	0	305,311	305,311	0
CASH, DECEMBER 31	\$ 321,902	399,758	77,856	311,924	348,887	36,963

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

WRIGHT COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 22,000	23,368	1,368	21,000	21,079	79
Intergovernmental	1,242,000	810,630	(431,370)	851,300	885,919	34,619
Charges for services	25,000	43,731	18,731	0	3,645	3,645
Interest	5,000	7,706	2,706	6,000	5,585	(415)
Other	33,750	10,427	(23,323)	7,800	12,834	5,034
Transfers in	2,543	0	(2,543)	110,000	0	(110,000)
Total Receipts	1,330,293	895,862	(434,431)	996,100	929,062	(67,038)
DISBURSEMENTS						
Salaries	254,000	215,017	38,983	245,000	230,975	14,025
Employee fringe benefits	58,500	41,209	17,291	54,600	39,808	14,792
Supplies	66,500	54,642	11,858	64,400	46,203	18,197
Insurance	14,950	15,699	(749)	14,250	12,437	1,813
Road and bridge materials	289,000	294,810	(5,810)	244,000	284,379	(40,379)
Equipment repairs	40,000	43,206	(3,206)	35,000	38,520	(3,520)
Rentals	1,000	1,058	(58)	750	1,291	(541)
Equipment purchases	90,000	103,570	(13,570)	135,000	132,232	2,768
Construction, repair, and maintenance	404,000	46,060	357,940	88,000	68,551	19,449
Other	71,400	48,966	22,434	70,050	45,467	24,583
Transfers out	26,000	25,927	73	24,000	28,443	(4,443)
Total Disbursements	1,315,350	890,164	425,186	975,050	928,306	46,744
RECEIPTS OVER (UNDER) DISBURSEMENTS	14,943	5,698	(9,245)	21,050	756	(20,294)
CASH, JANUARY 1	115,734	115,734	0	114,978	114,978	0
CASH, DECEMBER 31	\$ 130,677	121,432	(9,245)	136,028	115,734	(20,294)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

WRIGHT COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSESSMENT FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 115,037	105,199	(9,838)	108,250	110,221	1,971
Charges for services	1,000	798	(202)	775	898	123
Interest	1,200	1,004	(196)	500	1,164	664
Other	200	363	163	100	296	196
Transfers in	31,000	40,000	9,000	38,390	15,000	(23,390)
Total Receipts	148,437	147,364	(1,073)	148,015	127,579	(20,436)
DISBURSEMENTS						
Assessor	148,022	127,418	20,604	148,022	123,260	24,762
Total Disbursements	148,022	127,418	20,604	148,022	123,260	24,762
RECEIPTS OVER (UNDER) DISBURSEMENTS	415	19,946	19,531	(7)	4,319	4,326
CASH, JANUARY 1	5,302	5,302	0	983	983	0
CASH, DECEMBER 31	\$ 5,717	25,248	19,531	976	5,302	4,326

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Intergovernmental	\$ 0	2,200	0	1,702	1,702	
Charges for services	5,400	3,903	6,300	3,690	(2,610)	
Interest	200	202	100	188	88	
Total Receipts	5,600	6,305	6,400	5,580	(820)	
DISBURSEMENTS						
Sheriff	9,700	7,672	8,000	2,571	5,429	
Total Disbursements	9,700	7,672	8,000	2,571	5,429	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,100)	(1,367)	(1,600)	3,009	4,609	
CASH, JANUARY 1	4,744	4,744	1,735	1,735	0	
CASH, DECEMBER 31	\$ 644	3,377	135	4,744	4,609	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

WRIGHT COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY TRAINING FUND

Year Ended December 31,						
1999			1998			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	\$ 2,100	977	(1,123)	1,150	923	(227)
Interest	25	9	(16)	10	23	13
Transfers in	0	934	934	0	0	0
Total Receipts	2,125	1,920	(205)	1,160	946	(214)
DISBURSEMENTS						
Prosecuting Attorney	1,875	1,706	169	1,735	1,503	232
Total Disbursements	1,875	1,706	169	1,735	1,503	232
RECEIPTS OVER (UNDER) DISBURSEMENTS	250	214	(36)	(575)	(557)	18
CASH, JANUARY 1	22	22	0	579	579	0
CASH, DECEMBER 31	\$ 272	236	(36)	4	22	18

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

WRIGHT COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	14,000	16,098	2,098	18,948	14,965	(3,983)
Interest	75	180	105	0	137	137
Total Receipts	14,075	16,278	2,203	18,948	15,102	(3,846)
DISBURSEMENTS						
Prosecuting Attorney	3,000	417	2,583	18,948	17,515	1,433
Transfers out	10,000	10,934	(934)	0	0	0
Total Disbursements	13,000	11,351	1,649	18,948	17,515	1,433
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,075	4,927	3,852	0	(2,413)	(2,413)
CASH, JANUARY 1	1,877	1,877	0	4,290	4,290	0
CASH, DECEMBER 31	\$ 2,952	6,804	3,852	4,290	1,877	(2,413)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

Year Ended December 31,						
1999			1998			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 200	115	(85)	500	130	(370)
Interest	20	20	0	20	14	(6)
Total Receipts	220	135	(85)	520	144	(376)
DISBURSEMENTS						
Prosecuting Attorney	476	0	476	651	0	651
Total Disbursements	476	0	476	651	0	651
RECEIPTS OVER (UNDER) DISBURSEMENTS	(256)	135	391	(131)	144	275
CASH, JANUARY 1	276	276	0	132	132	0
CASH, DECEMBER 31	\$ 20	411	391	1	276	275

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMISSION FUND

		Year Ended December 31,					
		1999			1998		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Inter governmental	\$	5,750	3,229	(2,521)	3,500	3,871	371
Interest		300	180	(120)	450	430	(20)
Total Receipts		6,050	3,409	(2,641)	3,950	4,301	351
DISBURSEMENTS							
Emergency planning		9,700	4,576	5,124	11,325	6,939	4,386
Total Disbursements		9,700	4,576	5,124	11,325	6,939	4,386
RECEIPTS OVER (UNDER) DISBURSEMENTS		(3,650)	(1,167)	2,483	(7,375)	(2,638)	4,737
CASH, JANUARY 1		4,807	4,807	0	7,445	7,445	0
CASH, DECEMBER 31	\$	1,157	3,640	2,483	70	4,807	4,737

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER USER FEE FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Charges for services	\$ 10,706	7,872	6,900	7,742	842	
Interest	2,800	2,545	0	1,142	1,142	
Total Receipts	13,506	10,417	6,900	8,884	1,984	
DISBURSEMENTS						
Transfers out	51,342	2,545	43,468	5,580	37,888	
Total Disbursements	51,342	2,545	43,468	5,580	37,888	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(37,836)	7,872	(36,568)	3,304	39,872	
CASH, JANUARY 1	39,942	39,942	36,638	36,638	0	
CASH, DECEMBER 31	\$ 2,106	47,814	70	39,942	39,872	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC SHELTER FUND

		Year Ended December 31,					
		1999			1998		
				Variance			Variance
		Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
RECEIPTS							
Charges for services	\$	850	760	(90)	750	805	55
Interest		100	115	15	35	82	47
Total Receipts		950	875	(75)	785	887	102
DISBURSEMENTS							
Domestic violence shelter		2,400	0	2,400	1,500	205	1,295
Total Disbursements		2,400	0	2,400	1,500	205	1,295
RECEIPTS OVER (UNDER) DISBURSEMENTS		(1,450)	875	2,325	(715)	682	1,397
CASH, JANUARY 1		1,536	1,536	0	854	854	0
CASH, DECEMBER 31		\$ 86	2,411	2,325	139	1,536	1,397

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHRISTMAS LIGHT FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Interest	\$ 12	7	30	12	(18)	
Other	50	9	75	6	(69)	
Total Receipts	62	16	105	18	(87)	
DISBURSEMENTS						
Christmas lights	195	113	250	40	210	
Total Disbursements	195	113	250	40	210	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(133)	(97)	(145)	(22)	123	
CASH, JANUARY 1	135	135	157	157	0	
CASH, DECEMBER 31	\$ 2	38	12	135	123	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG FUND

		Year Ended December 31,					
		1999			1998		
				Variance Favorable			Variance Favorable
		Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
RECEIPTS							
Interest	\$	1	5	4	20	17	(3)
Other		500	0	(500)	0	0	0
Total Receipts		501	5	(496)	20	17	(3)
DISBURSEMENTS							
Sheriff		500	0	500	240	161	79
Total Disbursements		500	0	500	240	161	79
RECEIPTS OVER (UNDER) DISBURSEMENTS							
		1	5	4	(220)	(144)	76
CASH, JANUARY 1		86	86	0	230	230	0
CASH, DECEMBER 31	\$	87	91	4	10	86	76

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ROAD AND BRIDGE LANDFILL FEES FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	12	139	127	100	336	236
Total Receipts	12	139	127	100	336	236
DISBURSEMENTS						
Other	2,552	0	2,552	12,000	10,056	1,944
Total Disbursements	2,552	0	2,552	12,000	10,056	1,944
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,540)	139	2,679	(11,900)	(9,720)	2,180
CASH, JANUARY 1	2,543	2,543	0	12,263	12,263	0
CASH, DECEMBER 31	\$ 3	2,682	2,679	363	2,543	2,180

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
COMPUTER UPGRADING/REMODELING FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Intergovernmental	\$ 0	3,450	0	0	0	
Interest	1,600	958	300	1,437	1,137	
Transfers in	0	16,000	0	22,000	22,000	
Total Receipts	1,600	20,408	300	23,437	23,137	
DISBURSEMENTS						
Computers	26,000	24,434	20,000	17,509	2,491	
Total Disbursements	26,000	24,434	20,000	17,509	2,491	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(24,400)	(4,026)	(19,700)	5,928	25,628	
CASH, JANUARY 1	25,928	25,928	20,000	20,000	0	
CASH, DECEMBER 31	\$ 1,528	21,902	300	25,928	25,628	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEES FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Charges of services	\$ 15,000	11,502	15,500	13,505	(1,995)	
Interest	0	28	0	81	81	
Transfers in	0	0	2,000	1,964	(36)	
Total Receipts	15,000	11,530	17,500	15,550	(1,950)	
DISBURSEMENTS						
Sheriff	15,000	11,566	17,500	15,360	2,140	
Transfers out	0	0	0	700	(700)	
Total Disbursements	15,000	11,566	17,500	16,060	1,440	
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(36)	0	(510)	(510)	
CASH, JANUARY 1	0	0	510	510	0	
CASH, DECEMBER 31	\$ 0	(36)	510	0	(510)	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CALENDAR FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Other	\$ 2,500	581	2,850	3,467	617	
Total Receipts	2,500	581	2,850	3,467	617	
DISBURSEMENTS						
Sheriff	5,000	3,466	5,000	3,218	1,782	
Transfers out	0	0	0	1,004	(1,004)	
Total Disbursements	5,000	3,466	5,000	4,222	778	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,500)	(2,885)	(2,150)	(755)	1,395	
CASH, JANUARY 1	3,454	6,095	2,568	6,850	4,282	
CASH, DECEMBER 31	\$ 954	3,210	418	6,095	5,677	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

WRIGHT COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 JUVENILE DETENTION CENTER FUND

Year Ended December 31,						
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 176,653	220,708	44,055	206,571	242,786	36,215
Charges for services	9,000	11,360	2,360	5,300	6,121	821
Interest	1,400	1,669	269	1,000	1,468	468
Other	0	1,244	1,244	0	2,225	2,225
Total Receipts	187,053	234,981	47,928	212,871	252,600	39,729
DISBURSEMENTS						
Salaries	120,637	123,318	(2,681)	169,457	161,474	7,983
Office expenditures	50,000	45,654	4,346	48,964	45,158	3,806
Equipment	5,000	6,693	(1,693)	25,000	16,374	8,626
Mileage and training	4,510	1,029	3,481	2,200	1,342	858
Electronic monitoring	0	1,800	(1,800)	0	10,694	(10,694)
Other	40,000	7,092	32,908	0	1,440	(1,440)
Total Disbursements	220,147	185,586	34,561	245,621	236,482	9,139
RECEIPTS OVER (UNDER) DISBURSEMENTS	(33,094)	49,395	82,489	(32,750)	16,118	48,868
CASH, JANUARY 1	48,274	50,183	1,909	32,750	34,065	1,315
CASH, DECEMBER 31	\$ 15,180	99,578	84,398	0	50,183	50,183

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

WRIGHT COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Interest	\$ 800	535	1,400	791	(609)	
Total Receipts	800	535	1,400	791	(609)	
DISBURSEMENTS						
Associate Division Interest	900	1,484	900	2,617	(1,717)	
Total Disbursements	900	1,484	900	2,617	(1,717)	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	(949)	500	(1,826)	(2,326)	
CASH, JANUARY 1	3,123	3,123	4,949	4,949	0	
CASH, DECEMBER 31	\$ 3,023	2,174	5,449	3,123	(2,326)	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

WRIGHT COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 DEVELOPMENTALLY DISABLED FUND

		Year Ended December 31,					
		1999			1998		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Property taxes	\$	88,575	92,982	4,407	80,290	82,821	2,531
Interest		18,000	18,967	967	15,000	13,401	(1,599)
Total Receipts		106,575	111,949	5,374	95,290	96,222	932
DISBURSEMENTS							
Funding for services		49,000	46,991	2,009	48,000	41,743	6,257
Office expenditures		546	458	88	546	529	17
Property		0	4,000	(4,000)	0	0	0
Mileage and training		100	71	29	100	84	16
Total Disbursements		49,646	51,520	(1,874)	48,646	42,356	6,290
RECEIPTS OVER (UNDER) DISBURSEMENTS		56,929	60,429	3,500	46,644	53,866	7,222
CASH, JANUARY 1		366,730	366,730	0	309,723	312,864	3,141
CASH, DECEMBER 31	\$	423,659	427,159	3,500	356,367	366,730	10,363

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

WRIGHT COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HEALTH CENTER FUND

Year Ended December 31,						
1999			1998			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 83,500	94,267	10,767	75,000	83,147	8,147
Intergovernmental	196,988	198,259	1,271	200,124	187,559	(12,565)
Charges for services	12,500	14,613	2,113	9,500	11,051	1,551
Interest	3,500	4,997	1,497	4,000	5,557	1,557
Other	9,756	10,071	315	22,490	6,785	(15,705)
Total Receipts	306,244	322,207	15,963	311,114	294,099	(17,015)
DISBURSEMENTS						
Salaries	190,356	184,843	5,513	176,521	164,547	11,974
Office expenditures	60,000	43,977	16,023	44,360	51,771	(7,411)
Equipment	7,400	4,566	2,834	12,000	5,822	6,178
Mileage and training	7,400	6,697	703	8,540	7,185	1,355
Other	41,100	47,340	(6,240)	69,174	52,923	16,251
Total Disbursements	306,256	287,423	18,833	310,595	282,248	28,347
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12)	34,784	34,796	519	11,851	11,332
CASH, JANUARY 1	104,585	113,420	8,835	99,823	101,569	1,746
CASH, DECEMBER 31	\$ 104,573	148,204	43,631	100,342	113,420	13,078

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

WRIGHT COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 3,800	2,880	(920)
Interest	0	18	18
Total Receipts	3,800	2,898	(902)
DISBURSEMENTS			
Law Library	5,873	2,814	3,059
Total Disbursements	5,873	2,814	3,059
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,073)	84	2,157
CASH, JANUARY 1	2,073	2,073	0
CASH, DECEMBER 31	\$ 0	2,157	2,157

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

WRIGHT COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Wright County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Developmentally Disabled Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Law Library Fund for the year ended December 31, 1998, or the Circuit Clerk Interest Fund and the Family Access Fund for the years ended December 31, 1999 and 1998.

Warrants issued were in excess of budgeted amounts for the Developmentally Disabled Fund in 1999 and the Associate Circuit Division Interest Fund in 1999 and 1998. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1999 and 1998, did not include the Circuit Clerk Interest Fund and the Juvenile Detention Center Fund.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1999, \$249,633 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$626,941 was covered by collateral held by an independent bank but not in the county's name. Of the county's bank balance at December 31, 1998, \$422,103 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name, and \$675,673 was covered by collateral held by an independent bank but not in the county's name.

The Health Center's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the Health Center's custodial bank in the Health Center's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed for the county and the Health Center at those times although not at year-end.

Of the Developmentally Disabled Board's bank balance at December 31, 1999, \$419,821 was covered by federal depositary insurance or by collateral securities held by the Developmentally Disabled Board's custodial bank in the Developmentally Disabled Board's name, and \$7,337 was uninsured and uncollateralized. Of the Developmentally Disabled Board's bank balance at December 31, 1998, \$311,047 was covered by federal depositary insurance or by collateral securities held by the Developmentally Disabled Board's custodial bank in the Developmentally Disabled Board's name, and \$55,683 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances for the Developmentally Disabled Board were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Schedule

WRIGHT COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

WRIGHT COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior report issued for the two years ended December 31, 1997, included no audit findings that Government Auditing Standards requires to be reported for an audit of financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

WRIGHT COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Wright County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated January 18, 2001.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the special-purpose financial statements of Wright County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Budget Amendments and County Funds
--

- A. On the last working day of 1998, 1999, and 2000, the County Commission amended budgets for numerous county funds to reflect increased expenditures made during the

year. Our review indicated the following concerns related to these budget amendments:

- 1) Public hearings were not held prior to the adoption of the budget amendments.
- 2) Prior to the amendment of these budgets, expenditures had already exceeded the original budget for several funds. For example, on December 31, 1998 an amendment was filed for the Special Road and Bridge Fund increasing expenditures by \$100,000; however, prior to amending the budget, expenditures had already exceeded the original budget by \$53,256.

Section 50.622 RSMo 2000, allows budget amendments if additional sources of revenue are received which could not be estimated when the budget was adopted, and requires the County Commission to follow the same procedures required for adopting the original budget, including holding a public hearing.

It is questionable whether these amendments were for reasons specified in state law or if they were made to just present a balanced budget in accordance with state law. It does not appear as if the budget was used as a monitoring tool throughout the year. To ensure the adequacy of the budgets as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures and public hearings should be held prior to the adoption of all budget amendments.

- B. From January 1997 through November 2000 the county accumulated more than \$3,200 in the Domestic Violence Fund and disbursed only \$205 of these funds to domestic violence shelters. Section 455.205, RSMo 2000, authorizes the county to impose certain fees on the issuance of marriage licenses and decrees of a dissolution of marriage. These fees are to be used to provide financial assistance to shelters for victims of domestic violence. After we brought this matter to the county's attention, the County Commission distributed \$3,265 in November 2000 to three local domestic violence shelters.
- C. The county received approximately \$7,250 more in state assessment fund reimbursements in 1998 than entitled. Section 137.750, RSMo 2000, allows counties to be reimbursed for a portion of all qualified costs and expenses of the Assessor's Office. During the second quarter of 1998, a typographical error of \$20,000 overstating fringe benefit expenses went undetected because assessment reimbursement claims were not reconciled to actual expenditures. As a result, the county owes approximately \$7,250 to the state.

WE RECOMMEND the County Commission:

- A. Ensure budget amendments are made prior to incurring the actual expenditures and public hearings are held prior to adopting budget amendments as required by state law.

- B. Ensure Domestic Violence Fund monies are disbursed to qualifying shelters in a timely manner.
- C. Contact the State Tax Commission regarding this situation and take appropriate action to correct the overpayment. In addition, the County Commission should ensure assessment reimbursement claims are reconciled to the expenditure records.

AUDITEE'S RESPONSE:

- A. *The County believes that it is a good practice not to go over budget in any fund. In the future, budget amendments will be made in a more timely fashion and will include a public hearing.*
- B. *The County has already implemented this recommendation. The money was all disbursed in the 4th quarter of 2000. In the future, the County will disburse the money on an annual basis.*
- C. *The error was a typing error and the State Tax Commission actually changed the figures creating an overpayment. The County has already contacted the State Tax Commission which has agreed to withhold the payment as soon as they receive the audit report.*

2.	Sheriff's Controls and Procedures
-----------	--

Prior audit reports have addressed the inadequacy of the Sheriff's accounting controls and procedures. While the former Sheriff responded in previous audits that these recommendations would be implemented, conditions have not improved.

- A. The Sheriff's office collects approximately \$58,000 annually in fees, bonds, and other miscellaneous receipts, which are deposited into the Sheriff's Fee Account, Civil Account, or Special Account. Our review noted the following concerns regarding the accounting records, controls and procedures of the Sheriff's office.

- 1. Civil process fees are not deposited until the related process papers are served. Most fees are received by check and a receipt slip is written; however, receipt slips are later voided and the check returned to the payor if the papers cannot be served. A cash count on September 18, 2000, noted checks for civil process fees totaling \$813 including checks totaling \$280 that were over 60 to 90 days old. In addition, many of these checks were not restrictively endorsed.

To ensure civil process fees are accounted for properly, all monies should be deposited intact into the Sheriff's bank account daily or when accumulated receipts exceed \$100. If it is later determined that the related process papers cannot be served, refund checks should be issued. In addition, all checks and money orders should be restrictively endorsed immediately upon receipt.

2. The method of payment received (cash, check, money order, etc) is not always correctly indicated on the receipt slips. In addition, the composition of recorded receipts is not reconciled to bank deposits. To ensure all receipts are accounted for properly and deposited intact, the method of payment received should be recorded on all receipt slips and the composition of receipt slips should be reconciled to the composition of bank deposits.
3. Monthly bank reconciliations are not always performed nor documented for the civil and special accounts. In addition, a balance is not maintained in the check register.

To ensure all receipts and disbursements are properly recorded and accounted for, it is essential a balance be maintained in the check register, and reconciled to the monthly bank balance.

4. Prenumbered receipt slips issued by the Sheriff's department are not accounted for properly. The original copies of some voided receipt slips were not retained. To properly account for the numerical sequence of receipt slips, the original copies of voided receipt slips should be retained.
 5. One clerk performs all duties of receiving, recording, and depositing monies. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic documented supervisory review of the records should be performed.
- B. As of September 18, 2000, approximately \$8,700 in civil fees had accumulated in the Sheriff's civil bank account but had not been disbursed to the County Treasurer. When civil process fees are collected and the corresponding papers are served in the same month, the monies are deposited and remitted to the County Treasurer in that same month; however, when papers are not served until a later month, the fees are deposited after the papers are served and then allowed to accumulate in the Sheriff's bank account without being properly disbursed to the Treasurer.

Section 50.370, RSMo 2000, requires that all fees collected by a county official and belonging to the county be paid over to the county treasury on a monthly basis.

- C. The Sheriff and the clerk are authorized to sign checks on the Sheriff's bank accounts; however, the clerk regularly signs the Sheriff's name, rather than her own name. Since the clerk is an authorized signature on the bank account, it would not appear necessary for her to sign the Sheriff's name.

- D. Seized property items are not always tagged to identify the property to a specific case and the property tags are not prenumbered. An inventory listing of seized property is maintained; however, the listing does not appear complete. Several items located in the evidence room were not included on the inventory listing.

Adequate seized property inventory records are necessary to deter and identify loss, misuse, or theft of such items. An inventory record should include information such as date of seizure, description, persons involved, current location of the property, case name and number, and date and method of release or disposition of the property. In addition, all items should be tagged and identified to a specific case.

- E. The Sheriff has written agreements with three cities in the county for the usage of the county's access to the Missouri Uniform Law Enforcement System (MULES). The County Commission is not a party to the contracts entered into by the Sheriff. Section 432.080, RSMo 2000, requires a copy of every contract be entered into by the county to be filed with the County Clerk. In addition, the County Commission should be a party to all contracts.
- F. The Sheriff maintains custody of a special bank account used for law enforcement purposes. Receipts into this account are primarily donations and the proceeds from the sale of advertising space on a calendar featuring the Sheriff's department. During the two years ended December 31, 1999, the Sheriff spent approximately \$7,600 from this account.

These monies represent accountable fees which should be turned over to the County Treasurer. The Sheriff has no statutory authority to maintain such an account outside the county treasury. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states, "...sheriffs of third class counties are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury.

- G. As noted in our prior three reports, \$2,640 remains in the Sheriff's special account which was the result of a partition sale held by a former Sheriff. It appears that the heirs to this money cannot be located. Sections 470.010 and 470.020, RSMo 2000, address this situation and require these proceeds to be paid to the state's Escheats Fund, upon order of the circuit court.

A condition similar to Part A.5. was noted in our prior report, and conditions similar to Parts A.1., A.3., and D-G. were noted in our prior two reports.

WE RECOMMEND The Sheriff:

- A.1. Deposit all civil process fees intact into the Sheriff bank account daily or when accumulated receipts exceed \$100. Any refunds should be made by check. In addition, restrictively endorse all checks and money orders immediately upon receipt.

2. Indicate the method of payment on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
 3. Maintain a balance in the check register and reconcile this balance to the monthly bank balance.
 4. Retain the original copies of all voided receipt slips.
 5. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Disburse all civil fees to the county treasury on a monthly basis.
- C. Discontinue the practice of allowing the clerk to sign the Sheriff's name on checks.
- D. Mark all seized property with prenumbered property tags and identify the property to specific cases. In addition, a complete inventory listing of all seized property should be maintained and kept updated for both additions and dispositions.
- E. And the County Commission obtain current written contracts from all cities using the MULES computer.
- F. Turn over the amounts in the Sheriff's special account to the County Treasurer, and, in the future, turn over all accountable fees to the County Treasurer.
- G. Obtain an order from the circuit court and pay the \$2,640 to the state's Escheats Fund.

AUDITEE'S RESPONSE:

Sheriff Gates provided the following response:

- A.1. *We are now depositing all civil fees daily.*
2. *We are currently indicating the composition on the receipt slips and in the future we will ensure receipt slips are reconciled to deposits.*
 3. *This recommendation has been implemented.*
 4. *We are now retaining all copies of voided receipt slips.*
 5. *I am reviewing bank reconciliations monthly and documenting my review.*
- B. *We have disbursed all these accumulated fees to the County Treasurer. We are currently disbursing civil fees monthly.*
- C. *I am now the only authorized signature on the bank account.*

D. *We are currently in the process of destroying old evidence and starting a new evidence room. We plan to have this completed by July 1, 2001.*

E. *This recommendation has been implemented.*

F&G. *We plan to disburse the \$2,640 and close the account. This will be done by May 1, 2001.*

Former Sheriff Mitchell did not provide a response.

3. Prosecuting Attorney's Controls and Procedures
--

The Prosecuting Attorney's office collects court-ordered restitution and bad check restitution and fees. Our review of the Prosecuting Attorney's accounting controls and procedures noted the following areas of concern:

A. Monthly listings of open items (liabilities) for bad check restitution cases are not accurately prepared and reconciled to the cash balance. The November 2000, open items listing prepared by the Prosecuting Attorney totaled \$12,721 while the reconciled cash balance totaled \$22,411. We identified additional open items totaling \$2,114 that were not included on the Prosecuting Attorney's listing. As a result, the November 2000, reconciled cash balance exceed identified open items by \$7,576.

A complete and accurate listing of open items should be prepared monthly and reconciled to the cash balance to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Further, the Prosecuting Attorney should attempt to determine the reasons for the differences and if proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law.

B. One clerk performs all duties of receiving, recording, and depositing monies. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic documented supervisory review of the records should be performed.

C. Balances are not maintained in the bad check restitution and the court-ordered restitution check registers or in the one-write receipt system. To ensure all receipts and disbursements are properly recorded and accounted for, it is essential a balance be maintained, and this balance be reconciled to the monthly bank balances.

D. Checks totaling \$1,016 written from 1994 to 1998, were still carried on the books at November 30, 2000. If the payees cannot be located, various statutory provisions provide for the disposition of unclaimed monies.

Sections 50.470 through 50.500, RSMo 1994, provide for certain monies to be turned over to the County Treasurer for credit to the Unclaimed Fees Fund and Sections 447.500 through 447.595, RSMo 1994, provide for some unclaimed property to be distributed to the state's Unclaimed Property Section.

- E. A system to account for all bad checks submitted to the office for collection and their disposition has not been established. During our review of bad check restitution case files, we noted that collection procedures and efforts are not always made timely. To ensure all bad checks are properly handled and accounted for, a log should be maintained showing each bad check and its disposition.

Conditions similar to Parts A. and C. were noted in our prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Prepare complete and accurate listings of open items and reconcile the listings to the cash balance monthly. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- B. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Maintain a book balance for the bad check and court ordered restitution accounts, and reconcile such balance to the monthly bank balances.
- D. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.
- E. Establish a system to account for all bad checks submitted to his office and their disposition.

AUDITEE'S RESPONSE:

- A. *The Prosecutor's office is presently continuing to research and identify proceeds in the open items and paying out upon identification. The Prosecutor's Office has begun a monthly reconciliation of open items, beginning February, 2001. If proper payees can not be determined, money will be disbursed per State Statutes.*
- B. *The Prosecutor's Office will review and acknowledge by signature that monies are properly accounted for by clerks by beginning an internal control procedure and reviewing each month.*
- C. *The Prosecutor's Office has begun a procedure for maintaining bad check balances and reconciliations each month.*

- D. *The Prosecutor's Office will disburse the checks totaling \$1,016 for the period 1994 to 1998 after all efforts to locate payees have been exhausted per State Statute.*
- E. *The Prosecutor's Office began 3-7-01 a system for logging in bad checks into a central file.*

4. Health Center Records and Procedures
--

- A. Budgets prepared by the Health Center Board of Trustees were not accurate and complete. We noted the following concerns with budgets.

1. Beginning cash balances were incorrectly reported. The cash reconciliation portion of the health center budgets did not include certificate of deposit balances, and the checking account balance was inaccurately reported due to numerous posting errors in the health center's accounting records.

For the budget documents to be of maximum assistance to the health center Board of Trustees and to adequately inform the county residents of the health center's operations and current financial position, the budgets should be complete and accurate.

2. Numerous mathematical errors were noted in the budget document resulting in inaccurate totals of actual revenue and expenditure amounts.
3. Actual revenues for 1998 and 1999 contained numerous classification errors. For instance, amounts reported as intergovernmental revenues were overstated by approximately \$51,000 and \$64,000 for 1998 and 1999, respectively.

Adjustments have been made to the audited financial statements to correct these misclassifications and errors.

- B. Various internal accounting and financial reporting records of the health center were inconsistent with each other in amounts recorded for the audit period. For example, revenue amounts did not consistently agree between the Health Center's profit/loss statements, the general ledger, and the budgets. In addition, computer generated financial information obtained for the same period of time did not agree when printed at different dates. These inconsistencies appear to be the result of numerous posting errors, back dating of correcting entries, and the lack of reconciliations performed by the Health Center Administrator among these various records.

The board should ensure accurate accounting records and an effective financial reporting system are in place to accurately monitor budgeted and actual financial activity.

- C. Health center personnel did not monitor amounts expended on Comprehensive Family Planning (CFP) services during the audit period. In addition, the average cost per client of providing such services was not periodically calculated and monitored.

The health center's CFP contract with the Missouri Department of Health provides the average cost of providing CFP services should be at least \$150 (excluding administrative costs). During our review of CFP expenditures for the federal fiscal year ended September 30, 1999, we calculated an average cost of approximately \$60 per client excluding administrative costs. The Health Center indicated that this resulted from some of the family planning expenditures being absorbed by another agency.

Failure to comply with the provisions of the contract could result in decreased funding of future services.

WE RECOMMEND the Health Center Board of Trustees:

- A. Ensure budgets are accurate and complete.
- B. Ensure maintenance of accurate accounting records and an effective financial reporting system to accurately monitor budgeted and actual financial activity.
- C. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health to resolve this situation.

AUDITEE'S RESPONSE:

- A. *We have corrected these problems with our 2001 budget.*
- B. *This recommendation has been implemented. We are now reconciling our financial records monthly and providing detailed reports to the board.*
- C. *We have contacted a representative from Department of Health and we are working to resolve this situation.*

5. Developmentally Disabled Board
--

The collateral securities pledged by the Developmentally Disabled Board's depository banks to cover deposits were insufficient by \$7,337 and \$55,683 at December 31, 1999 and 1998, respectively and by \$70,087 and \$55,683 at January 31, 2000 and 1999, respectively. The Developmentally Disabled Board apparently did not monitor collateral securities pledged against bank account balances. Monitoring Federal Deposit Insurance Corporation (FDIC) and collateral securities coverage becomes even more critical if the board's available monies continue to increase as they have in recent years.

Section 110.020, RSMo 2000, provides the value of collateral securities pledged to secure county funds shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the Federal Deposit Insurance Corporation. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the Developmentally Disabled Board monitor the bank balance and ensure adequate securities are pledged for all funds on deposit in excess of FDIC coverage.

AUDITEE'S RESPONSE:

This recommendation has been implemented. All funds are now adequately secured.

This report is intended for the information of the management of Wright County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

WRIGHT COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Wright County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Expenditures

Bids were not always solicited nor was the selection process documented for various purchases made by the county.

Recommendation:

The County Commission solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.

Status:

Implemented.

2. Budgets and Published Financial Statements

A. As a result of budget amendments, the County Commission approved budgeted deficits for the Assessment Fund and Drug Fund. In addition, the original budget of the Juvenile Grant Fund for 1997 included a deficit balance.

B. The county's annual published financial statements did not include the financial activity of several county funds.

Recommendation:

The County Commission:

A. Discontinue deficit budgeting.

B. Ensure financial information for all county funds is reported in the annual published financial statements in accordance with state law.

Status:

- A. Implemented.
- B. Partially implemented. Most of the funds noted in the prior report were published in the county's financial statements; however, a few funds including the Circuit Clerk Interest and Juvenile Detention Center Funds are still not meeting the requirements. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Landfill Fees

In November 1993, the county voters authorized the collection of a county landfill fee that was collected at all county landfills and paid to the Industrial Development Authority (IDA). The county entered into a written agreement with the IDA to set aside one-half of the fees to be utilized by the County Commission for the purpose of economic development.

- A. The County Commission authorized over \$80,000 of expenditures related to courthouse repairs and a jail study that did not appear to clearly represent economic development activities.
- B. Funds transferred from the Road and Bridge Landfill Fees Fund to General Revenue Fund to cover the administrative costs totaling \$2,221 were not repaid. The agreement with IDA indicated the landfill fees should be used for economic development and there was no statutory authority for such a transfer.

Recommendation:

- A. Discontinue paying general operating expenses from the Road and Bridge Landfill Fees Fund. In addition, the county should review the related expenditures with legal counsel to determine whether the amounts should be repaid to the Road and Bridge Landfill Fees Fund or refunded to the IDA.
- B. Transfer \$2,221 from General Revenue Fund to the Road and Bridge Landfill Fees fund, or refund this amount to the IDA.

Status:

- A&B. Partially implemented. The county obtained an opinion from the Prosecuting Attorney concluding that the expenditures were appropriate. The Road and Bridge Landfill Fees Fund was closed in 2000.

4. Sale of Culverts

- A. The road and bridge secretary maintained a listing of culverts sold, collected payments from county residents for culvert sales, and remitted such payments to the county Treasurer. To ensure all culvert sales were recorded and all sales revenues were collected, the road and bridge secretary should have prepared a listing of all culverts sold and amounts billed.
- B. The county did not periodically reconcile culverts purchased to those used for county roads, sold to individuals, or on hand.

Recommendation:

The County Commission:

- A. Require all payments for culvert sales be made directly to the County Treasurer, who should reconcile amounts billed to amounts received.
- B. Periodically reconcile culverts purchased to culverts used, sold, and on hand.

Status:

A&B. Implemented.

5. Payroll Records

Time sheets or other records of actual time worked were not maintained by the sheriff's deputies. The County Commission did not require the deputies to maintain time sheets because the county's personnel policy states the deputies will not be paid overtime or given compensatory time.

Recommendation:

The County Commission require all sheriff's deputies to complete time sheets approved by their supervisors, and to submit them to the County Clerk. The County Commission should contact the Department of Labor to ensure the county's overtime policy for these deputies complies with FLSA.

Status:

Implemented. The county now requires Sheriff deputies to complete time sheets, and Wright County believes that because they employ less than five deputies the FLSA does not apply.

6. Sheriff's Controls and Procedures

- A. Two bonds totaling \$700 were received and not deposited in January 1998. The Missouri State Highway Patrol was contacted by the Sheriff to investigate the possible misappropriation of funds. The Sheriff used calendar sale monies to cover the missing bond money. No charges were filed.
- B. Receipts were not deposited or receipted on a timely basis and the composition of receipts was not reconciled to bank deposits.
- C. Checks and money orders were not restrictively endorsed immediately upon receipt.
- D. Monthly bank reconciliations were not always performed and/or documented for the civil and special accounts.
- E. The duties of receiving, recording, and depositing monies were not adequately segregated.
- F. Seized property items were not always tagged to identify the property to a specific case and the property tags are not prenumbered. In addition, the inventory listing of seized property did not appear complete.
- G. The County Commission was not a party to the Sheriff's written agreements with three cities in the county for the usage of the county's access to the Missouri Uniform Law Enforcement System (MULES).
- H. The Sheriff maintained custody of a special bank account used for law enforcement purposes. Receipts were primarily from donations and the proceeds from the sale of advertising space on a calendar featuring the Sheriff's department. These monies represented accountable fees which should have been turned over to the County Treasurer.
- I. The Sheriff's special account had \$2,640 which was the result of a partition sale held by the former Sheriff, and the heirs could not be located.
- J. The Sheriff department's ticket issuance log for all uniform traffic tickets (UTT's) was not always complete.
- K. The duty of preparing board bill statements was not adequately segregated from the duty of receiving the payments.

Recommendation:

The Sheriff:

- A. Continue to work with law enforcement officials regarding any criminal prosecution and obtain restitution of the misappropriated funds.
- B. Receipt and deposit monies when received and reconcile the composition of receipts to the composition of bank deposits.
- C. Restrictively endorse all checks and money orders immediately upon receipt.
- D. Prepare monthly bank reconciliations.
- E. Segregate duties of receiving, recording, depositing, and reconciling. In addition, the accounting records should be periodically reviewed by someone independent of those duties.
- F. Mark all seized property with prenumbered property tags and identify the property to specific cases. In addition, a complete inventory listing of all seized property should be maintained and kept updated for both additions and dispositions.
- G. And County Commission obtain current written contracts from all cities using the MULES computer.
- H. Turn over the amounts in the Sheriff's special account to the County Treasurer, and, in the future, turn over all accountable fees to the Treasurer.
- I. Obtain an order from the circuit court and pay the \$2,640 to the state's Escheats Fund.
- J. Maintain records to account for all traffic tickets.
- K. Ensure billing statements stipulate that payments be made directly to the County Treasurer. The County Treasurer should reconcile receipts to the board billings on a regular basis.

Status:

- A. The Sheriff's department determined the bond monies were unrecoverable and no charges were filed.
- B-I. Not Implemented See MAR No. 2.

J. Not Implemented. Although not repeated in the current MAR, our recommendation remains as stated above.

K. Implemented.

7. Prosecuting Attorney's Controls and Procedures

A. Differences existed between monthly listings of open items (liabilities) and the ending cash balances that were not adequately investigated.

B. Checks totaling \$638, issued in 1994 and 1995, remained outstanding at December 31, 1997.

Recommendation:

The Prosecuting Attorney:

A. Attempt to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.

B. Attempt to contact the payees of old outstanding checks. If the payees cannot be located, the balance should be distributed in accordance with applicable statutory provisions.

Status:

A&B. Not Implemented. See MAR No. 3.

8. Health Center

A. Receipts were not deposited timely.

B. Bids were not always solicited and bid documentation was not retained for various purchases made by the health center.

C. The general fixed asset records were incomplete. Fixed asset purchases were not always recorded immediately and were not reconciled to the property records.

Recommendation:

The Health Center Board:

A. Require deposits be made daily or when accumulated receipts exceed \$100.

B. Solicit bids for purchases in accordance with state law and retain documentation of these bids and justification for bid award.

- C. Maintain complete and accurate general fixed asset records in a manner that beginning balances, addition, and deletions can be reconciled to year-end balances. In addition, additions of fixed assets should be recorded as they occur and fixed asset purchases should be reconciled to additions to the property records.

Status:

A&B. Implemented.

- C. Partially Implemented. General fixed asset records are maintained, but fixed asset purchases are not recorded as they occur. Although not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

WRIGHT COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Wright was named after Silas Wright, a U.S. Senator. Wright County is a township-organized, third-class county and is part of the Forty-Fourth Judicial Circuit. The county seat is Hartville.

Wright County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Wright County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	1999		1998	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 23,368	1	21,079	1
Sales taxes	639,003	31	579,669	29
Federal and state aid	923,741	44	882,487	44
Fees, interest, and other	505,277	24	527,900	26
Total	\$ 2,091,389	100	2,011,135	100

The following chart shows how Wright County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

USE	1999		1998	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 614,569	30	535,424	27
Public safety	530,087	26	503,073	26
Highways and roads	890,164	44	928,306	47
Total	\$ 2,034,820	100	1,966,803	100

The county maintains approximately 36 county bridges and 641 miles of county roads.

The county's population was 13,667 in 1970 and 16,758 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		1999	1998	1985*	1980**	1970**
		(in millions)				
Real estate	\$	72.4	69.6	43.4	17.1	11.9
Personal property		28.2	27.2	12.6	6.6	4.1
Railroad and utilities		9.7	8.2	5.1	4.8	2.5
Total	\$	110.3	105.0	61.1	28.5	18.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Wright County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		1999	1998
Health Center Fund	\$	.08	.08
Developmentally Disabled Fund		.08	.08

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

Year Ended February 28,		
	2000	1999
State of Missouri	\$ 34,962	32,686
General Revenue Fund	71	69
Special Road and Bridge Fund	23,426	22,263
Assessment Fund	42,484	38,943
Health Center Fund	94,186	89,279
Developmentally Disabled Fund	93,821	88,943
Township debt service	1,495	3,840
Townships	402,460	380,613
School districts	3,357,979	3,104,313
Library district	165,480	156,845
Cities	57,099	59,715
County Clerk	1,977	2,076
County Employees' Retirement	27,909	28,202
Commissions and fees:		
Townships	34,993	32,715
General Revenue Fund	40,287	35,243
Total	\$ 4,378,629	4,075,745

Percentages of current taxes collected were as follows:

Year Ended February 28,		
	2000	1999
Real estate	89.8 %	89.3 %
Personal property	89.1	88.7
Railroad and utilities	100.0	93.0

Wright County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2000	1999	1998
County-Paid Officials:			
Rex Epperly, Presiding Commissioner	\$	22,565	
Leo Dowden, Presiding Commissioner			17,500
John Williams, Associate Commissioner		17,500	17,500
Frank Bolt, Associate Commissioner		17,500	17,500
Tony Dugger, County Clerk		31,160	29,520
Larry A. Tyrrell, Prosecuting Attorney		36,900	34,000
G.L. (Mitch) Mitchell, Sheriff		35,000	35,000
Lynn Hurtt, County Coroner		6,500	6,500
John T. Miller, Public Administrator *		19,409	16,867
Fern Moore, Treasurer and Ex Officio County Collector, year ended March 31,	27,250	27,250	
Brenda Day, County Assessor **, year ended August 31,		30,420	30,420
Louie Carmack, County Surveyor ***		N/A	N/A

* Includes fees received from probate cases.

** Includes \$900 annual compensation received from the state. In addition to the \$30,420 indicated above, the Assessor was paid \$8,880 in December 2000 resulting from a salary underpayment since November 1997.

*** Compensation on a fee basis.

State-Paid Officials:

Joe Chadwell, Circuit Clerk and Ex Officio Recorder of Deeds	44,292	42,183
Noble I. Leighton, Associate Circuit Judge	87,235	85,158

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk and Ex Officio Recorder of Deeds	1	2
County Clerk	3	0
Prosecuting Attorney	4	0
Sheriff *	12	0
County Coroner **	1	0
Treasurer and Ex Officio County Collector	2	0
County Assessor **	4	0
Associate Division	0	3
Probate Division	0	1
Road and Bridge	10	0
Health Center *	11	0
Juvenile Detention Center *	6	11
Total	<u>54</u>	<u>17</u>

* Includes two part-time employees.

** Includes one part-time employee.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Wright County's share of the Forty-Fourth Judicial Circuit's expenses is 45 percent.

Wright County, in conjunction with Texas County, created the Wri-Tex 911 system in 1992. The governing body consists of the county commissioners from each county. Revenues are generated from a phone-use tax which was approved by the voters in 1992. Funds are held by the Texas County Treasurer. Revenues for the system total approximately \$350,000 annually.



**BATES COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 1999**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-24
March 23, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Bates, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Bates County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit.

- Several similar concerns were noted in the Prosecuting Attorney's records which had been reported in prior audits. The Prosecuting Attorney collects a deferred prosecution fee of \$50 on criminal cases which are not prosecuted, with the understanding that charges will not be filed unless the defendant has other violations during the subsequent two years. These fees are used to fund a petty cash fund in the Prosecuting Attorney's office.
 - The Prosecuting Attorney could provide no legal authority for the collection of the deferred prosecution fee.
 - Due to inadequate record keeping and lack of supporting documentation of these monies, the total amount received from deferred prosecution fees during 1998 and 1999 was unable to be determined. While the Prosecuting Attorney estimated these fees totaled approximately \$500 during 1998 and 1999, the amount actually received could have been significantly more.
 - Deferred prosecution fees received are not deposited nor remitted to the county treasury as accountable fees; rather, they are used to purchase soda, coffee and snacks for office employees.

Collecting unauthorized fees from defendants should be discontinued. Any authorized fee should be properly accounted for.

(over)

YELLOW SHEET

- State law allows the Prosecuting Attorney to charge an administrative handling fee for the collection of bad check restitutions and for the fees to be deposited by the County Treasurer into a separate interest-bearing fund to be expended based on warrants issued by the Prosecuting Attorney.
 - Contrary to state law, the Prosecuting Attorney has custody of the Prosecuting Attorney Bad Check Fund.
 - In December 1999 and 1998, the Prosecuting Attorney authorized payments from the fund totaling \$625 and \$450, respectively, to his employees as bonuses. These payments were not included in the county payroll records, were not subject to the proper withholdings, and were not reported on the employees' W-2 forms. Additionally, the Prosecuting Attorney paid premiums of \$1,160 for a professional liability policy and was reimbursed travel expenses in excess of the county's policy.
- Other concerns noted in the Prosecuting Attorney's records included not reconciling his restitution account bank balance to liabilities, paying out restitution monies to individuals other than those upon whose behalf the money was collected, and maintaining custody of a forfeiture account contrary to an Attorney General's Opinion.
- Formal budgets were not prepared for some county funds and budgets were not obtained from other county officials for some county funds held outside the county treasury for the years ended December 31, 1999, and 1998. Additionally, the annual published financial statements of the county did not include the financial activity of some county funds as required by state law.
- The Sheriff has not established a written policy to govern the operation of the prisoner work release program. This policy should require the prisoner to sign an application for work release, which establishes the terms and conditions for the program. The terms and conditions should include, at a minimum, who the employer is, work schedule, work site location, who receives the prisoner's paycheck, who is to maintain the funds while the prisoner is incarcerated, and allowable expenditures of these funds. The application should also include a requirement to ensure prisoners do not owe back child support, court costs, or taxes to the county prior to the release of these funds to the prisoner.
- The Associate Circuit Division does not reconcile monthly open items listings to cash records for all cash accounts. The listings of liabilities for the current criminal and civil accounts contained numerous old cases which should be disposed of in accordance with state law. The listing prepared at December 31, 1999 for the current criminal account indicated a significant difference when compared to the reconciled bank balance for this account.
- The audit also includes recommendations to the Health Center concerning segregating duties, handling of receipts and improving property records.

Copies of the audit are available upon request.

BATES COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Bates County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Bates County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

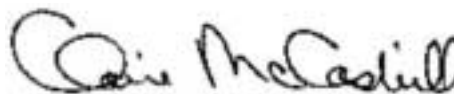
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Bates County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Bates County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Bates County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 30, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Bates County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

November 30, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Bates County, Missouri

We have audited the special-purpose financial statements of various funds of Bates County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated November 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

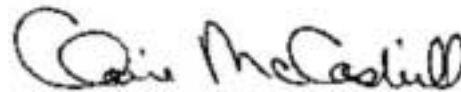
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Bates County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Bates County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Bates County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

November 30, 2000 (fieldwork completion date)

Financial Statements

Exhibit A-1

BATES COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 181,236	654,624	507,425	328,435
Special Road and Bridge	303,713	1,267,036	1,084,997	485,752
Assessment	5,469	133,524	129,466	9,527
Law Enforcement Training	16,741	10,153	10,386	16,508
Prosecuting Attorney Training	5,032	1,611	1,546	5,097
Law Enforcement Sales Tax	63,869	645,574	660,178	49,265
Recorder's User Fees	6,854	9,202	3,703	12,353
Sheriff's Civil Fees	9,797	8,350	13,500	4,647
Families in Crisis	0	1,300	1,210	90
Drug Abuse Resistance and Education	0	2,200	2,200	0
Local Emergency Planning Commission	7,122	2,572	1,629	8,065
Health Center	303,390	536,235	568,009	271,616
Prosecuting Attorney Delinquent Sales Tax	5,387	1,255	3,000	3,642
Prosecuting Attorney Bad Check	6,525	13,835	12,954	7,406
Sheriff's Federal Forfeiture	882	1,484	1,089	1,277
Prosecuting Attorney's Federal Forfeiture	3,271	31	0	3,302
Sheriff's Vest Donation	263	0	0	263
Law Library	1,786	6,295	5,150	2,931
Associate Circuit Division Interest	13,709	1,165	0	14,874
Circuit Clerk Interest	3,368	628	0	3,996
Senate Bill 40 Board	0	95,208	69,086	26,122
Total	\$ 938,414	3,392,282	3,075,528	1,255,168

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

BATES COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 40,169	590,483	449,416	181,236
Special Road and Bridge	169,237	1,059,222	924,746	303,713
Assessment	3,646	129,237	127,414	5,469
Law Enforcement Training	13,582	8,831	5,672	16,741
Prosecuting Attorney Training	4,541	1,522	1,031	5,032
Law Enforcement Sales Tax	98,075	613,584	647,790	63,869
Recorder's User Fees	23,969	9,580	26,695	6,854
Sheriff's Civil Fees	2,461	7,336	0	9,797
Families in Crisis	105	1,295	1,400	0
Drug Abuse Resistance and Education	3,315	13,597	16,912	0
Local Emergency Planning Commission	6,536	2,691	2,105	7,122
Prosecuting Attorney Delinquent Sales Tax	5,704	2,683	3,000	5,387
Prosecuting Attorney Bad Check	804	13,392	7,671	6,525
Sheriff's Federal Forfeiture	1,991	0	1,109	882
Prosecuting Attorney's Federal Forfeiture	3,204	67	0	3,271
Sheriff's Vest Donation	263	0	0	263
Law Library	1,536	4,645	4,395	1,786
Associate Circuit Division Interest	12,587	1,122	0	13,709
Circuit Clerk Interest	2,758	1,237	627	3,368
Total	\$ 394,483	2,460,524	2,219,983	635,024

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

BATES COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 330,100	370,318	40,218	308,000	325,945	17,945
Intergovernmental	159,500	38,125	(121,375)	156,750	26,794	(129,956)
Charges for services	206,100	199,569	(6,531)	170,200	195,938	25,738
Interest	10,100	15,115	5,015	6,700	10,481	3,781
Other	7,250	6,497	(753)	4,350	6,325	1,975
Transfers in	25,000	25,000	0	25,000	25,000	0
Total Receipts	738,050	654,624	(83,426)	671,000	590,483	(80,517)
DISBURSEMENTS						
County Commission	69,714	85,906	(16,192)	58,762	58,496	266
County Clerk	63,755	58,697	5,058	53,440	53,733	(293)
Elections	15,050	10,542	4,508	29,700	24,333	5,367
Buildings and grounds	242,250	60,380	181,870	218,654	61,076	157,578
Employee fringe benefits	47,800	50,871	(3,071)	45,800	44,328	1,472
Ex Officio Collector	58,798	54,219	4,579	55,882	55,395	487
Recorder of Deeds	61,658	58,051	3,607	49,353	49,524	(171)
Circuit Clerk	9,400	8,851	549	10,200	9,566	634
Associate Circuit Court	12,100	4,959	7,141	12,250	5,189	7,061
Court administration	15,710	5,779	9,931	15,340	7,300	8,040
Public Administrator	21,150	31,951	(10,801)	19,100	19,360	(260)
Public health and welfare services	1,750	1,750	0	3,500	3,750	(250)
Other	84,400	75,469	8,931	55,105	52,366	2,739
Transfers out	15,000	0	15,000	15,000	5,000	10,000
Emergency Fund	16,000	0	16,000	16,000	0	16,000
Total Disbursements	734,535	507,425	227,110	658,086	449,416	208,670
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,515	147,199	143,684	12,914	141,067	128,153
CASH, JANUARY 1	181,236	181,236	0	40,169	40,169	0
CASH, DECEMBER 31	\$ 184,751	328,435	143,684	53,083	181,236	128,153

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

BATES COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 76,000	40,729	(35,271)	70,000	75,459	5,459
Intergovernmental	1,290,000	1,158,840	(131,160)	1,340,000	932,396	(407,604)
Charges for services	53,000	50,663	(2,337)	35,000	35,640	640
Interest	13,000	16,059	3,059	10,000	13,297	3,297
Other	0	745	745	0	2,430	2,430
Total Receipts	1,432,000	1,267,036	(164,964)	1,455,000	1,059,222	(395,778)
DISBURSEMENTS						
Salaries	165,080	147,955	17,125	145,117	137,673	7,444
Employee fringe benefits	51,100	42,271	8,829	0	36,468	(36,468)
Supplies	3,200	3,207	(7)	2,400	1,035	1,365
Insurance	11,500	13,312	(1,812)	11,500	10,850	650
Road and bridge materials	0	0	0	10,600	8,448	2,152
Equipment purchases and maintenance	115,500	124,188	(8,688)	116,500	129,832	(13,332)
Construction, repair, and maintenance	1,015,700	626,100	389,600	995,000	472,690	522,310
Distributions to road districts	125,000	99,700	25,300	125,000	99,700	25,300
Other	5,350	3,264	2,086	5,700	3,050	2,650
Transfers out	25,000	25,000	0	25,000	25,000	0
Total Disbursements	1,517,430	1,084,997	432,433	1,436,817	924,746	512,071
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85,430)	182,039	267,469	18,183	134,476	116,293
CASH, JANUARY 1	303,713	303,713	0	169,237	169,237	0
CASH, DECEMBER 31	\$ 218,283	485,752	267,469	187,420	303,713	116,293

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 123,000	127,389	4,389	122,000	119,753	(2,247)
Charges for services	3,000	3,561	561	2,600	2,912	312
Interest	1,200	1,360	160	1,500	1,130	(370)
Other	500	1,214	714	500	442	(58)
Transfers in	15,000	0	(15,000)	15,000	5,000	(10,000)
Total Receipts	142,700	133,524	(9,176)	141,600	129,237	(12,363)
DISBURSEMENTS						
Assessor	142,600	129,466	13,134	143,194	127,414	15,780
Total Disbursements	142,600	129,466	13,134	143,194	127,414	15,780
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	4,058	3,958	(1,594)	1,823	3,417
CASH, JANUARY 1	5,469	5,469	0	3,646	3,646	0
CASH, DECEMBER 31	\$ 5,569	9,527	3,958	2,052	5,469	3,417

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Intergovernmental	\$ 0	2,922	0	1,907	1,907	
Charges for services	6,000	6,424	5,000	6,056	1,056	
Interest	700	647	800	718	(82)	
Other	0	160	0	150	150	
Total Receipts	6,700	10,153	5,800	8,831	3,031	
DISBURSEMENTS						
Sheriff	12,250	10,386	11,250	5,672	5,578	
Total Disbursements	12,250	10,386	11,250	5,672	5,578	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,550)	(233)	(5,450)	3,159	8,609	
CASH, JANUARY 1	16,741	16,741	13,582	13,582	0	
CASH, DECEMBER 31	\$ 11,191	16,508	8,132	16,741	8,609	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Charges for services	\$ 1,500	1,611	2,000	1,522	(478)	
Total Receipts	1,500	1,611	2,000	1,522	(478)	
DISBURSEMENTS						
Prosecuting Attorney	1,500	1,546	1,500	1,031	469	
Total Disbursements	1,500	1,546	1,500	1,031	469	
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	65	500	491	(9)	
CASH, JANUARY 1	5,032	5,032	4,541	4,541	0	
CASH, DECEMBER 31	\$ 5,032	5,097	5,041	5,032	(9)	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

BATES COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Sales taxes	\$ 460,000	477,643	17,643	465,000	455,800	(9,200)
Intergovernmental	134,800	115,932	(18,868)	112,508	110,585	(1,923)
Charges for services	17,150	36,310	19,160	19,300	15,822	(3,478)
Interest	3,600	1,158	(2,442)	5,000	3,599	(1,401)
Other	6,900	8,331	1,431	1,500	6,866	5,366
Transfers in	21,000	6,200	(14,800)	19,000	20,912	1,912
Total Receipts	643,450	645,574	2,124	622,308	613,584	(8,724)
DISBURSEMENTS						
Sheriff	266,250	270,012	(3,762)	273,394	265,175	8,219
Jail	114,975	108,183	6,792	102,016	95,465	6,551
Prosecuting Attorney	104,690	107,916	(3,226)	87,614	88,752	(1,138)
Juvenile Officer	95,798	74,057	21,741	103,554	97,571	5,983
County Coroner	10,410	9,234	1,176	10,210	8,669	1,541
Emergency management	16,050	11,032	5,018	15,892	14,104	1,788
Fringe benefits	71,550	72,738	(1,188)	72,050	66,720	5,330
Other	18,418	7,006	11,412	7,800	11,334	(3,534)
Total Disbursements	698,141	660,178	37,963	672,530	647,790	24,740
RECEIPTS OVER (UNDER) DISBURSEMENTS	(54,691)	(14,604)	40,087	(50,222)	(34,206)	16,016
CASH, JANUARY 1	63,869	63,869	0	98,075	98,075	0
CASH, DECEMBER 31	\$ 9,178	49,265	40,087	47,853	63,869	16,016

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

BATES COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Charges for services	\$ 8,600	8,864	7,000	8,924	1,924	
Interest	650	338	500	656	156	
Total Receipts	9,250	9,202	7,500	9,580	2,080	
DISBURSEMENTS						
Recorder	10,300	3,703	28,000	26,695	1,305	
Total Disbursements	10,300	3,703	28,000	26,695	1,305	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,050)	5,499	(20,500)	(17,115)	3,385	
CASH, JANUARY 1	6,854	6,854	23,969	23,969	0	
CASH, DECEMBER 31	\$ 5,804	12,353	3,469	6,854	3,385	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

BATES COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S CIVIL FEES FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 7,500	7,793	293
Interest	0	557	557
Total Receipts	7,500	8,350	850
DISBURSEMENTS			
Sheriff	10,500	13,500	(3,000)
Total Disbursements	10,500	13,500	(3,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,000)	(5,150)	(2,150)
CASH, JANUARY 1	9,797	9,797	0
CASH, DECEMBER 31	\$ 6,797	4,647	(2,150)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

BATES COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
FAMILIES IN CRISIS FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 1,300	1,300	0
Total Receipts	1,300	1,300	0
DISBURSEMENTS			
Other	1,300	1,210	90
Total Disbursements	1,300	1,210	90
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	90	90
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	90	90

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

BATES COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DRUG ABUSE RESISTANCE AND EDUCATION FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 17,000	2,200	(14,800)
Total Receipts	17,000	2,200	(14,800)
DISBURSEMENTS			
Transfers out	17,000	2,200	14,800
Total Disbursements	17,000	2,200	14,800
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

BATES COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMISSION FUND

Year Ended December 31,			
1999			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Intergovernmental	\$ 3,000	2,572	(428)
Total Receipts	3,000	2,572	(428)
DISBURSEMENTS			
Other	7,000	629	6,371
Transfers out	1,000	1,000	0
Total Disbursements	8,000	1,629	6,371
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,000)	943	5,943
CASH, JANUARY 1	7,122	7,122	0
CASH, DECEMBER 31	\$ 2,122	8,065	5,943

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

BATES COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HEALTH CENTER FUND

	Year Ended December 31,		
	1999		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Property taxes	\$ 109,811	115,015	5,204
Intergovernmental	646,903	377,288	(269,615)
Charges for services	12,530	14,875	2,345
Interest	15,000	17,001	2,001
Other	8,050	12,056	4,006
Total Receipts	792,294	536,235	(256,059)
DISBURSEMENTS			
Salaries	535,153	388,457	146,696
Office expenditures	79,300	76,858	2,442
Equipment	4,800	15,532	(10,732)
Mileage and training	27,341	12,602	14,739
Contract services	10,350	10,031	319
Other	100,000	64,529	35,471
Total Disbursements	756,944	568,009	188,935
RECEIPTS OVER (UNDER) DISBURSEMENTS	35,350	(31,774)	(67,124)
CASH, JANUARY 1	303,390	303,390	0
CASH, DECEMBER 31	\$ 338,740	271,616	(67,124)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

BATES COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Bates County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff's Civil Fees Fund	1998
Families in Crisis Fund	1998

Drug Abuse Resistance and Education Fund	1998
Local Emergency Planning Commission Fund	1998
Prosecuting Attorney Bad Check Fund	1999 and 1998
Sheriff's Federal Forfeiture Fund	1999 and 1998
Prosecuting Attorney's Federal Forfeiture Fund	1999 and 1998
Sheriff's Vest Donation Fund	1999 and 1998
Law Library Fund	1999 and 1998
Associate Circuit Division Interest Fund	1999 and 1998
Circuit Clerk Interest Fund	1999 and 1998
Senate Bill 40 Board Fund	1999

Warrants issued were in excess of budgeted amounts for the Prosecuting Attorney Training Fund and Sheriff's Civil Fees Fund in 1999. Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	1999
Prosecuting Attorney Bad Check Fund	1999 and 1998
Prosecuting Attorney's Federal Forfeiture Fund	1999 and 1998
Sheriff's Vest Donation Fund	1999 and 1998
Law Library Fund	1999 and 1998
Associate Circuit Division Interest Fund	1999 and 1998
Circuit Clerk Interest Fund	1999 and 1998
Senate Bill 40 Board Fund	1999

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than

depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, and the Health Center Board's and Senate Bill 40 Board's deposits at December 31, 1999, were entirely covered by federal depository insurance or by collateral securities held by the county's, Health Center Board's, or Senate Bill 40 Board's holding bank in the county's, Health Center Board's, or Senate Bill 40 Board's name.

Supplementary Schedule

BATES COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1999 AND 1998

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified?

_____ yes X no

Reportable condition identified that is
not considered to be a material weakness?
reported

_____ yes X none

Noncompliance material to the financial statements
noted?

_____ yes X no

Federal Awards

Internal control over major program:

Material weakness identified?

_____ yes X no

Reportable condition identified that is
not considered to be a material weakness?
reported

_____ yes X none

Type of auditor's report issued on compliance for
major program:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133?

_____ yes X no

Identification of major program:

CFDA or
Other Identifying

Number
20.205

Program Title
Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes X no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Notes to the Supplementary Schedule

BATES COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Bates County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services.

Amounts for Equitable Sharing of Seized and Forfeited Property (CFDA number 16.unknown) represent the county's share of seized monies or property.

Of the amounts for Immunization Grants (CFDA number 93.268), \$21,898 and \$23,510 represent the original acquisition cost of other vaccines purchased by the Centers for Disease Control but distributed to the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$261 and \$584, represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$1,303 and \$2,043 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 1999 and 1998. The remaining pass-through amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 1999 and 1998.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Bates County, Missouri

Compliance

We have audited the compliance of Bates County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

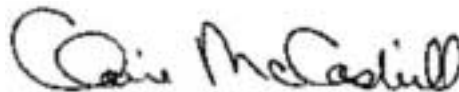
In our opinion, Bates County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 1999 and 1998.

Internal Control Over Compliance

The management of Bates County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Bates County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill
State Auditor

November 30, 2000 (fieldwork completion date)

Schedule

BATES COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1999 AND 1998

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified?

_____ yes X no

Reportable condition identified that is
not considered to be a material weakness?
reported

_____ yes X none

Noncompliance material to the financial statements
noted?

_____ yes X no

Federal Awards

Internal control over major program:

Material weakness identified?

_____ yes X no

Reportable condition identified that is
not considered to be a material weakness?
reported

_____ yes X none

Type of auditor's report issued on compliance for
major program:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133?

_____ yes X no

Identification of major program:

CFDA or
Other Identifying

Number
20.205

Program Title
Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes X no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

BATES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

BATES COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

BATES COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Bates County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated November 30, 2000. We also have audited the compliance of Bates County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 1999 and 1998, and have issued our report thereon dated November 30, 2000.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Bates County Memorial Hospital Board was audited and separately reported on by other independent auditors for the two years ended December 31, 1999, the related fund is not presented in the special-purpose financial statements. However, we reviewed that audit report and the substantiating working papers.

Because the Health Center Board was audited and separately reported on by other independent auditors for the year ended December 31, 1998, the related fund is not presented in the special purpose financial statements for the year ended December 31, 1998. However, we reviewed that audit report and the substantiating working papers.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Bates County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Prosecuting Attorney's Controls and Procedures
--

During our review of the Prosecuting Attorney's procedures, the following concerns were noted:

- A. A deferred prosecution fee of \$50 is collected on criminal cases which are not prosecuted, with the understanding that charges will not be filed unless the defendant has other violations during the subsequent two years. These fees are used to fund a petty cash fund in the Prosecuting Attorney's office. Our review of the deferred prosecution fees and petty cash fund revealed the following concerns:
- 1) The Prosecuting Attorney could provide no legal authority for the collection of the deferred prosecution fee.
 - 2) Receipt slips are not issued for deferred prosecution fees received. While a deferred prosecution agreement is signed by the defendant showing the amount received, these forms are not prenumbered and are not accounted for properly. The Prosecuting Attorney was unable to provide us a listing of the cases for which a deferred prosecution fee was received, and does not maintain copies of all agreements. Due to inadequate record keeping and lack of supporting documentation of these monies, we were unable to determine the total amount received for deferred prosecution fees during 1998 and 1999. While the Prosecuting Attorney estimated approximately \$500 was received for deferred prosecution fees during 1998 and 1999, the amount actually received could have been significantly more. To adequately account for all monies received, prenumbered receipt slips should be issued for all receipts and the numerical sequence accounted for properly.
 - 3) Deferred prosecution fees received are not deposited nor remitted to the county treasury as accountable fees; rather, they are used to purchase soda, coffee and snacks for office employees. A ledger showing receipts, disbursements, and balances for the petty cash fund is not maintained and invoices are not retained to support the expenditures of these funds. Such expenditures do not appear necessary for the operation of the office and do not appear to be a prudent use of public monies. If legal authority to collect such a fee is established, these monies would represent accountable fees.

Section 50.340, RSMo 1994, requires county officials to pay into the county treasury any accountable fees collected.

If a petty cash fund is determined to be necessary, it should be funded through the county treasury and a log of petty cash transactions, including invoices for expenditures, should be maintained. The invoices would be periodically submitted to the county for reimbursement to the petty cash fund.

B. Section 570.120, RSMo 1994, allows the Prosecuting Attorney to charge an administrative handling fee for the collection of bad check restitutions. This section requires the fees to be deposited by the County Treasurer into a separate interest-bearing fund to be expended based on warrants issued by the Prosecuting Attorney. The following concerns were noted in our review of the Prosecuting Attorney Bad Check Fund:

- 1) Contrary to state law, the Prosecuting Attorney has custody of the Prosecuting Attorney Bad Check Fund. The December 31, 1999 balance was \$7,406. The Prosecuting Attorney indicated he maintains custody of this fund because he believes his office budget, funded by the General Revenue fund, would be reduced if the County Commission was aware of the balance of this fund. Various questionable expenditures went without outside review as a result of the Prosecuting Attorney having full control and custody of these funds.
- 2) In December 1999 and 1998, the Prosecuting Attorney authorized payments from the fund totaling \$625 and \$450, respectively, to his employees as bonuses. These payments were not included in the county payroll records, were not subject to the proper withholdings, and were not reported on the employees' W-2 forms. In addition, bonuses are prohibited by Article III, Section 39 of the Missouri Constitution.
- 3) During 1999 and 1998, premiums totaling \$1,160 for a professional liability policy were paid from the Prosecuting Attorney Bad Check Fund. Since at least a portion of these expenditures were apparently for private purposes, the use of such public funds is questionable.
- 4) During the two years ended December 31, 1999, the Prosecuting Attorney was reimbursed from the Prosecuting Attorney Bad Check Fund for expenses incurred while attending training seminars. The total reimbursements during the two years for meals while attending these seminars was \$540. Meal charges of \$30 per day, and in one instance \$40 per day, exceeded the county's travel expense policy of \$15 per day. As a result, it appears the Prosecuting Attorney was reimbursed a total of \$285 that was in excess of the amounts allowed by the county's travel expense policy. If the Prosecuting Attorney believes the county meal limit is too low, this issue should be brought to the attention of the County Commission for review.

- C. Monthly listings of open items are not reconciled to the cash balance for the restitution account and interest earned on this account is not turned over to the county treasury. The Prosecuting Attorney receives restitution, bad check payments, and bad check fees. These monies are initially deposited into the restitution account. Restitution and bad check amounts collected for victims and merchants are paid to the applicable parties through out the month. At month end, the Prosecuting Attorney administrative handling fee for bad checks is transferred to the bad check fund. A ledger, which serves as the open items listing, is maintained to account for restitution checks returned by the post office because the victim could not be located, and small over- or underpayments. However, this balance is not reconciled to the bank account. As of December 31, 1999, the restitution account balance exceeded the ledger balance by \$297. At least a portion of this difference appears to be accumulated interest which should be turned over to the County Treasurer.

Monthly listing of open items should be prepared and reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities. Further, the Prosecuting Attorney should attempt to determine the reasons for this difference. Accumulated interest should be turned over to the county. If proper disposition of the unidentified monies cannot be determined, these monies should be disposed of in accordance with state law.

- D. In November 1999, \$3,793 was paid out as restitution to individuals other than those the money was collected on behalf of. The Prosecuting Attorney was unable to provide legal justification for his decision to do this. The Prosecuting Attorney indicated he believed these funds were disposed of properly, since the intended payees could not be located. By disposing of these funds in this manner, the Prosecuting Attorney has established a potential liability for his office, if the intended payees request these funds in the future. When the intended payee cannot be located these monies should be disposed of in accordance with state law.
- E. The Prosecuting Attorney maintains custody of the Prosecuting Attorney's Federal Forfeiture account, which is used for law enforcement purposes. The December 31, 1999 balance was \$3,302, and was composed primarily of proceeds from seizures by the U.S. Department of Justice.

Missouri Attorney General's Opinion No. 45, 1992, to Henderson states that the Prosecuting Attorney of a third class county is not authorized to maintain a bank account for law enforcement purposes separate from the county treasury. This account balance should be transferred to the County Treasurer for deposit into a separately established fund, and future receipts should be transmitted to the County Treasurer.

Similar conditions were noted in our previous reports.

WE AGAIN RECOMMEND the Prosecuting Attorney:

- A. Discontinue collecting deferred prosecution fees until legal authority for such a fee is established. If the authority to collect this fee is established, prenumbered receipt slips should be issued for all monies received and the numerical sequence of receipt slips issued should be accounted for properly. In addition, any petty cash funds on hand should be turned over to the county treasury and all fees received should either be turned over to the county treasury as received or deposited intact into the prosecuting attorney's official bank account and then subsequently turned over to the county treasury.

If a petty cash fund is maintained, it should be funded by the county and a log of petty cash fund transactions, including invoices for expenditures, should be maintained to properly document the financial activity of the fund. In addition, the Prosecuting Attorney should ensure all future expenditures represent a prudent use of public funds.

- B.1. Turn over custody of the Prosecuting Attorney Bad Check Fund to the County Treasurer.
 - 2. Discontinue the practice of paying employee bonuses.
 - 3. Reimburse the Prosecuting Attorney Bad Check Fund for the amount of premiums paid for insurance for the Prosecuting Attorney's private practice.
 - 4. Ensure any travel expenses claimed for reimbursement are necessary, reasonable, and in accordance with the county's travel policy.
- C. Prepare monthly listings of open items and reconcile the listings to the cash balances. Interest earned monthly, along with any accumulated interest, should be turned over to the County Treasurer.
- D. Disburse unidentified monies in accordance with the state law.
- E. Turn over custody of the Federal Forfeiture account to the County Treasurer to be placed in a separate fund.

AUDITEE'S RESPONSE

- A. *While I do not plan to discontinue collection of this fee at this time, I will ensure receipts are issued and proper documentation is maintained in the future. At this time, I do not intend to turn these funds over to the county treasury. While I plan to continue to maintain a petty cash fund, I will ensure adequate documentation is maintained in the future.*
- B.1. *I will address this issue with the County Commission by April 1, 2001 and would be willing*

to turn this fund over to the county treasury if they can assure me this will not affect my general revenue budget.

2. *State law authorizes payment of salaries from the Bad Check Fund. I will attempt to ensure any future payments are made appropriately.*
3. *This policy has been terminated as of December 31, 2000. I intend to reinstate the policy, but will ensure only the portion which relates to my duties as Prosecuting Attorney are paid from county funds. Currently, prosecutorial immunity does not extend to legal advice given to law enforcement agencies; therefore, I believe this policy is necessary. I am currently working with the insurance company to determine the portion of this policy in past years which went towards my private practice's insurance. I hope to resolve this issue by July 1, 2001. I do not believe this amount would be significant considering the small number of civil cases I handle.*
4. *I believe any travel or meal charges incurred and paid to me were necessary and reasonable. I think the county's travel and expense policy should be reviewed. I am mandated to receive 20 hours of continuing training per year and do not believe I should fund a portion of my travel expenses out of my own pocket while performing county business.*
- C. *Interest is no longer earned on this account. We plan to review the difference noted above; any accumulated interest that exists, if any, will be turned over to the county treasury. We will work to resolve this difference in accordance with state law.*
- D. *We agree and are now disbursing these funds in accordance with state law. At least a portion of the funds referred to above were on hand at the time I originally took office and records were unavailable to determine the intended payees of these funds. This sum was accumulated over the course of a number of years and I believed it would be in the best interest of the taxpayers to disburse these funds to the victims in Bates County.*
- E. *The practice of sharing in forfeitures has been discontinued. I will discontinue holding these funds if a compromise can be reached regarding our budget.*

AUDITOR'S COMMENT

- A. Collecting unauthorized fees from defendants should be discontinued and authorized fees should be properly accounted for.

2. Budgetary Practices and Published Financial Statements
--

- A. Formal budgets were not prepared for some county funds and budgets were not obtained from other county officials for some county funds held outside the county treasury for the years ended December 31, 1999, and 1998. Chapter 50, RSMo 1994, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county

funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- B. The annual published financial statements of the county did not include the financial activity of some county funds as required. Section 50.800, RSMo 1994, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

Similar conditions were noted in our prior two reports.

WE AGAIN RECOMMEND the County Commission:

- A. Ensure budgets are prepared for all county funds in accordance with state law.
- B. Ensure financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

- A. *We prepared budgets in 2001 for most funds we have access to and will prepare budgets for all funds we have access to in 2002.*
- B. *We plan to implement this by March 2002 for all funds we have access to.*

3. Sheriff's Policies and Procedures

- A. The Sheriff's department houses prisoners for other counties and cities in the county jail. No written agreements exist with any of these entities for these services. Section 432.070, RSMo 1994, states all contracts entered into by the county shall be in writing and shall be signed by each of the parties or their agents.
- B. The Sheriff has not established a written policy to govern the operation of the prisoner work release program. This policy should require the prisoner to sign an application for work release, which establishes the terms and conditions for the program. The terms and conditions should include, at a minimum, who the employer is, work schedule, work site location, who receives the prisoner's paycheck, who is to maintain the funds while the prisoner is incarcerated, and allowable expenditures of these funds. The application should also include a requirement to ensure prisoners do not owe back child support, court costs, or taxes to the county prior to the release of these funds to the prisoner.

Without policies and procedures to govern the work release program, the Sheriff has less assurance that the program is operating effectively and that prisoners on work release pay their obligations to the county prior to their release.

A condition similar to A was noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Obtain written agreements for boarding prisoners to and for other entities.
- B. Establish policies and procedures to govern the prisoner work release program.

AUDITEE'S RESPONSE

- A. *While I agree with the auditor's concern here, I do not see the necessity for written agreements at this time. I have a good relationship with the Sheriffs in the surrounding counties who we typically house prisoners for. These surrounding counties do not require written agreements from Bates County and I do not see the need, at this time, to require them to sign an agreement. I will keep this recommendation in mind and if the need arises in the future I will review the situation further.*
- B. *I am in the process of developing a policy similar to Henry County's work release policy and plan to implement it by August 1, 2001.*

4. Associate Circuit Division Records and Controls

- A. Accounting and bookkeeping duties are not adequately segregated. Currently, the responsibilities of collecting, recording, and depositing receipts are performed by any of the three employees of this office, while month-end reconciliations and preparing and signing checks are assigned to one employee. There is no documented independent review of the accounting records and reconciliations.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved, the Associate Judge should at least compare bank deposits with recorded receipts and review monthly reconciliations. Proper supervision and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

- B. The Associate Circuit Division Clerk maintains three bank accounts: one for civil case fees, one for current criminal costs, fines, and bonds, and a third for old criminal cases and bonds. The open items listing for the civil account was not generated off the computer for 1998, 1999 or January through March 2000, until April 2000. An open items listing is generated monthly for the current criminal account, but listings

are no longer prepared for the old bond account. The December 1999 current criminal and civil open items listings were not accurate. The balances shown for several cases on these listings did not agree to the amount shown in the case files. The Associate Clerk also indicated these listings were not accurate and that case files are used to determine amounts due to individuals. We attempted to reconcile the December 1999 listings for the three bank accounts to the reconciled bank balances. At December 31, 1999, the current criminal account and old criminal and bond account reconciled bank balances were less than identified liabilities by \$13,770 and \$524, respectively, and the civil account reconciled bank balance exceeded identified liabilities by \$3,740. The Associate Division has taken no action to investigate the apparent shortages in the current criminal and old criminal and bond accounts, or to update the inaccurate open items listings. To ensure that receipts and disbursements are properly handled and accurately posted to the case files, and that there is sufficient cash to cover all liabilities for open cases, a complete and accurate open items listing should be prepared monthly and reconciled to the cash balances.

The division's policy requires full payment of fines and costs for criminal cases before any funds are distributed. The December 31, 1999 criminal open items listing totals \$60,195 and contains some cases which originated as far back as 1992. Attorney General's opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated". Failure to prorate monies when it is unlikely the balances will be collected, deprives the state and county of the use of those monies.

In addition, the December 31, 1999 civil account open items listing totals \$3,493 and includes cases which show a negative balance, or represent monies owed to the division, and contains some cases which originated as far back as 1979. The Associate Clerk indicated the division will occasionally pay out costs prior to receiving the funds. In these instances, the attorney handling the case is notified and reimbursement is received by the division.

Old inactive cash balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. If the division is unable to locate the payees of these civil funds, the monies should be distributed in accordance with state law.

Only by preparing open items listings on a monthly basis and comparing it to the reconciled cash balance can the Associate Division be assured that records are in balance and that sufficient cash is available to cover liabilities. The Associate Judge should take action to investigate the shortages which appear to exist in the current and old criminal bond accounts.

A condition similar to B was noted in our four previous reports.

WE RECOMMEND the Associate Circuit Division:

- A. Segregate the duties of handling, recording, distributing, and reconciling cash. If segregation of duties is not possible, at a minimum, an independent review of the receipts and deposits and monthly bank reconciliations should be performed and documented.
- B. Prepare monthly open items listings for all cash accounts and reconcile to the monthly cash records. The Division should determine reasons for all unidentified cash balances or shortages, make adjustments to the accounting records for identified differences, and investigate fluctuations in the unidentified balances in a timely manner. Any monies remaining unidentified should be disposed of in accordance with the unclaimed property statutes. In addition, the Division should pursue collection of costs accrued on old cases. If collection of such costs cannot be made, monies held by the division should be distributed on a pro-rata basis.

AUDITEE'S RESPONSE

- A. *We agree and will make procedural changes regarding this issue effective March 1.*
- B. *We agree and plan to review this issue closely. We will prepare a preliminary summary of progress by July 1, 2001 with a follow-up progress report by November 30, 2001. We hope to have this issue resolved by February 2002.*

We would like to get to the point where monies are not held for periods of time, which would alleviate the need for an open items listing.

5. Health Center Accounting Controls and Procedures
--

- A. Accounting and bookkeeping duties are not adequately segregated. Currently, the responsibilities of collecting, recording, and depositing receipts, reconciliations, and preparing and signing checks are assigned to the Health Center Administrator. There is no documented independent review of these functions.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation cannot be achieved, at a minimum, a comparison of bank deposits with recorded receipts and a review of monthly reconciliations should be performed. Proper supervision and documented reviews help ensure that financial records are properly maintained and help detect errors on a timely basis.

- B. Receipt slips are not always issued for monies received. The Health Center began issuing receipts slips in May 2000, but prior to that date no receipt slips were issued.

To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly.

- C. An annual inventory of all general fixed assets, and a quarterly inspection of all lands and buildings is not conducted. In addition, property records have not been updated since June 1999 and an acquisition date is not noted in the property records. Adequate general fixed asset records and procedures are necessary to meet statutory requirements, secure better internal controls over Health Center property, and provide a basis for determining proper insurance coverage of Health Center property. Annual inventories of Health Center property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

WE RECOMMEND the Health Center Board:

- A. Segregate the duties of handling, recording, distributing, and reconciling cash. If segregation of duties is not possible, at a minimum, an independent review of receipts and deposits and monthly bank reconciliations should be performed and documented.
- B. Issue receipt slips for all monies received and account for the numerical sequence of all receipt slips issued.
- C. Perform and document annual inventories of Health Center owned property and update the fixed asset records for unrecorded property additions and dispositions.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

- A. *We have implemented this.*
- B. *Effective May 2000, we now do this.*
- C. *We are currently in the process of implementing this recommendation.*

This report is intended for the information of the management of Bates County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

BATES COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Bates County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended December 31, 1997.

The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary and Reporting Practices

- A. Warrants were issued in excess of approved budgeted expenditures in the Special Road and Bridge Fund in 1997.
- B. Formal budgets were not prepared for various county funds for the years ended December 31, 1997 and 1996.
- C. The annual published financial statements of the county did not include the financial activity of some county funds as required.

Recommendation:

The County Commission:

- A. Not authorize warrants in excess of budgeted expenditures.
- B. Ensure budgets are prepared or obtained for all county funds.
- C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

- A. Not implemented. Warrants were issued in excess of approved expenditures for two county funds. Although not repeated in the current MAR, our recommendation remains as stated above.

B&C. Not implemented. See MAR 2.

2. County Expenditures

Bids were not always advertised by the county. Some items were available from only one vendor in the area; however, documentation of sole source procurements was not maintained.

Recommendation:

The County Commission advertise bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the County Clerk should retain documentation of these circumstances.

Status:

Partially implemented. While it appears that the county is following applicable bidding requirements, instances where sole source procurement is necessary are not documented. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Prosecuting Attorney's Procedures and Controls

A.1. Receipt slips were not issued for monies received unless requested by the payor.

2. The deferred prosecution fees were not turned over to the county treasury.

3. A petty cash fund ledger was not maintained.

4. Expenditures from the petty cash fund, totaling \$1,044, were spent for such items as soda, coffee, snacks, flowers, and employee meals.

B. The following concerns were noted with the Prosecuting Attorney Bad Check Fund:

1. The Prosecuting Attorney had custody of the Prosecuting Attorney Bad Check Fund.

2. The Prosecuting Attorney authorized the payment of bonuses to his employees. These payments were not recorded in the county payroll records, were not subject to proper withholdings, and were not reported on the employees' W-2 forms.

3. Premiums for a professional liability policy covering the Prosecuting Attorney's private practice were paid from the Prosecuting Attorney Bad Check Fund.

4. Expenditures from the Prosecuting Attorney Bad Check Fund included monies used for employee meals within the city of Butler.

5. The Prosecuting Attorney was reimbursed for expenses that were either unsubstantiated or in excess of the amounts allowed by the county's travel expense policies.

6. Documentation could not be located for a payment from the Prosecuting Attorney Bad Check Fund to an individual who served as an appointed special prosecutor. Furthermore, the fee to be paid to this individual was not fixed by the court and the court did not review the invoice submitted for payment.
 7. Some payroll amounts from the Prosecuting Attorney Bad Check Fund were omitted from employees' W-2 forms.
- C. Monthly listings of open items (liabilities) were not prepared for the restitution account.
 - D. The Prosecuting Attorney maintained an overage account for monies whose rightful disposition could not be determined. Monies were spent from this account for expert witness fees and there was no documentation to support why these unidentified monies should have been used for this purpose.
 - E. The Prosecuting Attorney earned interest income on the monies in his restitution account and did not turn over all accumulated interest to the county.

Recommendation:

The Prosecuting Attorney:

- A. Issue prenumbered receipts for all monies received and account for the numerical sequence. Detailed and summary receipt records should also be maintained to properly account for all fees received. In addition, the balance of the petty cash fund should be turned over to the county treasury and all fees received should either be turned over to the county treasury as received or deposited intact into the prosecuting attorney's official bank account and then subsequently turned over to the county treasury.

If a petty cash fund is to be maintained, a petty cash fund ledger showing beginning balance, receipts by source, expenditures by type, and ending balance should be maintained to properly document the financial activity of the fund. In addition, the Prosecuting Attorney should ensure all future expenditures represent a prudent use of public monies.

- B.1. Turn over custody of the Prosecuting Attorney Bad Check Fund to the County Treasurer.
2. Discontinue the practice of paying employee bonuses.
3. Reimburse the Prosecuting Attorney Bad Check Fund for the amount of premiums paid for insurance for the Prosecuting Attorney's private practice.

4. Ensure all future expenditures from this fund are for prudent county expenditures.
 5. Ensure any travel expenses claimed for reimbursement are necessary, reasonable, adequately documented, and in accordance with the county's travel policy. In addition, the Prosecuting Attorney should provide additional documentation to the County Commission so it can determine the propriety of the expenditures and if any amount of reimbursement is due to the Prosecuting Attorney Bad Check Fund.
 6. Ensure the fees paid to special prosecutors are set by the court and that the invoices for these fees are filed in court and approved by the judge prior to payment.
 7. Ensure all employee payroll is reported on employee W-2 forms and that amended W-2 forms be issued for prior years. In addition, these payroll functions should be turned over to the County Clerk and processed through the county's normal payroll.
- C. Prepare monthly listings of open items and reconcile the listings to the cash balances. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.
- D. Transfer \$464 from the Prosecuting Attorney Bad Check Fund to the overage account and attempt to identify the proper disposition of the amounts in the account. Any money remaining unidentified should be disbursed in accordance with state law.
- E. Turn over accumulated interest earned to the county.

Status:

A.,
B.1-3,
B.5,

C-E. Not implemented. See MAR 1.

B.4. Not implemented. There was approximately \$77 spent during the audit period for this purpose. Although not repeated in the current MAR, our recommendation remains as stated above.

B.6. Implemented. There have been no special prosecutors during the audit period.

B.7. Partially implemented. The additional salary is reported on a separate W-2. However, the payroll functions have not been turned over to the County Clerk to be processed through the county's regular payroll. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Custody of Funds

The Sheriff and Prosecuting Attorney maintained bank accounts used for law enforcement purposes outside of the county treasury.

Recommendation:

The Sheriff and Prosecuting Attorney turn over custody of the Federal Forfeiture and Vest Donation accounts to the County Treasurer to be placed in separate funds established by the County Commission.

Status:

Partially implemented. The Sheriff's Federal Forfeiture account is now maintained by the County Treasurer and the Vest Donation account was closed in April 2000. However, the Prosecuting Attorney still maintains the Prosecuting Attorney's Federal Forfeiture account. See MAR 1.

5. County Clerk's Accounting Controls

No inventory records were maintained for plat books and maps.

Recommendation:

The County Clerk maintain inventory records of plat books and maps and periodically reconcile the number of plat books and maps purchased, sold, or given away to the number on hand.

Status:

Implemented.

6. Sheriff Agreements

The Sheriff's department housed prisoners for other counties and cities in the county jail; however, the Sheriff's department did not bill cities located within Bates County. No written agreement existed with any of these entities for these services.

Recommendation:

The county obtain written agreements for boarding prisoners to and for other entities.

Status:

Not implemented. See MAR 3.

7. Health Center

- A. Revenues and associated expenditures for the Building Healthy People program were never included in the Health Center's budgets.
- B. No independent appraisal was obtained for two properties purchased by the Health Center in 1997.

Recommendation:

The Health Center Board of Trustees:

- A. Ensure budget documents include all financial transactions.
- B. Ensure justification of the selection process is thoroughly documented and an independent appraisal is obtained for future land purchases. Additionally, the Health Center should continue efforts to sell the unneeded property.

Status:

- A. Implemented.
- B. Partially implemented. No other purchases of land have occurred. The Health Center is attempting to sell one of the properties and are discussing plans for the sale of the other property. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Associate Circuit Division Records and Controls

The Associate Circuit Division Clerk maintained three cash accounts: one for civil case fees, one for current criminal costs, fines, and bonds, and a third for old criminal cases and bonds. While monthly listings of open items were generated for the three cash accounts and were compared to the ending cash balances, differences were not adequately investigated.

Recommendation:

The Associate Circuit Division attempt to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law.

Status:

Not implemented. See MAR 4.

STATISTICAL SECTION

History, Organization, and
Statistical Information

BATES COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Bates was named after Frederick Bates, a second governor of Missouri. Bates County is a township-organized, third-class county and is part of the Twenty-Seventh Judicial Circuit. The county seat is Butler, Missouri.

Bates County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Bates County received its money in 1999 and 1998 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	1999		1998	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 411,047	21	401,404	24
Federal and state aid	1,196,965	62	959,190	58
Fees, interest, and other	313,648	17	289,111	18
Total	\$ 1,921,660	100	1,649,705	100

The following chart shows how Bates County spent monies in 1999 and 1998 from the General Revenue and Special Road and Bridge Funds:

USE	1999		1998	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 507,425	32	449,416	33
Highways and roads	1,084,997	68	924,746	67
Total	\$ 1,592,422	100	1,374,162	100

In addition, Bates County has a Law Enforcement Sales Tax Fund, with receipts of approximately \$645,000 and \$613,000 in 1999 and 1998, respectively, for the purpose of public safety.

The county maintains approximately 194 county bridges and 947 miles of county roads.

The county's population was 15,468 in 1970 and 15,025 in 1990. The following chart shows the county's change in assessed valuation since 1970:

		Year Ended December 31,				
		1999	1998	1985*	1980**	1970**
		(in millions)				
Real estate	\$	84.5	83.2	67.3	30.2	23.4
Personal property		37.9	36.1	21.4	13.9	6.9
Railroad and utilities		21.3	18.3	12.2	10.5	8.0
Total	\$	143.7	137.6	100.9	54.6	38.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Bates County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,	
		1999	1998
General Revenue Fund	\$	0.26	0.26
Health Center Fund		0.08	0.08
Senate Bill 40 Board Fund		0.07	0.07

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28,	
	2000	1999
State of Missouri	\$ 42,814	41,512
General Revenue Fund	382,496	372,994
Special Road Districts	8,417	7,876
Assessment Fund	63,579	57,811
Health Center Fund	113,037	108,831
Senate Bill 40 Board Fund	96,471	88,712
Schools	4,944,769	4,517,412
Townships	125,408	118,505
Township Special Road and Bridge Fund	480,316	454,097
Cities	30,459	28,048
County Employees' Retirement	30,392	28,104
Commissions and Fees:		
General Revenue Fund	53,883	47,750
Township Commissions	55,816	53,363
Total	<u>\$ 6,427,830</u>	<u>5,925,015</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28,	
	2000	1999
Real estate	93.3 %	94.0 %
Personal property	88.3	89.0
Railroad and utilities	100.0	100.0

Bates County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reductio
Law Enforcement	\$.0050	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2000	1999	1998
County-Paid Officials:			
Terry Wheatley, Presiding Commissioner	\$	28,400	
Harold Weil, Presiding Commissioner			18,000
Gloria Pyeatt, Associate Commissioner		26,400	18,000
Everett Cummings, Associate Commissioner		26,400	18,000
Lucille Munday, Recorder of Deeds		40,000	28,000
Marlene Wainscott, County Clerk		40,000	30,500
Hugh Jenkins, Prosecuting Attorney		47,000	35,000
Duane Diehl, Sheriff		36,000	36,000
Gary Schowengerdt, County Coroner		6,500	6,500
June Cumpton, Public Administrator *		31,502	16,825
James Platt, Treasurer and Ex Officio County Collector, year ended March 31,	34,648	34,648	
Roger Pruden, County Assessor **, year ended August 31,		40,900	40,900
W.C. Lethcho, County Surveyor and Engineer ***		20,337	16,759

* Includes fees received from probate cases

** Includes \$900 annual compensation received from the state.

*** Compensation on a fee basis.

State-Paid Officials:

Diana Rich, Circuit Clerk	44,292	42,183
John M. O'Bannon, Associate Circuit Judge	87,235	85,158

A breakdown of employees (excluding the elected officials) by office at December 31, 1999, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk *	0	3
Recorder of Deeds	1	0
County Clerk	2	0
Prosecuting Attorney	3	0
Sheriff ***	18	0
Treasurer and Ex Officio County		
Collector	1	0
County Assessor	4	0
County Surveyor	1	0
Associate Division *	0	3
Probate Division	0	1
Road and Bridge	7	0
Health Center **	8	0
Total	<u>45</u>	<u>7</u>

* Includes one part time employee

** Includes two part-time employees

*** Includes eight part-time employees

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Bates County's share of the Twenty-Seventh Judicial Circuit's expenses is 34.52 percent.



OFFICE OF SECRETARY OF STATE

PERIOD JULY 1, 2000 TO JANUARY 8, 2001

AND THE TWO YEARS ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-23
March 22, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

Governor Mel Carnahan appointed Rebecca McDowell Cook as the thirty-sixth Secretary of State and she was sworn in on December 16, 1994. Secretary of State Cook was elected to a four year term of office in November 1996. Her term expired on January 8, 2001. On that date, Matt Blunt was inaugurated as the thirty-seventh Secretary of State of Missouri.

The following report of the Office of Secretary of State reflects audited financial statements dating from July 1, 1998, until the electoral transfer of Secretary of State authority which occurred on January 8, 2001. Some areas of concern were noted as a result of our audit.

Pursuant to state law the responsibility for franchise tax was transferred to the Department of Revenue from the Office of Secretary of State, effective January 1, 2000. However, the Office of Secretary of State is still responsible for administratively dissolving corporations based on notification from the Department of Revenue of those corporations that fail or refuse to pay franchise tax (including interest and penalties) after the assessment becomes final.

The Department of Revenue has not notified the Office of Secretary of State of any delinquencies since assuming responsibility for the collection of franchise taxes. Therefore, the Office of Secretary of State has not administratively dissolved corporations for failure to pay franchise taxes for filing dates after January 1, 2000. Based on the office's past experience with administratively dissolving corporations, it is likely that some corporations have been allowed to remain active with delinquencies. Allowing corporations to remain active with delinquencies provides no incentive for corporations to pay their taxes when due. This increases the likelihood that taxes, interest, and penalties will not be collected, and results in lost revenue to the state.

As discussed in prior audit reports, fixed asset records and procedures are not adequate. Because adequate records and/or procedures have not been in place for several years, assets have not been properly accounted for and safeguarded from theft or misuse. At June 30, 2000, the Office of Secretary of State estimated that the total cost of general fixed assets maintained by the office was approximately \$4 million.

YELLOW SHEET

OFFICE OF SECRETARY OF STATE

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OFFICE OF SECRETARY OF STATE

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Rebecca McDowell Cook
and
Honorable Matt Blunt, Secretary of State
Jefferson City, MO 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Office of Secretary of State as of and for the period July 1, 2000 to January 8, 2001, and the years ended June 30, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

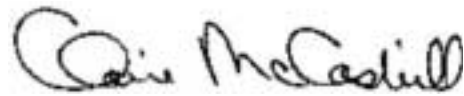
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, Library Networking Fund, Investor Education Fund, State Document Preservation Fund, Wolfner State Library Fund, and the Institution Gift Trust Fund; the receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the Office of Secretary of State and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the office.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, Library Networking Fund, Investor Education Fund, State Document Preservation Fund, Wolfner State Library Fund, and the Institution Gift Trust Fund; the receipts of the General Revenue Fund-State; and the appropriations and expenditures of the various funds of the Office of Secretary of State as of and for the period July 1, 2000 to January 8, 2001, and the years ended June 30, 2000 and 1999, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 26, 2001, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.

An integral part of the office's funding comes from federal awards. Those federal awards are reported on in the State of Missouri Single Audit Report issued by the State Auditor's office. The single audit is conducted in accordance with the provisions of U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



Claire McCaskill
State Auditor

January 26, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	Toni M. Crabtree, CPA
Audit Staff:	Terese Summers, CPA
	Brian Benter
	Karen Wirtmiller



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Rebecca McDowell Cook
and
Honorable Matt Blunt, Secretary of State
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the Office of Secretary of State as of and for the period July 1, 2000 to January 8, 2001, and the years ended June 30, 2000 and 1999, and have issued our report thereon dated January 26, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

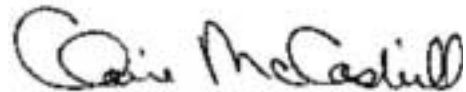
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of Secretary of State are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of Secretary of State, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Office of Secretary of State and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

January 26, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

OFFICE OF SECRETARY OF STATE
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
 PERIOD JULY 1, 2000 TO JANUARY 8, 2001

	General Revenue Fund-Federal	Technology Trust Fund	Local Records Preservation Fund	Library Networking Fund	Investor Education Fund	State Document Preservation Fund	Wolfner State Library Fund	Institution Gift Trust Fund	Total (Memorandum Only)
RECEIPTS									
Federal grants	\$ 1,302,129	0	0	0	0	0	0	0	1,302,129
Fees	0	943,412	711,551	0	0	0	0	0	1,654,963
Taxes	0	0	0	865,677	0	0	0	0	865,677
Investment income	0	96,855	0	14,660	0	1,276	9,371	14,405	136,567
Gain on sale of investments	0	0	0	0	0	0	2,334	0	2,334
Donations	0	0	0	0	0	0	24,926	0	24,926
Consent orders	0	0	0	0	18,330	0	0	0	18,330
Refunds	0	0	8,807	0	0	0	0	0	8,807
Miscellaneous	15,742	935	0	0	720	0	0	66,753	84,150
Total Receipts	<u>1,317,871</u>	<u>1,041,202</u>	<u>720,358</u>	<u>880,337</u>	<u>19,050</u>	<u>1,276</u>	<u>36,631</u>	<u>81,158</u>	<u>4,097,883</u>
DISBURSEMENTS									
Personal service	158,636	0	410,086	0	0	0	0	53,696	622,418
Employee fringe benefits	56,944	0	134,022	0	0	0	0	18,969	209,935
Expense and equipment	92,747	686,498	174,502	0	0	0	0	86,251	1,039,998
Public assistance grants	1,064,665	0	0	0	0	0	0	0	1,064,665
Library networking	0	0	0	16,371	0	0	0	0	16,371
Local Records Grant Program	0	0	236,024	0	0	0	0	0	236,024
Trust service charges	0	0	0	0	0	0	1,165	0	1,165
Total Disbursements	<u>1,372,992</u>	<u>686,498</u>	<u>954,634</u>	<u>16,371</u>	<u>0</u>	<u>0</u>	<u>1,165</u>	<u>158,916</u>	<u>3,190,576</u>
RECEIPTS OVER (UNDER)									
DISBURSEMENTS BEFORE OTHER									
FINANCING SOURCES AND USES	(55,121)	354,704	(234,276)	863,966	19,050	1,276	35,466	(77,758)	907,307
OTHER FINANCING SOURCES (USES)									
Operating transfers out	0	(6,318)	(48,129)	0	0	0	(400,000)	(11,052)	(465,499)
CASH AND INVESTMENTS, JULY 1	<u>58,789</u>	<u>3,149,925</u>	<u>1,552,964</u>	<u>44,362</u>	<u>200,986</u>	<u>43,010</u>	<u>798,766</u>	<u>492,064</u>	<u>6,340,866</u>
CASH AND INVESTMENTS, JANUARY 8	<u>\$ 3,668</u>	<u>3,498,311</u>	<u>1,270,559</u>	<u>908,328</u>	<u>220,036</u>	<u>44,286</u>	<u>434,232</u>	<u>403,254</u>	<u>6,782,674</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OFFICE OF SECRETARY OF STATE
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
YEAR ENDED JUNE 30, 2000

	General Revenue Fund-Federal	Technology Trust Fund	Local Records Preservation Fund	Library Networking Fund	Investor Education Fund	State Document Preservation Fund	Wolfner State Library Fund	Institution Gift Trust Fund	Total (Memorandum Only)
RECEIPTS									
Federal grants	\$ 3,258,005	0	0	0	0	0	0	0	3,258,005
Fees	0	2,179,844	1,459,516	0	0	0	0	0	3,639,360
Taxes	0	0	0	829,109	0	0	0	0	829,109
Investment income	0	145,813	0	26,789	0	2,209	30,943	37,452	243,206
Gain on sale of investments	0	0	0	0	0	0	360	0	360
Donations	0	0	0	0	0	209	21,382	0	21,591
Consent orders	0	0	0	0	40,360	0	0	0	40,360
Refunds	0	0	37,043	0	0	0	0	0	37,043
Miscellaneous	8,546	6,405	0	0	480	0	0	0	15,431
Total Receipts	<u>3,266,551</u>	<u>2,332,062</u>	<u>1,496,559</u>	<u>855,898</u>	<u>40,840</u>	<u>2,418</u>	<u>52,685</u>	<u>37,452</u>	<u>8,084,465</u>
DISBURSEMENTS									
Personal service	289,419	29,945	730,814	0	0	0	0	102,499	1,152,677
Employee fringe benefits	85,726	9,237	205,913	0	0	0	0	30,152	331,028
Expense and equipment	140,715	1,512,979	237,502	0	0	0	49,653	154,865	2,095,714
Public assistance grants	2,699,533	0	0	0	0	0	0	0	2,699,533
Investor education	0	0	0	0	50,000	0	0	0	50,000
Library networking	0	0	0	811,536	0	0	0	0	811,536
Local Records Grant Program	0	0	395,410	0	0	0	0	0	395,410
Trust service charges	0	0	0	0	0	0	4,648	0	4,648
Total Disbursements	<u>3,215,393</u>	<u>1,552,161</u>	<u>1,569,639</u>	<u>811,536</u>	<u>50,000</u>	<u>0</u>	<u>54,301</u>	<u>287,516</u>	<u>7,540,546</u>
RECEIPTS OVER (UNDER)									
DISBURSEMENTS BEFORE OTHER									
FINANCING SOURCES AND USES	51,158	779,901	(73,080)	44,362	(9,160)	2,418	(1,616)	(250,064)	543,919
OTHER FINANCING SOURCES (USES)									
Operating transfers out	0	(57,464)	(34,342)	0	(643)	(231)	(700)	(1,353)	(94,733)
CASH AND INVESTMENTS, JULY 1	<u>7,631</u>	<u>2,427,488</u>	<u>1,660,386</u>	<u>0</u>	<u>210,789</u>	<u>40,823</u>	<u>801,082</u>	<u>743,481</u>	<u>5,891,680</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 58,789</u>	<u>3,149,925</u>	<u>1,552,964</u>	<u>44,362</u>	<u>200,986</u>	<u>43,010</u>	<u>798,766</u>	<u>492,064</u>	<u>6,340,866</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

OFFICE OF SECRETARY OF STATE
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS
 YEAR ENDED JUNE 30, 1999

	General Revenue Fund-Federal	Technology Trust Fund	Local Records Preservation Fund	Investor Education Fund	State Document Preservation Fund	Wolfner State Library Fund	Institution Gift Trust Fund	Total (Memorandum Only)
RECEIPTS								
Federal grants	\$ 2,069,635	0	0	0	0	0	0	2,069,635
Fees	0	2,114,291	1,730,569	0	0	0	0	3,844,860
Investment income	0	125,392	0	0	1,372	30,533	46,963	204,260
Gain on sale of investments	0	0	0	0	0	23,456	0	23,456
Donations	0	0	0	0	11,038	19,099	0	30,137
Consent orders	0	0	0	104,392	0	0	0	104,392
Refunds	0	0	29,898	0	0	0	0	29,898
Miscellaneous	86	3,375	0	0	0	0	0	3,461
Total Receipts	<u>2,069,721</u>	<u>2,243,058</u>	<u>1,760,467</u>	<u>104,392</u>	<u>12,410</u>	<u>73,088</u>	<u>46,963</u>	<u>6,310,099</u>
DISBURSEMENTS								
Personal service	282,087	66,061	673,865	0	0	0	90,685	1,112,698
Employee fringe benefits	82,439	13,921	186,877	0	0	0	26,232	309,469
Expense and equipment	262,105	1,651,073	246,736	0	(18,500)	5,143	54,540	2,201,097
Public assistance grants	1,435,435	0	0	0	0	0	0	1,435,435
Local Records Grant Program	0	0	336,227	0	0	0	0	336,227
Trust service charges	0	0	0	0	0	3,914	0	3,914
Total Disbursements	<u>2,062,066</u>	<u>1,731,055</u>	<u>1,443,705</u>	<u>0</u>	<u>(18,500)</u>	<u>9,057</u>	<u>171,457</u>	<u>5,398,840</u>
RECEIPTS OVER (UNDER)								
DISBURSEMENTS BEFORE OTHER FINANCING SOURCES AND USES	7,655	512,003	316,762	104,392	30,910	64,031	(124,494)	911,259
OTHER FINANCING SOURCES (USES)								
Operating transfers:								
In	0	3,480	0	0	0	0	0	3,480
Out	(34)	(105,399)	(57,716)	(5,749)	(925)	(372)	(2,541)	(172,736)
CASH AND INVESTMENTS, JULY 1	<u>10</u>	<u>2,017,404</u>	<u>1,401,340</u>	<u>112,146</u>	<u>10,838</u>	<u>737,423</u>	<u>870,516</u>	<u>5,149,677</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 7,631</u>	<u>2,427,488</u>	<u>1,660,386</u>	<u>210,789</u>	<u>40,823</u>	<u>801,082</u>	<u>743,481</u>	<u>5,891,680</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

OFFICE OF SECRETARY OF STATE
COMPARATIVE STATEMENT OF RECEIPTS
GENERAL REVENUE FUND-STATE

	Period July 1, 2000 to January 8, 2001	Year Ended June 30,	
		2000	1999
Franchise tax	\$ 0	18,350,263	86,307,446
Corporations	3,776,562	9,912,622	9,718,341
Securities	4,018,836	10,860,708	9,727,871
Uniform commercial code	380,722	801,000	777,425
Commissions	195,218	386,628	374,814
Administrative rules	17,945	32,739	57,138
Archives	65,104	50,422	37,849
Missouri state library	273	994	964
Miscellaneous	16,422	3,532	10,617
Total	\$ <u>8,471,082</u>	<u>40,398,908</u>	<u>107,012,465</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

OFFICE OF SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
PERIOD JULY 1, 2000 TO JANUARY 8, 2001

	Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
GENERAL REVENUE FUND - FEDERAL				
Personal Service	\$ 500,718	155,138	0	345,580
Expense and Equipment	227,574	61,448	55,260	110,866
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library	1,898,500	851,578	462,298	584,624
Total General Revenue Fund - Federal	2,626,792	1,068,164	517,558	1,041,070
TECHNOLOGY TRUST FUND				
Personal Service	77,480	0	0	77,480
Expense and Equipment	2,932,656	577,266	940,373	1,415,017
Total Technology Trust Fund	3,010,136	577,266	940,373	1,492,497
LOCAL RECORDS PRESERVATION FUND				
Payment of real property leases, related services, utilities, and systems furniture; and structural modifications for new FTE for rents consolidated to the Office of Administration - Expense and Equipment	240	120	120	0
Personal Service	894,247	404,265	0	489,982
Expense and Equipment	404,682	126,116	114,932	163,634
Local records preservation grants	600,000	234,744	4,658	360,598
Total Local Records Preservation Fund	1,899,169	765,245	119,710	1,014,214
LIBRARY NETWORKING FUND				
Library Network Grants	865,677	1,234	1,202	863,241
Total Library Networking Fund	865,677	1,234	1,202	863,241
STATE DOCUMENT PRESERVATION FUND				
Preserving legal, historical and genealogical materials and making them available to the public - Expense and Equipment	27,515	0	0	27,515
Total State Document Preservation Fund	27,515	0	0	27,515
WOLFNER STATE LIBRARY FUND				
Expense and Equipment	35,000	0	18,000	17,000
Total Wolfner State Library Fund	35,000	0	18,000	17,000
INSTITUTION GIFT TRUST FUND				
Personal Service	120,723	52,803	0	67,920
Expense and Equipment	163,464	68,340	35,642	59,482
Total Institution Gift Trust Fund	284,187	121,143	35,642	127,402
GENERAL REVENUE FUND - STATE				
Personal Service	7,397,036	3,465,607	0	3,931,429
Expense and Equipment	4,182,945	849,529	1,063,675	2,269,741
Expenses of initiative referendum and constitutional amendments	1,207,251	1,207,251	0	0
Refunds of securities, corporations, uniform commercial code and miscellaneous collections of the Secretary of State's Office	100,000	28,713	0	71,287
Remote Electronic Access for Libraries Program	3,325,000	0	0	3,325,000
Payment of real property leases, related services, utilities, and systems furniture; and structural modifications for new FTE for rents consolidated to the Office of Administration - Expense and Equipment	184,007	30,126	29,016	124,865
Absentee Ballots	120,000	13,186	506	106,308
Remote Electronic Access for Libraries Program (reappropriated)	545,583	545,583	0	0
Costs related to library automation	966,527	0	0	966,527 *
Aid to Public Libraries	3,281,871	1,148,106	1,148,786	984,979
Funding the Remote Electronic Access Libraries Program	1,672	0	0	1,672 *

OFFICE OF SECRETARY OF STATE
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 PERIOD JULY 1, 2000 TO JANUARY 8, 2001

	Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
Literacy Investment for Tomorrow Program	69,450	0	0	69,450
Total General Revenue Fund - State	21,381,342	7,288,101	2,241,983	11,851,258
RECORD SERVICES FUND - FEDERAL				
Missouri Historical Records Advisory Board Program	300,000	0	0	300,000
Save America's Treasures	200,000	0	0	200,000
Total Record Services Fund - Federal	500,000	0	0	500,000
Total All Funds	\$ 30,629,818	9,821,153	3,874,468	16,934,197

* Biennial appropriations set up in the current fiscal year are re-appropriated to the next year. After the June month-end processing has been completed, the unexpended appropriation balance for a biennial appropriation is established in the new fiscal year. Therefore, there is no lapsed balance for a biennial appropriation at the end of the first year.

The accompanying Notes to the Financial Statements are an integral part of this statement.

OFFICE OF SECRETARY OF STATE
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - FEDERAL			
Personal Service	\$ 478,274	291,467	186,807
Expense and Equipment	227,574	115,643	111,931
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library	3,485,000	2,500,321	984,679
Total General Revenue Fund - Federal	4,190,848	2,907,431	1,283,417
TECHNOLOGY TRUST FUND			
Personal Service	74,373	29,945	44,428
Expense and Equipment	2,932,656	1,052,223	1,880,433
Total Technology Trust Fund	3,007,029	1,082,168	1,924,861
LOCAL RECORDS PRESERVATION FUND			
Payment of real property leases, related services, utilities, and systems furniture; and structural modifications for new FTE for rents consolidated to the Office of Administration - Expense and Equipment	240	240	0
Personal Service	821,568	734,621	86,947
Expense and Equipment	327,427	285,522	41,905
Local records preservation grants	400,000	376,384	23,616
Total Local Records Preservation Fund	1,549,235	1,396,767	152,468
LIBRARY NETWORKING FUND			
Library Network Grants	829,110	826,673	2,437
Total Library Networking Fund	829,110	826,673	2,437
INVESTOR EDUCATION FUND			
Investor Education	0	0	0
Total Investor Education Fund	0	0	0
STATE DOCUMENT PRESERVATION FUND			
Preserving legal, historical and genealogical materials and making them available to the public - Expense and Equipment	27,515	0	27,515
Total State Document Preservation Fund	27,515	0	27,515
WOLFNER STATE LIBRARY FUND			
Expense and Equipment	35,000	16,616	18,384
Total Wolfner State Library Fund	35,000	16,616	18,384
INSTITUTION GIFT TRUST FUND			
Personal Service	115,576	102,612	12,964
Expense and Equipment	163,464	131,745	31,719
Total Institution Gift Trust Fund	279,040	234,357	44,683
GENERAL REVENUE FUND - STATE			
Personal Service	6,858,094	6,301,710	556,384
Expense and Equipment	4,558,672	4,278,332	280,340
Expenses of initiative referendum and constitutional amendments	100,000	0	100,000
Refunds of securities, corporations, uniform commercial code and miscellaneous collections of the Secretary of State's Office	5,400,000	2,824,773	2,575,227
Remote Electronic Access for Libraries Program	2,404,417	2,404,417	0

OFFICE OF SECRETARY OF STATE
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
Payment of real property leases, related services, utilities, and systems furniture; and structural modifications for new FTE for rents consolidated to the Office of Administration - Expense and Equipment	63,767	63,549	218
Costs related to library automation	1,144,728	178,201	966,527 *
Aid to Public Libraries	2,843,341	2,843,341	0
Funding the Remote Electronic Access Libraries Program	422,750	421,078	1,672 *
Literacy Investment for Tomorrow Program	69,450	69,450	0
Total General Revenue Fund - State	23,865,219	19,384,851	4,480,368
Total All Funds	\$ 33,782,996	25,848,863	7,934,133

* Biennial appropriations set up in the current fiscal year are re-appropriated to the next year. After the June month-end processing has been completed, the unexpended appropriation balance for a biennial appropriation is established in the new fiscal year. Therefore, there is no lapsed balance for a biennial appropriation at the end of the first year.

The accompanying Notes to the Financial Statements are an integral part of this statement.

OFFICE OF SECRETARY OF STATE
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - FEDERAL			
Personal Service	\$ 537,908	283,538	254,370
Expense and Equipment	177,574	114,461	63,113
Allotments, grants and contributions from the Federal Government or from any sources which may be deposited in the State Treasury for the use of the Missouri State Library	2,050,000	1,966,758	83,242
Total General Revenue Fund - Federal	2,765,482	2,364,757	400,725
TECHNOLOGY TRUST FUND			
Personal Service	70,831	66,061	4,770
Expense and Equipment	2,932,656	1,978,149	954,507
Total Technology Trust Fund	3,003,487	2,044,210	959,277
LOCAL RECORDS PRESERVATION FUND			
Personal Service	760,022	675,879	84,143
Expense and Equipment	227,347	227,342	5
Local records preservation grants	400,000	305,740	94,260
Total Local Records Preservation Fund	1,387,369	1,208,961	178,408
LIBRARY NETWORKING FUND			
Library Network Grants	1	0	1
Total Library Networking Fund	1	0	1
INVESTOR EDUCATION FUND			
Investor Education	50,000	50,000	0
Total Investor Education Fund	50,000	50,000	0
STATE DOCUMENT PRESERVATION FUND			
Preserving legal, historical and genealogical materials and making them available to the public - Expense and Equipment	27,515	3	27,512
Total State Document Preservation Fund	27,515	3	27,512
WOLFNER STATE LIBRARY FUND			
Expense and Equipment	110,000	33,037	76,963
Total Wolfner State Library Fund	110,000	33,037	76,963
INSTITUTION GIFT TRUST FUND			
Personal Service	100,075	90,791	9,284
Expense and Equipment	113,464	58,187	55,277
Total Institution Gift Trust Fund	213,539	148,978	64,561
GENERAL REVENUE FUND - STATE			
Personal Service	6,197,276	5,652,977	544,299
Expense and Equipment	2,749,996	2,749,493	503
Expenses of initiative referendum and constitutional amendments	1,300,000	1,213,680	86,320
Refunds of securities, corporations, uniform commercial code and miscellaneous collections of the Secretary of State's Office	6,605,000	6,457,709	147,291
Aid to Public Libraries	2,573,341	2,573,341	0
Funding the Remote Electronic Access Libraries Program	2,575,000	2,075,000	500,000

Exhibit C-3

OFFICE OF SECRETARY OF STATE
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
Literacy Investment for Tomorrow Program	69,540	69,450	90
For the purpose of funding costs related to computer networking of public libraries - Expense and Equipment	521,567	521,567	0
Costs related to library automation	1,767,147	622,419	1,144,728
Total General Revenue Fund - State	24,358,867	21,935,636	2,423,231
Total All Funds	\$ 31,916,260	27,785,582	4,130,678

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

OFFICE OF SECRETARY OF STATE
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Office of Secretary of State.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, Library Networking Fund, Investor Education Fund, State Document Preservation Fund, Wolfner State Library Fund, and the Institution Gift Trust Fund. Appropriations from these funds are expended by or for the office for restricted purposes.

The "Total (Memorandum Only)" column is presented as additional analytical data. Because this column does not identify the restrictions that exist by fund, it should be read only with reference to the details of each fund.

Receipts are presented in Exhibit B for the General Revenue Fund-State. Receipts include monies the office collects during its normal activities and remits to the fund. These amounts are not necessarily related to appropriations.

Appropriations, presented in Exhibit C, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, present amounts when they are received or disbursed.

The Statement of Receipts, Exhibit B, also prepared on the cash basis of accounting, presents amounts when received.

The Statements of Appropriations and Expenditures, Exhibit C, are presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period. For the period ended January 8, 2001, expenditures include amounts payable at January 8, 2001, and encumbered amounts are reported as encumbrances.

For years ended on or before June 30, 1999, the lapse period ended August 31 for regular appropriations and December 31 for capital improvement appropriations. For years ended on or after June 30, 2000, the lapse period ends August 31 for both regular and capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

General Revenue Fund-Federal: The office administers several programs financed wholly or partially by federal monies maintained in the state treasury in the Office of Secretary of State's Federal Account. These federal funds may be received in advance, when related expenditures are made, or after they are made. Appropriations from this fund authorize the disbursements of the office's federal funds.

Technology Trust Fund: This fund was established by Section 28.160, RSMo, to receive fees for certain services provided by the Secretary of State's Office. Expenditures are authorized by appropriation for the purposes of establishing, procuring, developing, modernizing and maintaining an electronic data processing system and programs for a centralized data base of all registered voters; library services; and services, equipment, and functions related to administrative rules, securities, corporations and business organizations, archives, Uniform Commercial Code and record services. The authority to collect certain fees

expires December 31, 2001. At the end of any biennium, any amount in the fund in excess of \$5 million shall be transferred to the General Revenue Fund-State.

Local Records Preservation Fund: This fund was established by Section 59.319, RSMo, to receive user fees from document recordings in each county. Expenditures are authorized by appropriation for preservation of local records by the Secretary of State. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

Library Networking Fund: This fund was established by Section 182.812, RSMo, to consist of any gifts, contributions, grants, or bequests received from federal, private or other sources. Expenditures are authorized by appropriation for library networks. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

Investor Education Fund: This fund was established by Section 409.407, RSMo, to receive collections from enforcement actions of the Secretary of State Securities Division. Expenditures are authorized by appropriation for investor education programs. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

State Document Preservation Fund: This fund was established by Section 109.005, RSMo, to receive monies from gifts, bequests or contributions for the specific purpose of preserving legal, historical and genealogical materials and making them available to the public. Expenditures are authorized by appropriation for state document preservation. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

Wolfner Trust Fund: This fund was established by Section 181.021, RSMo, to account for donations restricted to improving library services to the blind and physically handicapped. In addition to donations, revenues consist of earnings from fund investments. The investments of the Wolfner Trust Fund are held and managed by a trust company and investment income is transferred to the custody of the state treasurer on a periodic basis.

Institutional Gift Trust Fund: This fund was established by Section 33.563, RSMo, to receive collections from enforcement actions of the Secretary of State Securities Division. Expenditures are authorized by appropriation for investor education programs. Balances remaining in the fund are perpetually maintained for the purpose of the fund.

General Revenue Fund-State: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations also may be

used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

Record Services-Federal: The office administers several programs financed wholly or partially by federal monies maintained in the state treasury in the Office of Secretary of State's Record Services Federal Account. These federal funds may be received in advance, when related expenditures are made, or after they are made. Appropriations from this fund authorize the disbursements of the office's federal funds. This fund was established by the Office of Administration during fiscal year 2001 and will be used to handle federal funds administered by State Archives for document preservation grants to other entities and for the preservation of the St. Louis Circuit Clerk's court documents.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Employee fringe benefits in the financial statements at Exhibit A are the transfers from the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, and Institution Gift Trust Fund for costs related to salaries paid from those funds. Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit C.

2. Cash and Investments

The balances of the General Revenue Fund-Federal, Technology Trust Fund, Local Records Preservation Fund, Library Networking Fund, Investor Education Fund, State Document Preservation Fund, a portion of the Wolfner State Library Fund, and Institution Gift Trust Fund are pooled with other state funds and invested by the state treasurer.

The Wolfner State Library Fund's investments are composed of the following:

	June 30,					
	January 8, 2001		2000		1999	
	Reported Amount	Fair Value	Reported Amount	Fair Value	Reported Amount	Fair Value
U. S. Treasury notes (various interest rates ranging from 4.25 to 6.875 percent)	\$ 149,455	152,286	134,460	131,713	130,349	128,786
Common Funds (various interest rates ranging from 4.8 to 6.4 percent)	15,256	15,256	22,885	22,885	33,823	33,823
Common Stocks	68,190	152,453	73,221	138,227	66,034	163,649
Miscellaneous	1	1	1	1	1	1
Total	\$ 232,902	319,996	230,567	292,826	230,207	326,259

These investments were held by the office's custodial bank in the Office of Secretary of State's name.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures on Exhibit C as follows:

<u>General Revenue Fund-Federal</u>				
		Period		
		July 1, 2000		
		to	<u>Year Ended June 30,</u>	
		<u>January 8, 2001</u>	<u>2000</u>	<u>1999</u>
DISBURSEMENTS PER EXHIBIT A	\$	1,372,992	3,215,393	2,062,066
Employee fringe benefits		(56,944)	(85,726)	(82,439)
Lapse period expenditures:				
2000		(243,482)	243,482	
1999			(415,134)	415,134
1998				(77,835)
Accounts payable:				
January 8, 2001		408		
June 30, 2000		(4,810)	4,810	
June 30, 1999			(55,394)	55,394
June 30, 1998				(9,163)
Journal voucher adjustment *				1,600
EXPENDITURES PER EXHIBIT C	\$	<u>1,068,164</u>	<u>2,907,431</u>	<u>2,364,757</u>

Technology Trust Fund

		Period July 1, 2000 to January 8, 2001	Year Ended June 30.	
			2000	1999
DISBURSEMENTS PER EXHIBIT A	\$	686,498	1,552,161	1,731,055
Employee fringe benefits		0	(9,237)	(13,921)
Lapse period expenditures:				
2000		(92,431)	92,431	
1999			(563,880)	563,880
1998				(530,124)
Accounts payable:				
June 30, 2000		(16,801)	16,801	
June 30, 1999			(6,108)	6,108
June 30, 1998				(3,458)
Journal voucher adjustment *				290,670
EXPENDITURES PER EXHIBIT C	\$	<u>577,266</u>	<u>1,082,168</u>	<u>2,044,210</u>

Local Records Preservation Fund

		Period July 1, 2000 to January 8, 2001	Year Ended June 30.	
			2000	1999
DISBURSEMENTS PER EXHIBIT A	\$	954,634	1,569,639	1,443,705
Employee fringe benefits		(134,022)	(205,913)	(186,877)
Lapse period expenditures:				
2000		(36,686)	36,686	
1999			(22,705)	22,705
1998				(68,591)
Accounts payable:				
January 8, 2001		379		
June 30, 2000		(19,060)	19,060	
June 30, 1998				(1,963)
Journal voucher adjustment *				(18)
EXPENDITURES PER EXHIBIT C	\$	<u>765,245</u>	<u>1,396,767</u>	<u>1,208,961</u>

Library Networking Fund

		Period July 1, 2000 to January 8, 2001	Year Ended June 30, 2000
DISBURSEMENTS PER EXHIBIT A	\$	16,371	811,536
Lapse period expenditures:			
2000		(15,137)	15,137
EXPENDITURES PER EXHIBIT C	\$	<u>1,234</u>	<u>826,673</u>

Investors Education Fund

		<u>Year Ended June 30,</u>	
		<u>2000</u>	<u>1999</u>
DISBURSEMENTS PER EXHIBIT A	\$	50,000	0
Lapse period expenditures:			
1999		(50,000)	50,000
EXPENDITURES PER EXHIBIT C	\$	<u>0</u>	<u>50,000</u>

State Document Preservation Fund

		<u>Year Ended</u>
		<u>June 30,</u>
		<u>1999</u>
DISBURSEMENTS PER EXHIBIT A	\$	(18,500)
Journal voucher adjustment *		18,503
EXPENDITURES PER EXHIBIT C	\$	<u>3</u>

Wolfner State Library Fund

		Period	<u>Year Ended June 30,</u>	
		July 1, 2000		
		to		
		<u>January 8, 2001</u>	<u>2000</u>	<u>1999</u>
DISBURSEMENTS PER EXHIBIT A	\$	1,165	54,301	9,057
Trust Service Charges withheld				
from investment earnings		(1,165)	(4,648)	(3,914)
Lapse period expenditures:				
1999			(33,037)	33,037
1998				(5,143)
EXPENDITURES PER EXHIBIT C	\$	<u>0</u>	<u>16,616</u>	<u>33,037</u>

Institution Gift Trust Fund

		Period		
		July 1, 2000		
		to	<u>Year Ended June 30.</u>	
		<u>January 8, 2001</u>	<u>2000</u>	<u>1999</u>
DISBURSEMENTS PER EXHIBIT A	\$	158,916	287,516	171,457
Employee fringe benefits		(18,969)	(30,152)	(26,232)
Lapse period expenditures:				
2000		(14,179)	14,179	
1999			(36,695)	36,695
1998				(48,160)
Accounts payable:				
June 30, 2000		(4,625)	4,625	
June 30, 1999			(5,116)	5,116
June 30, 1998				(2,195)
Journal voucher adjustment *				<u>12,297</u>
EXPENDITURES PER EXHIBIT C	\$	<u>121,143</u>	<u>234,357</u>	<u>148,978</u>

* In September 1998, journal voucher adjustments were made to move certain fiscal year 1998 expense and equipment expenditures to a more appropriate fund.

4. Uncommitted Appropriations – Fiscal Year 2001

The amounts presented as uncommitted appropriations represent appropriations not yet spent or committed at January 8, 2001.

5. Wolfner State Library Fund Transfer

This operating transfer out of \$400,000 represents funds invested with the Missouri Investment Trust. The Missouri Investment Trust was established by Section 30.953, RSMo 2000, to receive, hold, manage, invest and ultimately reconvey funds transferred to the investment trust pursuant to the terms of a trust agreement. According to the trust agreement between the Office of Secretary of State and the Missouri Investment Trust, the funds transferred along with any interest, income or other earnings will be transferred to the Wolfner State Library Fund from the Missouri Investment Trust in January 2010.

6. Operating Transfers Out

The operating transfer out amounts include the applicable funds' proportional share of fiscal year 1998 refunds paid in fiscal year 2000 and fiscal year 1997 refunds paid in fiscal year 1999 required by Article X, Section 18 of the Missouri Constitution. These refunds were:

Fund	Year Ended June 30,	
	2000	1999
General Revenue Fund-Federal	\$ 0	34
Technology Trust Fund	57,464	105,399
Local Records Preservation Fund	34,101	57,716
Investor Education Fund	643	5,749
State Document Preservation Fund	231	925
Wolfner State Library Fund	700	372
Institution Gift Trust Fund	1,353	2,541

The fiscal year 2001 amounts pertain to operating transfers to the General Revenue Fund-State to be used by the Office of Administration for expenditures necessary for funding the operations of public buildings.

7. Franchise Tax

Pursuant to Sections 147.010 to 147.120, RSMo 2000, the responsibility for franchise tax was transferred to the Department of Revenue from the Office of Secretary of State on January 1, 2000.

8. Wolfner State Library Fund

The Wolfner State Library Fund did not receive funds it may be entitled to. In September 1997, the Circuit Court of Texas County, Missouri approved a final settlement and entered an order of distribution for an estate admitted to probate in June 1996. This order indicated that \$295,313 was to be distributed to the Library for the Blind in Jefferson City, Missouri. However, the personal representative of the estate sent the funds to the Friends of Wolfner Library. In addition, the court “discharged and released” the personal representative in September 1997.

The Friends of Wolfner Library is a not-for-profit organization whose mission is to promote public awareness of the Wolfner Library and to raise funds to improve and enhance the library. One of the main ways that the Friends of Wolfner Library accomplishes its mission is to accept gifts, bequests and memorials to help the Wolfner Library.

In October 2000, the court requested the filing of briefs from the Office of Secretary of State, Office of Attorney General, and Friends of Wolfner Library regarding the jurisdiction of the court to make further orders in the estate. To-date, the court has not issued additional orders. Thus, it is uncertain if the Wolfner Library will receive any funds from this estate.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

OFFICE OF SECRETARY OF STATE
SUMMARY OF FINDINGS

1. Franchise Tax Delinquencies (pages 31-32)

The Office of Secretary of State has not administratively dissolved corporations for failure to pay franchise taxes for filing dates after January 1, 2000.

2. Fixed Asset Records and Procedures (pages 32-33)

An annual schedule of additions and deletions of fixed assets is not prepared and the fixed asset records are not accurate or complete.

OFFICE OF SECRETARY OF STATE
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of the Office of Secretary of State as of and for the period July 1, 2000 to January 8, 2001, and the years ended June 30, 2000 and 1999, and have issued our report thereon dated January 26, 2001.

The following Management Advisory Report presents our findings arising from our audit of the office's special-purpose financial statements.

1. Franchise Tax Delinquencies

The Office of Secretary of State has not administratively dissolved corporations for failure to pay franchise taxes for filing dates after January 1, 2000. This situation exists because the Office of Secretary of State and the Department of Revenue (DOR) have not established policies and procedures regarding the notification process for corporations which fail or refuse to pay franchise tax. The DOR has not notified the Office of Secretary of State of any delinquencies since assuming responsibility for the collection of franchise taxes. Based on the Office of Secretary of State's past experience with administratively dissolving corporations, it is likely that some corporations have been allowed to remain active with delinquencies. Allowing corporations to remain active with delinquencies provides no incentive for corporations to pay their taxes when due. This increases the likelihood that taxes, interest, and penalties will not be collected, and results in lost revenue to the state.

Pursuant to Sections 147.010 to 147.120, RSMo 2000, the responsibility for franchise tax was transferred to the DOR from the Office of Secretary of State, effective January 1, 2000. However, the Office of Secretary of State is still responsible for administratively dissolving corporations based on notification from the DOR of those corporations that fail or refuse to pay franchise tax (including interest and penalties) after the assessment becomes final.

The Office of Secretary of State and the DOR have not agreed on policies and procedures regarding how notifications will be sent (e.g. electronic transfer of information), or how often notifications will be sent. As a result, the Office of Secretary of State has not received any notifications from the DOR and has not administratively dissolved any corporations that failed or refused to pay franchise tax for filing dates after January 1, 2000.

Without delay, the Office of Secretary of State should work with the DOR to establish policies and procedures regarding the notification process for corporations that fail or refuse to pay franchise tax.

WE RECOMMEND the Office of Secretary of State establish policies and procedures with the DOR regarding the notification process for corporations that fail or refuse to pay franchise tax, and resume administratively dissolving corporations as appropriate.

AUDITEE'S RESPONSE

The Office of Secretary of State provided the following response:

We agree with the recommendation and are working on this issue.

The former Secretary of State provided the following response:

Franchise tax was moved to the DOR in January of 2000 and at that time \$100,000 was also transferred to the DOR from the SOS to enable the DOR to make any necessary changes to the computer application to properly function. A portion of the money was to be spent to provide an automated feed to the SOS identifying corporations which were to be administratively dissolved for failure to pay franchise tax. During discussions prior to the transfer this requirement was fully discussed with the DOR. Several discussions have occurred since the transfer but, as of yet, the automated file has not been made available to the SOS by the DOR.

The Department of Revenue provided the following response:

The Department of Revenue (DOR) will continue to work with the Secretary of State (SOS) to finalize the details of the transfer of franchise tax responsibilities from the SOS to the DOR.

2. Fixed Asset Records and Procedures
--

As discussed in prior audit reports, fixed asset records and procedures are not adequate, and do not provide sufficient information to allow us to audit the fixed asset balances and transactions. Because adequate records and/or procedures have not been in place for several years, assets have not been properly accounted for and safeguarded from theft or misuse. At June 30, 2000, the Office of Secretary of State estimated that the total cost of general fixed assets maintained by the office was approximately \$4 million.

The office prepared an inventory listing as of June 30, 1999. This listing was not accurate and/or complete. We noted the acquisition date and location was not included for many items; the listing included some duplicate tag numbers; and, several vehicles were not recorded on the listing. While physical inventories procedures were performed near the end of fiscal years 1999 and 2000, the inventory listing was not adjusted for some discrepancies noted during these physical inventories. The inventory listing has not been updated for fiscal year 2000 and 2001 purchases and dispositions, and many fiscal year 2000 and 2001 purchases have not been tagged. In addition, reconciliations between equipment purchases and the Financial Management System/Statewide Advantage for Missouri (SAM II) system expenditure reports are not being performed. Without the

routine performance of the various recordkeeping, physical inventory, and reconciliation procedures, problems are less likely to be identified, investigated, and resolved.

To ensure all fixed assets are properly recorded, the office should prepare an annual statement of changes in fixed assets. The Code of State Regulations (CSR) at 15 CSR 40.2031 requires state agencies to prepare an annual statement of changes in fixed assets to summarize transactions occurring during the year. To ensure accuracy, this statement should be reconciled to the detailed fixed asset listing. The CSR also requires agencies to maintain adequate fixed asset records that contain identification number; description of the items including name, make, model and serial number, where appropriate; acquisition cost; date of acquisition; estimated useful life at the date of acquisition; physical location in sufficient detail to readily locate the items; and method and date of disposition. A comprehensive annual physical inventory should be conducted and reconciled to fixed asset records.

WE AGAIN RECOMMEND the Office of Secretary of State establish adequate general fixed asset records and procedures that comply with the CSR requirements and provide adequate controls and accountability.

AUDITEE'S RESPONSE

The Office of Secretary of State provided the following response:

We agree with the recommendation and are working on this issue.

The former Secretary of State provided the following response:

You have correctly identified that during fiscal years 1999 and 2000 the SOS performed physical inventories and these were not updated during fiscal years 2000 and 2001. We concur that the inventories were not updated and would like to note the reason for this. The SOS had been tagging all inventory and the implementation of the Statewide Advantage for Missouri system (SAM II) was to allow for the bar-coding to be automatically input into SAM II. The SOS was repeatedly told that this feature in SAM II was being worked on and was to be available shortly after the SOS implemented SAM II by March 2000. The bar-coding capability was necessary to accurately inventory all items. To date, this feature is still not available and, in fact, a request for proposal, has not yet been provided to vendors.

This report is intended for the information of the management of the Office of Secretary of State and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

OFFICE OF SECRETARY OF STATE
FOLLOW - UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of Secretary of State on findings in the Management Advisory Report (MAR) of our prior audit report issued for the four years ended June 30, 1998.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the office should consider implementing those recommendations.

1. Computer Consulting

In June 1995, the Office of Secretary of State contracted with a computer consultant to work on information technology upgrades. The contract was renewed three times and expanded to include additional tasks.

- A. For one task, payments were made to the consulting firm based on hours billed rather than products delivered. As a result, in April 1998, only one-half of the required reports were delivered, yet the office had paid 94 percent of the contract amount.
- B. The Office of Secretary of State did not inform the Office of Administration (OA) about task completion problems. Thus, OA granted contract renewals and additional work to the consulting firm.

Recommendation:

The Office of Secretary of State:

- A. Monitor the progress of contractors and make payments that coincide with performance and delivery of the product.
- B. Thoroughly assess progress of the current contract with the consulting firm and consider options to either ensure successful completion of all tasks or exercise any provisions in the contract regarding non-performance on the part of the contractor. In the future, the Office of the Secretary of State needs to closely monitor and properly react to contracted services concerns more timely, and inform the Office of Administration of such concerns.

Status:

- A. Implemented. The Office of Secretary of State now monitors all computer consulting contracts. Payments were made on the work performed to-date and/or payments were made after all work was performed.
- B. Implemented. The computer consulting firm completed all required tasks by March 2000. In addition, the Office of Secretary of State informed OA about concerns with computer consulting contracts.

2. Franchise Tax

- A.1. Corporations were not administratively dissolved, as required by state law.
 - 2. Delinquent notices were not sent on a regular basis to corporations with outstanding franchise tax due. In addition, corporations that paid their tax but owed additional assessments were not sent a delinquent notice.
 - 3. Corporations with taxes due were not always certified to the Attorney General for collection.
 - 4. Because the computer program did not always calculate interest and penalties amounts correctly, interest and penalties amounts were verified through manual calculations. The Franchise Tax Division was making significant revisions to their computer system.
- B. There was not an adequate segregation of duties between employees who received payments and recorded transactions, and those authorized to waive penalties.
- C. Protested franchise taxes were not resolved in a timely manner. As of June 1998, a list of pending protested tax cases included sixty corporations and totaled over \$3 million.
- D. Monies were not transmitted to the Department of Revenue (DOR) on a timely basis. Transmittals made to the DOR from June 1, 1998 through June 4, 1998 totaled approximately \$2.1 million and represented receipts from April 14, 1998 through May 28, 1998.

Recommendation:

The Office of Secretary of State:

- A.1. Administratively dissolve corporations for failure to remit amounts due, in accordance with state law.

2. Issue delinquent tax notices on a regular basis to corporations with outstanding franchise tax balances.
 3. Certify franchise tax delinquencies to the attorney general in accordance with state law.
 4. Continue efforts to revise the franchise tax computer system.
- B. Ensure that employees who receive payments and record transactions are not authorized to waive penalties.
- C. Resolve protested franchise tax cases in a more timely manner.
- D. Ensure that monies are transmitted to the DOR in a timely manner.

Status:

Pursuant to Sections 147.010 to 147.120, RSMo 2000, the responsibility for franchise tax was moved to the DOR in January 2000. As a result of the change in statutory authority/responsibility, most prior recommendations are no longer applicable. See MAR finding number 1 for a related problem.

3. Local Records Grant Program

The Local Records Division had not established guidelines or criteria to provide a basis for approving or disapproving extensions for grant funds. In addition, if an entity was awarded a grant, seventy percent of the grant was immediately paid for grants under \$10,000 and thirty-five percent for grants over \$10,000.

Recommendation:

The Office of Secretary of State establish criteria to be followed in considering which entities are eligible for an extension and reconsider their funding method to maximize revenues to the state.

Status:

Partially implemented. The Office of Secretary of State did not establish written guidelines or criteria for approving or disapproving extensions. However, the office's more recent practice has been that extensions are only approved for extenuating circumstances, such as delays in the microfilming process or a change in an entity's personnel. We noted that all extensions for fiscal year 2000 were for less than a year. In addition, the office did not change its funding method because the office believes that some entities do not have adequate funds available to complete a project and be

reimbursed for their costs later. Although not repeated in the current MAR, our recommendation remains as stated above.

4. Fixed Asset Records and Procedures

Fixed asset records and procedures were not adequate. However, the office was in the process of implementing new procedures and forms and generating a fixed asset list.

Recommendation:

The Office of the Secretary of State continue its efforts to establish adequate general fixed assets records and procedures that comply with the CSR requirements and provide adequate controls and accountability.

Status:

Not implemented. See MAR finding number 2.

5. Accounting Controls and Procedures

- A. The duties of record keeping and custody of receipts were not always adequately segregated.
- B. The various divisions did not periodically reconcile their receipt records to the Statewide Accounting for Missouri (SAM) system.

Recommendation:

- A. Review the internal controls and procedures in the various divisions and ensure the duties of receiving, recording, depositing, and reconciling are adequately segregated. If adequate segregation of duties cannot be achieved, there should be periodic independent supervisory reviews of records and reconciliations.
- B. Perform periodic reconciliations between receipts records and the SAM system, and follow up on any discrepancies.

Status:

Partially implemented. We noted improvement in the area of segregating the duties of record keeping and custody of receipts in several divisions. However, some divisions still need to improve their segregation of duties. In addition, most divisions do not periodically reconcile their receipt records to the SAM II system. The fiscal officer indicated that the fiscal office will begin preparing monthly SAM II revenue reports for the various divisions in order for the divisions to reconcile receipt records to the SAM II

system. Although not repeated in the current MAR, our recommendation remains as stated above.

6. Accumulated Annual Leave Balances

Employees were allowed to accrue month-end annual leave balances in excess of the maximum allowed by state regulations.

Recommendation:

The Office of Secretary of State discontinue the practice of allowing employees to accumulate annual leave balances in excess of the maximum allowed.

Status:

Implemented. However, effective November 1, 2000, state regulations provide that annual leave maximums will be monitored on an annual basis.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF SECRETARY OF STATE HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

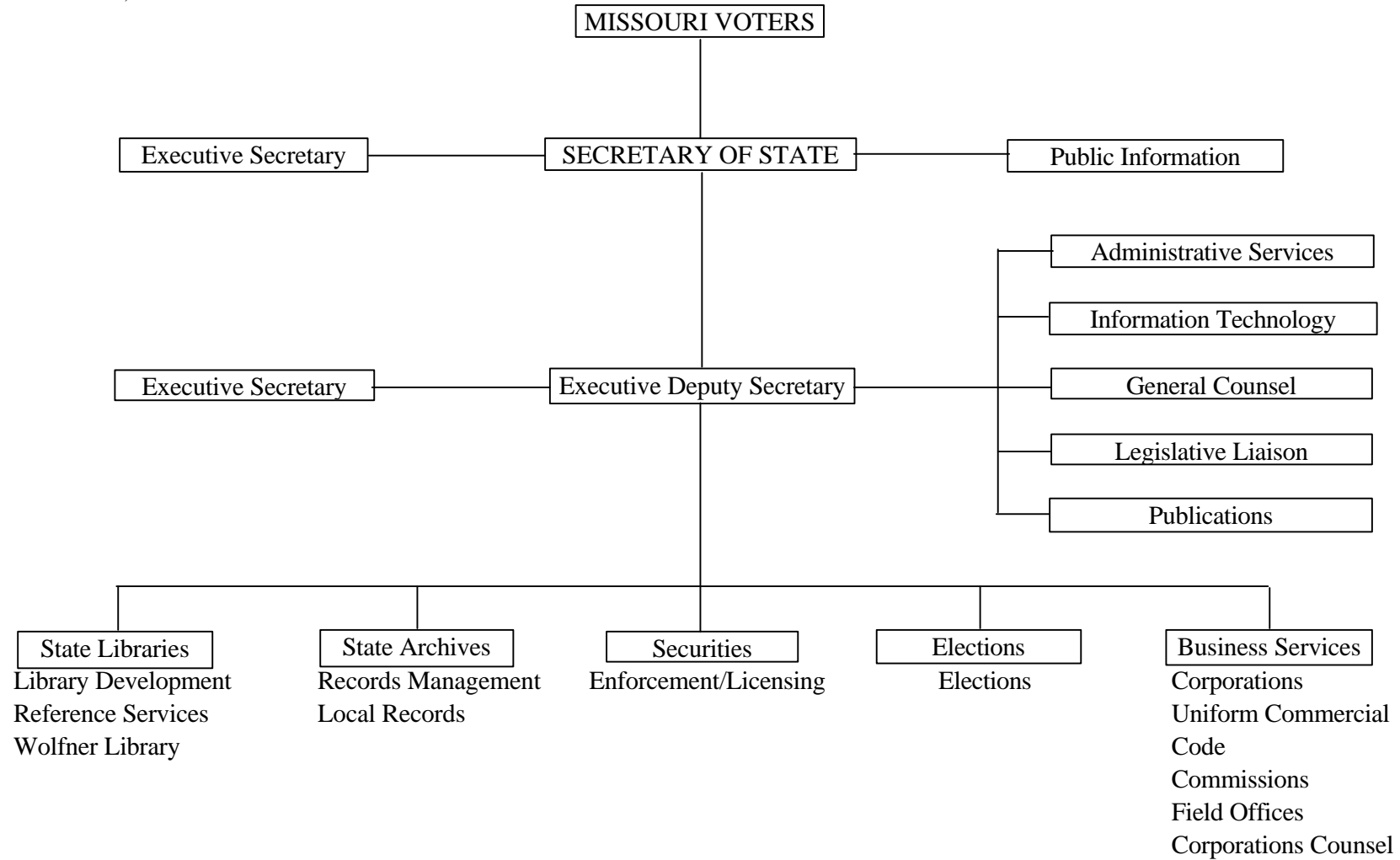
The Office of Secretary of State is an elective office as provided in the Missouri Constitution. Article IV, Section 14, established the duties of the secretary of state: 1) to be custodian of the state seal, 2) to keep a register of the official acts of the governor, 3) to be custodian of records and documents, and 4) to perform such duties in relation to elections and corporations as provided by law.

To accommodate the responsibilities of record keeping, registration, and administration, the Secretary of State's office is currently divided into nine departments - Elections, Securities, Business Services, Record Services, Administrative Rules and Legal Services, Information Technology Services, Executive Services, Administrative Services and Library Services. Some departments are composed of separate divisions which perform specific functions relating to department activities.

The Governor appointed Rebecca McDowell Cook as the thirty-sixth Secretary of State and she was sworn in on December 16, 1994. Secretary of State Cook was elected to a four year term of office in November 1996. Her term expired on January 8, 2001. On that date, Matt Blunt was inaugurated as the thirty-seventh Secretary of State of Missouri.

As of January 8, 2001, the Office of Secretary of State employed approximately 246 full-time and 29 part-time employees. An organization chart follows.

OFFICE OF SECRETARY OF STATE
 ORGANIZATION CHART
 JANUARY 8, 2001



* * * * *



MISSOURI INVESTMENT TRUST
TWO YEARS ENDED DECEMBER 31, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-22
March 22, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

The following report is our review of the Missouri Investment Trust.

The Missouri Investment Trust was established by state law to allow the state to invest specific funds for long-term investment and growth. Subject to a valid, binding trust agreement, the trust receives funds specifically approved and designated by the General Assembly.

The responsibility for the proper administration of the trust and the direction of its policies is vested in a seven-member Board of Trustees. The board consists of the State Treasurer, the Commissioner of Administration, one member appointed by the Speaker of the House, one member appointed by the President Pro-tem of the Senate, and three members to be selected by the Governor, with the advice and consent of the Senate.

The Missouri Investment Trust accepts deposits from various state funds after specific legislative approval. As of December 31, 2000, the Missouri Investment Trust had received deposits from the Wolfner Library Trust Fund, Missouri Arts Council Trust Fund, Missouri Humanities Council Trust Fund, and the Pansey Johnson-Travis Memorial State Gardens Trust Fund totaling \$400,000; \$16,000,000; \$850,000; and \$815,000, respectively. The trust's only investments at December 31, 2000 and 1999, were deposits in an external investment consultant's investment pools.

We had no findings on the Missouri Investment Trust.

Copies of this audit are available upon request.

YELLOW SHEET

MISSOURI INVESTMENT TRUST

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Board of Trustees, Missouri Investment Trust
Jefferson City, Missouri 65102

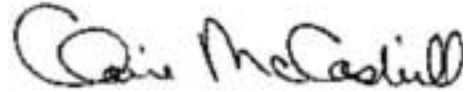
We have audited the accompanying financial statements of the Missouri Investment Trust as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These financial statements are the responsibility of the trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Missouri Investment Trust as of December 31, 2000 and 1999, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 9, 2001, on our consideration of the trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the trust's management and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

February 9, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Gayle A. Garrison
Audit Staff:	Anissa Falconer



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Board of Trustees, Missouri Investment Trust
Jefferson City, MO 65102

We have audited the financial statements of the Missouri Investment Trust as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated February 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

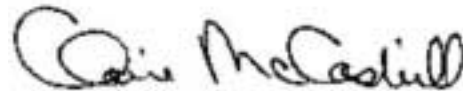
As part of obtaining reasonable assurance about whether the financial statements of the Missouri Investment Trust are free of material misstatement, we performed tests of the trust's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Missouri Investment Trust, we considered the trust's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Missouri Investment Trust and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

February 9, 2001 (fieldwork completion date)

Financial Statements

Exhibit A

MISSOURI INVESTMENT TRUST
COMPARATIVE STATEMENT OF NET ASSETS

	December 31,	
	2000	1999
ASSETS		
Investments	\$ 17,956,005	11,451,137
Total Assets	17,956,005	11,451,137
LIABILITIES AND NET ASSETS		
Total Liabilities	1,285	1,002
Net Assets Held In Trust For Pool Participants	\$ 17,954,720	11,450,135

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MISSOURI INVESTMENT TRUST
COMPARATIVE STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2000	1999
ADDITIONS		
Deposits	\$ 8,065,000	10,000,000
Investment income	(1,556,835)	1,454,107
Investment Expenses	(3,580)	(3,972)
Net Investment Income	(1,560,415)	1,450,135
Total Additions	6,504,585	11,450,135
DEDUCTIONS		
Total Deductions	0	0
NET INCREASE (DECREASE) IN NET ASSETS	6,504,585	11,450,135
NET ASSETS, JANUARY 1	11,450,135	0
NET ASSETS, DECEMBER 31	\$ 17,954,720	11,450,135

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MISSOURI INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the investment trust data of the Missouri Investment Trust. The Missouri Investment Trust accepts deposits from various state funds after specific legislative approval. As of December 31, 2000, the following state funds were authorized depositors of the Missouri Investment Trust: Wolfner Library Trust, Missouri Arts Council Trust, Missouri Humanities Council Trust, and the Pansey Johnson-Travis Memorial State Gardens Trust. Deposits are invested by the Missouri Investment Trust Board of Trustees through an external investment consultant. Due to the nature of the trust and because the trust provides services only to the state and receives funding only from the state, the trust is considered a component unit of the state of Missouri financial reporting entity and is blended into the state's financial statements.

The Missouri Investment Trust, presented in Exhibits A and B, is a separate legal and accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the trust's activities. However, expenses presented for the trust or its programs may not reflect the total cost of the related activity. Other direct and indirect costs provided by the Office of the Missouri State Treasurer are not allocated to the trust or its programs.

B. Basis of Accounting

The financial statements for the Missouri Investment Trust, Exhibits A and B, are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

Investments are made by the Missouri Investment Trust Board of Trustees through an external investment consultant's investment pools which are managed to approximate returns experienced by the Standard & Poor's 500 Index and the Russell 2000 Index. Deposits of each state fund are segregated by the investment consultant in separate investment accounts within the pool. Funds are invested in equity securities with a long term objective of capital appreciation.

C. Fiscal Authority and Responsibility

The Missouri Investment Trust Board of Trustees administers transactions in the Missouri Investment Trust within the authority prescribed by the General Assembly. The board serves in a fiduciary capacity with respect to the management of the investment trust and the investment of funds for the exclusive

benefit of the state of Missouri; however, the board is not subject to regulatory oversight by the SEC or other entities. The board establishes policies, procedures, and objectives of the trust, accepts deposits to the trust from authorized state funds, and selects and monitors the external investment consultant. The board is responsible for establishing such policies and making investment decisions in good faith and with the degree of diligence, care, and skill which a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

2. Investments

The trust's only investments at December 31, 2000 and 1999, were deposits in an external investment consultant's investment pools with carrying values of \$17,956,005 and \$11,451,137, respectively, which approximates fair value. The valuation is provided by the consultant's monthly investment summary reports and is based on the underlying fair value of the equity securities in which the consultant's investment pools have invested. These investments are not subject to categorization of credit risk.

3. Deposits and Net Assets

As of December 31, 2000, the Missouri Investment Trust had received deposits from the Wolfner Library Trust Fund, Missouri Arts Council Trust Fund, Missouri Humanities Council Trust Fund, and the Pansey Johnson-Travis Memorial State Gardens Trust Fund totaling \$400,000; \$16,000,000; \$850,000; and \$815,000, respectively. Participation in the Missouri Investment Trust by the various authorized state funds is on a voluntary basis. In accordance with the trust agreement and Sections 30.953 to 30.971, RSMo, net assets are held in trust for the pool participants.

4. Investment Income

Investment income includes dividends and realized/unrealized gains and losses on underlying securities held by the investment consultant in the consultant's investment pools.

STATISTICAL SECTION

History, Organization, and
Statistical Information

**MISSOURI INVESTMENT TRUST
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION**

The Missouri Investment Trust was established by Section 30.953, RSMo, effective August 28, 1997 to allow the state to invest specific funds for long-term investment and growth. Subject to a valid, binding trust agreement, the trust receives funds specifically approved and designated by the General Assembly.

The responsibility for the proper administration of the trust and the direction of its policies is vested in a seven-member Board of Trustees. The board consists of the State Treasurer, the Commissioner of Administration, one member appointed by the Speaker of the House, one member appointed by the President Pro-tem of the Senate, and three members to be selected by the Governor, with the advice and consent of the Senate. Members of the Board of Trustees as of December 31, 2000 were:

<u>Name</u>	<u>Title/Appointed by</u>
Bob Holden, Chairman *	State Treasurer
Richard Hansen **	Commissioner of Administration
Vicky Riback-Wilson	Member Appointed by Speaker of the House
Charles Zitnik	Member Appointed by President Pro-Tem of the Senate
Richard Dahl (1) ***	Member Appointed by Governor
Paula O'Brien (2)	Member Appointed by Governor
Rainey Crawford (3)	Member Appointed by Governor

* Nancy Farmer was elected State Treasurer in November 2000, and succeeded Bob Holden upon inauguration as of January 8, 2001.

** Michael Hartmann was appointed Commissioner of Administration on January 2, 2001 to succeed Richard Hansen, whose appointment ended December 31, 2000.

*** Richard Dahl was reappointed to serve a four-year term ending February 24, 2004.

The initial members of the Board of Trustees appointed by the Governor shall serve the following terms: one shall serve two years (1), one shall serve three years (2), and one shall serve four years (3) respectively. Thereafter, each appointment shall be for a term of four years.

The board has selected State Street Global Advisors to provide investment management services to the trust.

The trust serves as a tool for specifically appropriated state monies to be invested longer than authorized by statute for the state treasurer.

* * * * *



**HIGHWAY AND TRANSPORTATION EMPLOYEES' AND
HIGHWAY PATROL RETIREMENT SYSTEM
FOUR YEARS ENDED JUNE 30, 2000**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2001-21
March 21, 2001
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

The following report is our review of the Highway and Transportation Employees' and Highway Patrol Retirement System.

There were no audit findings regarding this retirement system.

The State Auditor is required by state law to review the audits of the Highway and Transportation Employees' and Highway Patrol Retirement System. The system's Board of Trustees has contracted with a private certified public accounting firm to perform annual financial audits of the system. The scope of this review included, but was not necessarily limited to, the period of July 1, 1996 to June 30, 2000.

The Highway and Transportation Employees' and Highway Patrol Retirement System was created under an act of the 68th General Assembly, commenced actual operations on September 1, 1955, and is governed by Sections 104.010 to 104.272 of the Revised Statutes of Missouri. The system is a single-employer public employee retirement system for full-time employees of the Missouri Department of Transportation and the Missouri State Highway Patrol. The Highway and Transportation Employees' and Highway Patrol Retirement System is a defined benefit plan providing service retirement, death, and disability benefits to its members. A summary of the retirement, death, and disability benefits provided to members is included in our report.

Copies of this audit are available upon request.

YELLOW SHEET

HIGHWAY AND TRANSPORTATION EMPLOYEES' AND
HIGHWAY PATROL RETIREMENT SYSTEM

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Board of Trustees
and
Norm Robinson, Executive Director
Highway and Transportation Employees' and Highway Patrol Retirement System
Jefferson City, MO 65102

The State Auditor is required by Section 104.190.4, RSMo 2000, to review the audits of the Highway and Transportation Employees' and Highway Patrol Retirement System. The Board had engaged Evers and Company, Certified Public Accountants (CPAs), L.L.C. to perform the annual financial audits of the system for the years ended June 30, 2000, 1999, 1998, 1997. We reviewed the reports and substantiating workpapers of the CPA firm. The scope of this review included, but was not necessarily limited to, the period of July 1, 1996 to June 30, 2000. The objectives of this review were to:

1. Review certain financial activity and related procedures, and examine compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions.
2. Examine certain management practices.

Our review was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the system's board minutes, various contracts, and other pertinent policies, and discussed various system procedures with applicable personnel.

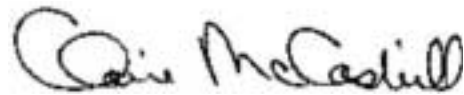
As a part of our review, we assessed the system's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our review was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed

additional procedures, other information might have come to our attention, which would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This background information was obtained from the system's management and was not subjected to the procedures applied in the review of the Highway and Transportation Employees' and Highway Patrol Retirement System of Missouri.

The accompanying Management Advisory Report presents our findings arising from our review of the Highway and Transportation Employees' and Highway Patrol Retirement System of Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill
State Auditor

March 2, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Heather M. Thompson

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

HIGHWAY AND TRANSPORTATION EMPLOYEES' AND
HIGHWAY PATROL RETIREMENT SYSTEM
MANAGEMENT ADVISORY REPORT

In addition to our review of the reports and substantiating working papers of Evers and Company, CPAs, L.L.C., we included those procedures which we considered necessary in the circumstances.

We reviewed probable compliance with certain constitutional provisions, statutes, administrative rules, and attorney general's opinions, as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. Nevertheless, our review disclosed no conditions that represent significant violations.

This report is intended for the information of the system's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

HIGHWAY AND TRANSPORTATION EMPLOYEES' AND HIGHWAY PATROL RETIREMENT SYSTEM HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Highway and Transportation Employees' and Highway Patrol Retirement System (HTEHPRS) was created under an act of the 68th General Assembly, commenced actual operations on September 1, 1955, and is governed by Sections 104.010 to 104.272 of the Revised Statutes of Missouri. The HTEHPRS is a single-employer public employee retirement system for full-time (defined as anticipating at least 1,000 hours to be worked annually) employees of the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP). The HTEHPRS is a defined benefit plan providing service retirement, death, and disability benefits to its members.

The responsibility for the operation and administration of the retirement system is vested in the HTEHPRS Board of Trustees, consisting of three members of the state Highway and Transportation Commission, the chief engineer of the MoDOT, the superintendent of the MSHP, one member of the Senate, one member of the House of Representatives, one active employee of the MoDOT, one active employee of the MSHP, and one retired member. The latter three members are elected by a plurality vote of the active, vested, and retired members of their respective departments to serve four-year terms. The Board of Trustees as of June 30, 2000, were as follows:

Name	Position	Membership	Term Expires
Edward D. Douglas	Chairman	Elected *	December 1, 2001
W.L. "Barry" Orscheln	Vice-Chairman	Elected *	December 1, 2003
William E. Gladden	Member	Elected *	October 1, 2001
Larry Thompson	Member	Elected (MoDOT active member)	July 1, 2002
Major Roger Stottlemire	Member	Elected (MSHP active member)	July 1, 2002
Bill Shaw	Member	Elected (Retired)	July 1, 2002
Colonel Weldon Wilhoit	Member	Superintendent, MSHP	Ex-Officio
Henry Hungerbeeler	Member	Director, MoDOT	Ex-Officio
Steve Stoll	Senator	Appointed	**
Gracia Backer	Representative	Appointed ***	**

* Elected by the members of the state Highway and Transportation Commission.

** The Senator is appointed by the President Pro Tem of the Senate and the Representative is appointed by the Speaker of the House of Representatives.

*** This position was vacant as of January, 2001.

Norm Robinson serves as Executive Director and is responsible for the records of the system and the hiring of retirement system staff, subject to the direction of the Board of Trustees. The Executive Director reviews retirement policies, procedures, investments and legislation and

informs the board on all matters pertaining to the system. At June 30, 2000, the retirement system had four employees including the Executive Director. In addition to the system's four employees, some MoDOT and MSHP employees also perform retirement related duties for the HTEHPRS.

The Board of Trustees has appointed Gabriel, Roeder, Smith and Company, of Detroit, Michigan as actuarial consultant. As of June 30, 2000, the following investment managers held investments for the HTEHPRS: United Missouri Bank Investment Advisors, of Kansas City, Missouri; Rothschild Asset Management, of New York, New York; Wachovia Timberland Investments, of Atlanta, Georgia; and Alliance Capital Management, of New York, New York. Asset Consulting Group, Inc., of St. Louis, Missouri serves as the system's investment monitor.

The Chief Counsel of the Highway and Transportation Commission furnishes legal services and provides legal opinions of the retirement statutes as necessary for implementation.

As of June 30, 2000, there were 9,171 active members, 6,119 retired members, disability recipients, and beneficiaries, and 912 terminated vested members of the HTEHPRS.

Membership, required contributions, and benefits provided under the HTEHPRS are generally as follows:

Eligibility

Membership is automatic for all employees of the MoDOT or the MSHP whose position normally requires at least 1,000 hours of work per year and who are not currently covered under another retirement plan requiring state contributions (not including Social Security).

Contributions

Contributions to the retirement system are made by the State of Missouri. Employees do not contribute to the system. The retirement system's funding policy provides for actuarially determined employer contributions using the entry-age normal cost method on a closed group basis (consisting of normal cost and amortization of any unfunded accrued liabilities over a forty year period). The contribution rates determined by the system's actuary, expressed as percentages of annual covered payroll and which include the contributions for long-term disabilities, for the four years ended June 30, 2000 were as follows:

Year Ended June 30, 2000	Non- Uniformed 22.00	%	Uniformed 30.44	%
1999	22.52	%	31.68	%
1998	26.05	%	37.74	%
1997	26.15	%	39.17	%

Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements. Benefits are based on a formula which multiplies the average monthly pay received during the thirty-six consecutive months when compensation was greatest, by the applicable formula factor, by the years and twelfths of a year of creditable retirement service, and, in the case of early retirement of non-uniformed members, by an age reduction factor.

NORMAL RETIREMENT

A non-uniformed member may retire under the standard (.016) formula with full benefits at age sixty-five with four years of creditable service, age sixty with fifteen years of creditable service, or if the sum of the member's age and years of service equals eighty or more, provided the member is at least fifty years of age (eighty and out provision). Uniformed members may retire under the standard (.0213) formula with full benefits at age fifty-five with four years of creditable service, or when they qualify for the eighty and out provision.

EARLY RETIREMENT

Non-uniformed members age fifty-five through fifty-nine who have completed ten years but less than thirty years of creditable service qualify for a reduced benefit. Non-uniformed members age sixty through sixty-four who have completed ten years but less than fifteen years of creditable service also qualify for a reduced benefit. The benefit is computed by using the same formula for full benefits and then is reduced by .006 for each month of service the employee is younger than the full benefit retirement age.

PAYMENT OPTIONS

Upon applying for retirement benefits, the employee may select one of the following options to provide a survivorship:

Full Base Benefits or Full Adjusted Base Benefits (reduced for early retirement) with One-Half Spouse Survivorship: Under this option the initial base benefit is unreduced. In the event of the retiree's death, the spouse is entitled to an amount equal to one-half the retiree's benefit at the time of the retiree's death.

Reduced Spouse Option – Joint and Full: Under this option the base benefit, or adjusted base benefit, is reduced based on the difference between the age of the retiree and the spouse. In the event of the retiree's death, the spouse is entitled to an amount equal to the retiree's benefit at the time of the retiree's death. If the designated spouse dies before the retiree, the retiree's benefit will revert to a normal annuity after notifying the board in writing of the spouse's death and providing a certified copy of the death certificate.

Guaranteed Payments: Under this option the base benefit, or adjusted base benefit, is reduced to guarantee sixty or one hundred twenty payments. In the event of death prior to the elected number of benefit payments, the reduced amount will be paid to the designated beneficiary or to the estate.

In all cases where the benefit is reduced to provide a survivorship, the reduction continues throughout the lifetime of the retiree.

Minimum Benefit

The total base monthly benefit payable to a member shall not be less than \$15 multiplied by the number of full years of creditable service. Elections to reduce the member's benefit for early retirement or to provide a survivor's benefit will not increase the minimum benefit. Terminated members entitled to a deferred annuity do not qualify for the minimum benefit.

Supplemental Pension

Uniformed members receive a special benefit of \$90 per month reduced by any amount earned during gainful employment. This special benefit terminates at age sixty-five and is not applicable for uniformed members of the patrol hired after January 1, 1995.

Deferred Benefits

Employees with five years of service who terminate employment are entitled to deferred benefits when they attain the age qualifying them for normal or reduced benefits. Should a terminated vested member return to employment and complete one year of service, all prior service will be restored and future benefits will be computed on the total creditable service, average compensation, and law in effect at the time of subsequent termination or retirement.

Cost of Living Adjustments

An annual cost of living adjustment (COLA) in benefits is made effective October 1 of each year for retirees, normal and work related disability recipients, and qualified surviving spouses who received benefits the preceding month. Employees hired before August 27, 1997 receive an annual COLA of 80 percent of the change in the consumer price index with a minimum of 4 percent and a maximum of 5 percent, not to exceed a cumulative total of 65 percent of the initial benefit or the benefit received September 30, 1986. After reaching the 65 percent cap, future COLAs will be the same as for

employees hired after August 27, 1997. For employees hired after August 27, 1997, the minimum of 4 percent and the 65 percent cap have been removed.

Disability Benefits

There are three categories of disability benefits:

Long-Term Disability: Benefits for long-term disability are equal to 60 percent of the compensation immediately prior to the disability less primary Social Security and any benefits provided at the cost of the MoDOT or the MSHP, including Workers' Compensation indemnity benefits. The minimum long-term disability monthly benefit is 9 percent of the member's salary immediately prior to becoming disabled, or \$50, whichever is greater. Creditable service in the retirement system will continue to accrue until retirement or until the member qualifies for full retirement benefits, whichever is earlier.

Normal Disability: Benefits for normal disability are computed in the same manner as retirement benefits (average compensation times 1.6 percent times the years of creditable service). Time spent on normal disability will not be included as creditable service should the disabled employee return to work.

Work Related Disability: Work related disability benefits are equal to 70 percent of the compensation the employee was receiving at the time of the work-related injury; provided, however, that the benefit amount plus Social Security disability benefits should not exceed 90 percent of the employee's salary.

All disability benefits are reduced by any amount of weekly indemnity benefits paid to the member as a result of Worker's Compensation. In addition, disability benefits are discontinued if the member regains his/her earning capacity.

Survivor Benefits

Should a member die after completing three years of service, the spouse or unemancipated children under age 21, if named as beneficiary, qualify for 25 percent of the benefit the member would have received had he retired on the date of the death. This benefit will be increased five-twelfths of 1 percent for each month of service in excess of five years to a maximum of 50 percent of the member's base benefit. The member and spouse must have been married at least two years for the spouse to qualify.

Should a member with ten years or more of service die, the surviving spouse may elect, in lieu of the benefit above, to receive a survivorship calculated as if the member had retired on the date of death and elected the Joint and Full option. Spouses of deceased retirees who retired prior to August 28, 1989, shall be compensated monthly based on the option that the member chose at the time of retirement or an amount equal to one-half the amount the retiree was receiving at the time of the retiree's death, whichever is greater.

Reciprocity and Prior Service

The system allows for the transfer or purchase of creditable service of public employees who move from one position covered by one public employee retirement system to another. The system also allows certain members of the uniformed patrol who had served as police officers for any city to purchase equivalent service for that time not to exceed four years.

Subsequent Events

The HTEHPRS adopted the “Year 2000” Plan pursuant to Sections 104.1006 to 104.1093, RSMo 2000 on August 28, 1999. The provisions of Sections 104.150 to 104.190 and 104.210 to 104.240, RSMo 2000 will continue to be applicable to the HTEHPRS under the Year 2000 Plan. The Year 2000 Plan affects all people hired on or after July 1, 2000, as well as HTEHPRS active members, vested former members, and retirees and survivors who elect to transfer to the Year 2000 Plan within established guidelines. Under the Year 2000 Plan, each member’s life annuity is equal to one and seven tenths percent of the final average pay of the member multiplied by the member’s years of creditable service. The Year 2000 Plan also changes the eligibility for normal and early retirement for non-uniformed employees, changes some survivor options, and establishes an additional temporary benefit until eligibility for Social Security benefits for members retiring under the “eighty and out” provision.

* * * * *



**AUDIT OF
MANAGEMENT AND OVERSIGHT OF
CONTRACTORS RESPONSIBLE FOR CARE
OF PEOPLE WITH DEVELOPMENTAL DISABILITIES**

**From The Office Of State Auditor
Claire McCaskill**

Improvements are needed in monitoring and tracking incidents of physical aggression, injury, and medication errors at contractor facilities responsible for care of people with developmental disabilities.

**Report No. 2001-20
March 15, 2001
www.auditor.state.mo.us**

PERFORMANCE AUDIT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

Missourians with developmental disabilities who rely on contractor-operated facilities are not well protected from acts of physical aggression by other clients or from medication errors.

Inadequate monitoring by the state's 11 regional centers over contractor-operated facilities, which provide day programs and residential environments to nearly 9,000 developmentally disabled, leave clients and staff at risk. A complaint made to our office alleging mismanagement at one such facility prompted this audit. The review included an analysis of incident and injury reports of eight contractors operating in five of the state's regional centers. The following highlights our findings:

Injury and incident reports not reviewed

An analysis of 4,400 incident reports over an 18-month period showed hundreds of acts of physical aggression between clients, or between clients and staff, which resulted in more than 1,000 injuries. (See page 2) But no one in the state knew the true nature of this problem until this audit because such reports were not being reviewed, computerized to track trends or even kept – one facility threw out the reports. (See page 11)

Part of the inconsistent handling of such reports is due to weak state law that does not require contractor-operated facilities to thoroughly document the incidents or submit them for review.

Review would allow a facility to track trends. Our analysis showed that often only a few clients are involved in the alleged physical aggressions. (See page 13) In one case, a client committed 65 acts of aggression against her roommate in 18 months. (See page 5) Trending would have allowed state staff to identify this situation quickly and correct it.

Contractors held to lower standard on aggressive clients

State regulations on managing behavior of an aggressive client considered dangerous to others or themselves do not apply to contractor-operated facilities. State regulations require a "dangerous" client to receive one-to-one or high priority supervision. Our analysis of incident reports at contractor-operated facilities showed numerous clients fit the "dangerous to other or themselves" definition. In one facility, 16 clients were physically aggressive with other clients or staff two or more times in a short period. But because these contractor-operated facilities are not held to this same standard, their "dangerous" clients do not receive the necessary supervision. (See page 4)

YELLOW SHEET

Medication errors go unreported

Contractor-operated facilities are not required to immediately report to regional centers if clients were not given their prescribed medication, an act that is required of state-run facilities. Contractor-operated facilities are only required to report an injury or incident, which could include a medication error. Our review of these incident reports showed a substantial number of medication errors, including 903 medication errors over 18 months at one facility. Such errors included failing to dispense medications or dispensing them late. Since we could only track medication errors through incident or injury reports, it is unknown how understated or widespread the error really is. (See page 6).

Inconsistent record-keeping makes monitoring difficult

Our tests showed that contractors used a variety of formats to report incidents. A standard format for all contractors is needed to facilitate managing a database of incident reports at the regional centers. This database would allow the state to trend incidents, evaluate a contractor's performance and identify clients that need to be removed from their current setting. (See page 11)

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
Members of the General Assembly
Director, Department of Mental Health
Director, Division of Mental Retardation and Developmental Disabilities

The State Auditor's Office performed an audit of the Division of Mental Retardation and Developmental Disabilities and its eleven regional centers. The audit focused on the Division and its regional centers' oversight of over 3,000 contractors who operate residential and day habilitation services for about 9,000 mentally retarded and developmentally disabled Missouri residents.

The objectives of this audit were to determine (1) the effectiveness of the Division's oversight of its eleven regional centers, and (2) the effectiveness of the regional centers' oversight and inspections of contractors operating residential facilities and day habilitation programs.

Audit tests disclosed that although contractors have submitted hundreds of incident reports, which showed significant statewide problems related to (a) clients exhibiting physical aggression toward other clients, (b) clients incurring numerous injuries due to acts of physical aggression or accidents, and (c) contractors failing to administer medications as prescribed, regional centers have not trended or tracked these incidents.

We concluded that to ensure the safety and health to some of Missouri's most vulnerable residents, the Division needed to amend existing state regulations, implement a statewide quality assurance program, and require its regional centers to track and analyze contractors' incident reports.

A handwritten signature in black ink that reads "Claire McCaskill".

Claire McCaskill
State Auditor

December 14, 2000 (fieldwork completion)

The following auditors participated in the preparation of this report:

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RESULTS AND RECOMMENDATIONS

1. State Regulations Do Not Adequately Protect Missouri's People with Developmental Disabilities from Physical Aggression and Injuries

Division of Mental Retardation and Developmentally Disabled (the Division) contractors, who operate day programs and residential facilities for individuals developmentally disabled, have submitted hundreds of Incident and Injury Reports (incident reports) that showed significant statewide problems during the 18-month period ended June 30, 2000, including:

- 590 incidents of physical aggression by clients against other clients,
- as many as 1,000 injuries due to physical aggression or accidents, and
- over 900 medication errors by contractors failing to administer medications as prescribed.

Although Missouri Code of State Regulations (9 CSR 45-5) require contractors to document in the client's file when a client incurs an injury or unusual incident, the regulations do not (1) prescribe the information that contractors must include in their reports, (2) require that the contractors submit the reports to their respective Department of Mental Health regional centers, and (3) require clients, who reside at contractors' facilities and who have committed physical aggression toward others to be evaluated as to whether they present a danger to other clients. Audit tests showed that incident reports often were not well documented; were not sent to regional centers routinely; and when sent to regional centers, staff did not review them thoroughly enough to identify recurrent problems at facilities and with clients. Accordingly, Division regulations do not ensure that all clients are entitled to safe housing and to be free from harm as prescribed by Missouri Statutes, Section 630.115, RSMo.

Department of Mental Health contracts for services

An estimated 27,500 Missourians with developmental disabilities such as mental retardation, cerebral palsy, and autism receive services from the Division each year. The Division operates 17 facilities that provide or purchase specialized services.

- Eleven facilities are regional centers, which are the primary points for clients to obtain services from the Division. These facilities provide assessment and case management services, which include coordination of each client's individualized habilitation plan.
- Six facilities are Division-operated habilitation centers, which provide residential care and habilitation services for people with more severe disabilities.

Division officials contract with over 3,000 agencies (contractors) to provide residential facilities, and day habilitation programs for about 9,000 individuals who are developmentally disabled. The regional center staffs are responsible for

- providing assessment and case management services, which include coordination of each client's individualized habilitation plan, and

- overseeing and monitoring contractors to ensure its clients are living in safe and sanitary facilities and are free from physical and verbal abuse.

Contractors have reported hundreds of incidents of physical aggression and injuries

Although Division regulations do not require contractors to submit incident reports to the regional centers, eight contractors included in audit tests submitted over 4,400 reports to their respective regional centers during the period January 1, 1999 to June 30, 2000. An analysis of these reports showed serious statewide problems related to (1) clients committing acts of physical aggression against other clients and their direct care staff, and (2) injuries to clients due to physical aggression and accidents.¹ The following analysis of contractors' incident reports shows that hundreds of the Division's clients were subject to physical aggression during the period January 1, 1999 through June 30, 2000.

Incident reports are not tracked or trended

Number of Incident Reports by Selected Contractors

<i>Contractor Regional Center</i>	<i>No. of Clients at Risk</i>	<i>No. of Reports</i>	<i>No. of Injuries</i>	<i>Number of Acts of Aggression</i>	
				<i>Clients</i>	<i>Staff</i>
Kansas City	70	798	552	36	0
St. Louis	115	1,381	83	121	140
Joplin	38	835	189	104	88
Springfield	109	836	111	209	139
Albany	53	612	137	127	51
Totals:	385	4,462	1,072	597	418

Source: SAO analysis of contractors' incident reports

It should be noted that the 385 clients at risk shown in the above table only represent 4.3 percent of the Division's total 9,000 clients living in contractor-operated facilities. Therefore, many more clients could be at risk. The data gathered for the 385 clients came from incident reports (i) provided to the regional centers, (ii) reviewed at provider facilities, and (iii) both provided by and reviewed at provider facilities. We could not specify whether these other 8,615 (9,000-385) clients were actually at risk because our teams did not visit the facilities where they reside nor acquire access to their incident reports. However, as the table shows, the number of incidents are substantial where we did review incident reports and it is reasonable to assume the same conditions could exist elsewhere based on the commonality of the problems found at the sites we visited.

¹ Incident reports included the following types of physical aggression: hitting, kicking, biting, scratching, hair pulling, and throwing objects.

Many clients should be categorized as dangerous to others in order to protect other clients from physical injuries

Division regulations for managing clients' behavior do not apply to contractor-operated facilities. These regulations provide better protection for the clients and staff particularly when clients are dangerous to others. Regulation 9 CSR 45-3.050 defines "Dangerous to others"—when presented with an opportunity, a client attempts to harm others by physical or sexual aggression through spontaneous action, or the client has committed any serious incidents of physical or sexual aggression in the last 3 months. The regulation requires that clients who are categorized as dangerous to others must receive one-to-one, line-of-sight or high priority supervision. 9 CSR 45-3.050 also states a client's risk determination should be reevaluated within twenty-four hours after a serious incident of aggressive behavior.

Analyses of contractors' incident reports showed that numerous Divisional clients living in contractors' facilities met the criteria to be classified as dangerous to others. For example, 16 clients residing with one St. Louis contractor were physically aggressive with other clients and/or staff two or more times, and 12 clients residing with one Joplin contractor were physically aggressive with other clients and/or staff two or more times. The following are narratives from three incident reports that involved serious incidents of aggressive behavior. They also show that a single incident report involving an aggressive act can involve multiple aggressions to more than one client and/or staff.²

Some clients
are dangerous
to others

- 1) Client A began hitting client B "out of the blue." Client A was calm previously. After trying to move client B away from client A's punches, client A came after me (staff). Client A hit me repeated times—I finally got away when another staff helped redirect client A. Client A suddenly attacked client C and refused redirection, so two other staff tried to restrain him. He got away from one staff while swinging at other staff (and) hit me as I was trying to help staff. This hit caused the cut on my face. The staff, who prepared this report, also reported that client A has been attacking other clients and staff recently and "swings violently with the intention of truly harming another person." Also, the staff reported the steps taken to prevent reoccurrence that day were to put the client under one-to-one direct supervision.
- 2) Client A had been throwing constant insults at another client causing this client to become very agitated. Client A then threw a couch cushion at another client. Then client A proceeded to pull the fire alarm. Staff stood in front of the fire alarm and began trying to redirect client A to either the couch or her room to calm down. Client A then began to scratch, hit, and kick staff while screaming profanities. She also tried to repeatedly bite staff. Client A threw a table at staff and another client. Staff then escorted client A to couch and then called the assistant manager who was scheduled to come in shortly. Client A then ran back to the fire alarm, staff got between client A and the alarm. Client A then began to hit, kick, and scratch staff. Client A grabbed staff's collar and tried to strangle staff. Staff escorted client A back to couch. At this point staff knocked on the apartment door for some assistance, the apartment staff

² We edited the narratives to protect the clients' and staffs' identities, and for clarity purposes where needed.

came out to help. Client A continued to scream profanities at staff. Client A then ran back to pull fire alarm. In staff's attempts to stop client A from pulling the alarm, client A again began to hit, kick, and scratch staff. Client A also attempted to bite staff multiple times. Client A grabbed one of the staff's glasses off her face. Client A then turned on the other staff grabbing at the staff's collar. At this point client A ripped staff's bra off. Staff escorted client A back to the couch. After a couple minutes of everyone sitting calmly in the living room, client A ran back over to the fire alarm. Client A began hitting, kicking, and scratching staff again. Client A then grabbed one of the staff's collar. Client A then let go of that staff and grabbed the other staff's collar. Staff then escorted client A to a chair. Client A then kicked staff between the legs and began to threaten the staff's first-born child. Client A then remained in the chair as she screamed and flailed her arms and legs. Client A then broke her own necklace. Client A almost immediately stopped screaming and began to beg staff to fix her necklace. Staff was eventually able to fix her necklace and then client A chose to go to bed.

- 3) Client A was sitting at kitchen table eating snack, smiling and laughing. His roommate (client B) was in wheelchair talking to staff. There had been no incidents of the two men not getting along all day. Client A jumped out of kitchen chair and pushed client B in his wheelchair deliberately into file cabinet forcefully then took off out of the room. Staff told client A he needed to go to his room to calm down because he hit client B. He complied, stayed in room about five minutes yelling then came out and sat at kitchen table and said he was sorry to client B. Client A then began shouting, picked up phone off of counter and hit client B in groin, popping battery out from the force of the blow. Staff then again instructed client A to go to room and calm down.

Contractors' incident reports also showed that several clients were physically aggressive with their roommates and direct care staff numerous times over an extended period of time. For example:

- In Albany, one client committed physical acts of aggression against his roommates 27 times during an 11-month period.
- In Columbia, one client committed physical acts of aggression against her roommates 65 times over an 18-month period.
- In St. Louis, two clients shared an apartment and one client committed physical acts of aggression against his roommate 30 times and his direct care staff 29 times over a 10-month period.
- In Joplin, one client living in a group home with six other clients committed physical acts of aggression against her roommates 29 times and her direct care staff 23 times during an 18-month period.

Recurring
aggression
unnoticed by
State officials

- Another Joplin client living in a group home with seven other clients committed physical acts of aggression against his roommates 24 times (including two sexual assaults) and his direct care staff 16 times during a 5-month period—May to September 1999.

In the latter case, the client was moved at the end of the 5-month period to a state habilitation center. The contractor's staff asked Joplin regional center staff why it took so long (5-months) to move the client, when the client's behavior began getting worse in May 1999. According to the service coordinator's case notes, she replied she was not informed that things were as bad as they were. However, if the service coordinator or other Joplin regional center staff had analyzed the client's incident reports, they would have been able to recognize that the client had committed physical acts of aggression against his roommates and staff 21 times during July and August 1999.

Contractors' incident reports show many clients are dangerous to themselves

Division regulation 9 CSR 45-3.050 states that a client who demonstrates self-injurious behaviors, such as biting or hitting self, is considered dangerous to self and must receive one-to-one, line-of-sight, or high priority supervision. Contractors' incident reports showed several clients demonstrated serious self-injurious behaviors over an extended period of time. For example, a Joplin contractor's incident reports showed a client abused herself 26 times over a 6-month period. A Springfield contractor's incident reports showed a client abused himself 28 times over a 7-month period.

Contractors' incident reports show numerous medication errors

Contractors' incident reports showed that some contractors had committed a substantial number of medication errors. Medication errors include, (1) failure to give clients their prescribed medications, (2) failure to give medications when due and/or the correct dosage, and (3) failure to document that medications were given. Examples follow:

Medication errors should be reported and trended

- A St. Louis contractor, with 115 clients, provided reports showing the contractor committed 903 medication errors over an 18-month period, such as failing to dispense medications, or dispensing them late.
- Another contractor in Joplin, with 38 clients, committed 191 medication errors over the same 18-month period. Failure to administer medications as prescribed can result in clients suffering unnecessary pain or more serious ramifications.
- A Division investigator stated that when she visited a contractor to investigate allegations of numerous medication errors, she found one client in a wheelchair crying loudly, because she had not been given her pain medication. According to the investigator, the contractor's Director stated the client was not given her prescribed dosages of pain medication, because the drug made the client groggy.

The Division's regulations are not consistent for reporting medication errors. Division regulation 9 CSR 45-5.010 for Medicaid Waiver program contractors states individuals are to take medications as prescribed and are supported safely in managing their medications. This regulation does not require contractors to report to the regional centers if clients were not administered the prescribed medications. The regulation only requires contractors to document in a client's file if the client has suffered an injury or an unusual incident, which could include a medication error. Conversely, regulation 9 CSR 40-5.305 for group homes and residential centers serving persons with developmental disabilities, but not enrolled in the Medicaid Waiver program, states errors in administering or in self-administration of medications shall be reported immediately to the regional center or placement office.

The Division cannot take timely action to intervene in potentially serious cases since the contractors are not required to send incident reports to the regional centers, and regional centers do not adequately review the reports that they do receive.

Conclusion

The Division's regulations do not adequately protect its clients living in contractor-operated facilities from acts of physical aggression. As a result, clients, who should be categorized as dangerous to others, have been allowed to routinely commit acts of physical aggression against other clients and direct care staff without the knowledge of the regional center officials. And, regional centers do not have appropriate management tools such as copies of incident reports and trend analyses to identify such incidents or incidents of individuals who represent a danger to them. Also, the Division's regulations do not require that all medication errors be immediately reported to the regional centers. Accordingly, the Division does not always receive the information it needs to ensure its clients receive their medications as prescribed.

Recommendations

We recommend the Director, Division of Mental Health

- 1.1 Amend 9 CSR 45-5 and 9 CSR 40-5.030 to require contractors to submit Incident and Injury Reports to their respective regional centers immediately when serious injuries are involved and within 24 hours for other injuries and incidents.
- 1.2 Amend 9 CSR 45-3.050 to apply to clients living in contractor operated facilities.
- 1.3 Amend 9 CSR 45-5.010 to state errors in administering or in self-administration of medications shall be reported immediately to the regional center or placement office.

Department of Mental Health Comments

The Director, Division of Mental Retardation and Developmental Disabilities agreed with the recommendations and provided acceptable implementation plans. The detailed comments are included in Appendix IV, page 24. Pertinent excerpts follow:

- 1.1 *The Division agrees that contract providers should systematically report specified incidents and injuries to regional centers. In this regard, the Division will amend all applicable state regulations, contracts and department operating regulations to include types of reportable incidents and injuries including medication errors, provider reporting and documentation requirements, and sampling methodology.*
- 1.2 *DMRDD accepts the recommendation and agrees that a process needs to be clarified which will result in risk assessments being accomplished for individuals who live in the community and who exhibit aggressive behavior which may be considered “dangerous to self and others”. The Division will pursue an amendment of 9 CSR 45-3.050 or establish a separate CSR to address the recommendation.*
- 1.3 *DMRDD agrees that contract providers should report errors in medication administration to regional centers. Reporting of errors that may have an adverse effect on the client is of particular importance. These should be reported immediately to the client’s primary care physician/practitioner and the regional center. In addition to reporting requirements, contract providers should establish policies and procedures, in accordance with acceptable standards of practice, to monitor errors in medication administration and proper documentation. To ensure quality improvement in medication administration, the division will include language in applicable state regulations and contracts to specify the types of reportable medication errors and provider responsibility to monitor medication administration.*

2. The Division Lacks Standard Quality Assurance Programs and Reporting Systems to Ensure All Clients Are Afforded the Same Safety And Quality of Care

The Division does not have a centralized quality assurance or Incident Reporting systems statewide to ensure that all clients receive the same quality of care. Currently, there are decentralized systems across the 11 regional centers with little or no oversight by the Division. The Division has not established standard guidelines or staffing levels for the regional centers' quality assurance teams. In addition, it has not established a centralized Incident Reporting system to identify trends in client behavior or abuse patterns. Accordingly, the Division does not have any assurance that the regional centers' oversight of contractors is consistent and adequate to ensure all clients receive quality care.

The Division's quality assurance efforts are not adequate

Division management stated that they were redesigning a statewide quality assurance program and acknowledged that there is not a uniform system of quality assurance in place at all regional centers. In May 2000, the Division's Deputy Director sent a memorandum to the 11 regional centers requesting information regarding local quality assurance programs. Key questions in the letter were:

1. Do you have a Quality Assurance Team?
2. How many staff positions are dedicated to quality assurance?
3. What are the positions, for example RNs, and are the positions full or part time?
4. Who does the Quality Assurance team report to?
5. What are the functions of the Quality Assurance team?
6. Does the Quality Assurance team routinely visit contractors and if so, how often?

The regional centers' responses showed substantial differences in the number and types of staff, and staff time the regional centers have dedicated to quality assurance teams. For example, the St. Louis Regional Center, which had 9,150 clients, reported its quality assurance team consisted of three full-time staff—a Quality Assurance Officer, a Quality Assurance Specialist, and a Case Management Supervisor (who also does abuse/neglect investigations full-time, thus this staff is not full time for either position). In contrast, the Poplar Bluff Regional Center, which had 1,080 clients (or 8,070 fewer clients), reported its quality assurance team consisted of 13 full-time staff—five Quality Assurance Specialists, two Registered Nurses, two Clerk Typists, one Clerk Stenographer, one Program Specialist, one Accountant, and one Abuse and Neglect Coordinator.

Quality assurance could be improved

Because the Division has not established a statewide staffing standard for the quality assurance program, it does not know whether the St. Louis Regional Center Quality Assurance team is understaffed, or the Poplar Bluff Regional Center Quality Assurance team is overstaffed. The following table shows for each regional center, the number of quality assurance staff, total number of clients, and ratio of clients to quality assurance staff as reported to the Division.

Regional Centers' Quality Assurance Staffing Levels

<i>Regional Center</i>	<i>No. of QA Staff</i>	<i>No. of Clients</i>	<i>Client/Staff Ratio</i>
Poplar Bluff	13	1080	83
Sikeston	9	1106	123
Rolla	11	1632	148
Hannibal	7	1218	174
Central MO	9	2011	233
Joplin	6	1419	237
Kirksville	3	901	300
Springfield	7	2209	316
Kansas City	6	3793	632
Albany	1	1432	1432
St. Louis	3	9150	3050

Source: SAO analysis

According to the Division, the regional centers' quality assurance teams are responsible for ensuring contractors are operating in accordance with the Division's certification principles, which includes ensuring clients are free from physical aggression. Also, several regional center officials stated that the centers' quality assurance teams are responsible for reviewing contractor's incident reports to identify trends such as increased medication errors and injuries to clients. Accordingly, it is critical that each regional center has adequate quality assurance staff to ensure clients are free from physical aggression and to effectively review contractors' incident reports.

The Division has increased the number of service coordinators at several regional centers

Data we obtained from five regional centers showed substantial differences in several center's service coordinator to client ratio (caseloads) prior to state fiscal year 2001. The Division has substantially increased the authorized number of service coordinators that several regional centers can employ and thereby reduced service coordinators' caseloads. For example, the St. Louis Regional Center was authorized an additional 42 service coordinators and the Springfield Regional Center was authorized 5 additional service coordinators. Reducing coordinators' caseloads should allow them more time to review contractors' incident reports. The Division also authorized an additional registered nurse (RN) position for each regional center. These RNs could be used to determine if the contractor's training on medication administration was adequate and help to mitigate medication errors. The following table shows the caseloads for service coordinators before additional service coordinators were authorized:

Service Coordinator Caseloads for Selected Regional Centers

Regional Center	Average Caseload	Caseload Range
St. Louis	75	23-139
Springfield	58	29-77
Albany	56	44-80
Joplin	44	21-67
Central MO	41	20-53

Source: SAO Analysis

The Division does not have a standard policy or system for regional centers to retain and review contractors' incident reports

Each of the six regional centers we visited had different procedures for reviewing and retaining contractors' incident reports. At each regional center, the affected client's service coordinator reviews the reports first. However, five of the six regional centers did not have an effective system to archive the reports for follow-up analyses after the service coordinators reviewed them. In fact, one regional center's service coordinators were throwing contractors' incident reports away after they reviewed them, and their supervisors or the regional center's quality assurance team did not review the incident reports.

Retention
policy needed
for incident
reports

Although the other five regional centers retained the reports after the service coordinators reviewed them

- three regional centers stored the reports in large boxes without any organization,
- one regional center archived the reports in individual client files, and
- one regional center had developed an automated database to archive contractors' incident reports that at the time of our visit included about 4,700 reports.

None of these methods for keeping the incident reports on file were effective enough to provide for follow-up analysis. The first two methods did not provide for easy retrieval of reports and the automated database was not maintained in a current status. We were provided over 100 incident reports that two contractors had submitted during the period January 1, 1999 through June 30, 2000, that had not been entered into the database due to lack of staff. As such, the regional centers had not been performing follow-up analyses to identify (1) clients who were dangerous to others or themselves, (2) clients incurring a large number of injuries, and (3) contractors who had committed a large number of medication errors.

The Division does not have a standardized incident report database for regional centers

Seven of the Division's 11 regional centers are operating or plan to operate automated databases to archive and review contractors' incident reports. Officials from three of the six regional centers we visited said they planned to develop an automated database to archive and analyze contractor's incident reports. Audit results at the Division's five other regional centers showed that one regional center had been operating an automated database for over 3 years, and two other centers had implemented an automated database during 2000. Since automated databases are evolving at some of the regional centers, the Division needs to ensure (1) all regional centers develop and implement an incident report database, and (2) the databases will facilitate comparisons of contractors' performance among the regional centers. Comparing contractors' performance statewide would allow the Division to identify potential best practices or contractors who are not reporting all incidents, and set standards for performance measurements such as medication errors.

Automated
databases
would help
tracking

Incident reports submitted by two contractors, each located in a different regional center, showed significant differences in the number of reported injuries to clients and reported medication errors as shown in the tables below. (For the Period January 1, 1999, through June 30, 2000.)

Reported Injuries

Contractor Reg. Center	No. of Clients	No. of Incident Reports	No. of Injuries	Client/Injury Ratio	Client/Report Ratio
Kansas City	70	798	552	7.9	11.4
Springfield	36	17	10	0.3	0.4

Reported Medication Errors

Contractor Reg. Center	No. of Clients	No. of Incident Reports	No. of Medication Errors	Client/Error Ratio	Client/Report Ratio
Kansas City	70	798	88	1.3	11.4
St. Louis	97	902	902	9.2	9.2

Source: SAO analyses of contractors' incident reports

As the charts show, there were significant differences in incident reporting. At Kansas City, 11 incidents per client were reported, while there was less than 1 incident per client in Springfield. Either, Springfield staffs do a much better job, or they do not report incidents in a comparable manner as Kansas City. Since there is not any analysis of the incident reports neither the Division nor the audit staff know the answer. However, these are the types of issues that a comparative analysis would disclose and should prompt questions for quality reviewers.

Regarding the table on medication errors, a comparative analysis would show that there could be problems with St. Louis since the medication errors are over 10 times the number reported at Springfield with only a small increase in the number of clients. Or, perhaps Springfield is not reporting all of their incidents. Either way, an analysis should prompt these type questions.

Incident report trends reveal that few clients have been responsible for many of the reported incidents of physical aggression

Contractors' incident reports show that if the Division and its regional centers had taken action to quickly place a few clients under one-to-one, line-of-sight supervision, a substantial number of incidents of physical aggression could have been prevented. As discussed below, only a few clients committed a large number of physical acts of aggression. In fact, at every location we visited, there were only two clients who committed large numbers of these incidents. Two out of

- 109 clients reviewed in Springfield were responsible for 70 of the 209 (33%) acts of physical aggression against other clients, and two clients were responsible for 46 of the 139 (33%) acts of physical aggression against staff,
- 53 clients reviewed in Albany were responsible for 53 of the 127 (42%) acts of physical aggression against other clients, and 15 of the 51 (29%) assaults against staff,
- 115 clients reviewed in St. Louis were responsible for 47 of the 121 (39%) acts of physical aggression against other clients, and 42 of the 140 (30%) acts of physical aggression against staff,
- 37 clients reviewed in Joplin were responsible for 50 of the 104 (48%) acts of physical aggression against other clients, and 38 of the 88 (43%) acts of physical aggression against staff.

The Division does not require contractors to use a standard form to report incidents

Contractors were using several different types of incident report forms to report basically the same information in a different format, which would make it difficult to readily enter data into an incident report database and perform detailed analyses. For example, some contractors used a checklist form to identify if the incident involved an injury, seizure, medication error, physical or sexual aggression, and an assault with object; which facilitates entering critical information into a database for follow-up analyses. Other contractors, however, used a narrative form that had to be read in detail in order to identify if the report involved incidents such as seizures, sexual aggressions, and assaults with an object. Accordingly, it would require more time to review these reports and enter the data into a database. Because each regional center is receiving thousands of incident reports annually, the Division needs to

Standard
incident report
forms are
needed

evaluate the feasibility of contractors submitting their reports electronically and developing a standard form that can be scanned.

High turnover of contractors' direct care staff increases the need to analyze contractors' incident reports

In July 2000, the Division requested residential and day habilitation contractors to report their turnover rates and annual starting salary for direct care staff employed during state fiscal year 2000. The Division requested this information to determine the need for additional funding from the legislature to help curb excessive turnover rates. As of August 25, 2000, 280 contractors responded and reported turnover rates ranging from zero percent to as high as 500 percent. Of the 280 contractors who responded, the average turnover rate was 70 percent. Sixty-eight contractors reported turnover rates of 100 percent or higher. To put these rates in perspective, a contractor who had an average number of 25 direct care staff and had a turnover rate of 70 percent, would have had about 18 staff leave during the year.

Turnover
emphasizes
need for
tracking

High turnover rates of direct care staff result in clients being taken care of by staff who have limited personal knowledge of the clients' physical and mental conditions and needs. For example, one of the contractors we visited reported a turnover rate of 300 percent. Data from this contractor showed as of August 10, 2000, the contractor had 78 direct care staff and 42 (54 %) of these employees had been employed 6-months or less. This contractor's incident and injury reports showed that 70 clients incurred over 550 injuries (about 8 injuries per client) during the period January 1999 through June 2000. Conversely, another contractor reported a turnover ratio of 23 percent. This contractor's incident reports showed that 34 clients incurred 29 injuries (about .9 injuries per client) during the same period. High turnover rates of direct care staff make it even more imperative for Division staff to review contractors' reports to identify contractors who have (1) staff committing a large number of medication errors, (2) clients continually committing physical acts of aggression against other clients and/or direct care staff, and (3) clients incurring a large number of injuries.

Conclusion

Division staff does not have an effective statewide quality assurance program to ensure all of its clients are living in an environment that is safe and free from harm. An effective and efficient system to record, store, and analyze information reported on contractor's incident reports is needed. Division staff does not require regional centers to analyze contractors' incident reports to identify patterns of acts of physical aggression or medication errors.

Recommendations

We recommend the Director, Division of Mental Health:

- 2.1 Develop an effective Quality Assurance program and ensure it is uniformly implemented by all regional centers.

.

- 2.2 Establish a Divisional policy that requires regional centers to systematically analyze contractors' incident reports to identify patterns of aggression, injuries, and medication errors and other incidents that can affect clients safety and well being.
- 2.3 In concert with contractors and regional centers, develop a standard incident report form (which could be scanned) to record and report information that needs to be included in incident reports.
- 2.4 Require each regional center to install an automated database to record and analyze contractors' incident reports. The Division should require centers without a database to adapt an existing database currently used by other centers until the Division can develop a standard database.
- 2.5 Encourage contractors to electronically submit their incident reports.

Department of Mental Health Comments

The Director, Division of Mental Retardation and Developmental Disabilities agreed with the recommendations and provided acceptable implementation plans. The detailed comments are included in Appendix IV, page 24. Pertinent excerpts follow:

- 2.1 *The Division agrees that its Quality Assurance/Enhancement program that began in 1995 and is currently being re-designed should be uniformly implemented by all regional centers. In October 2000, the Division began re-designing its current program to more effectively integrate quality assurance and enhancement functions among the regional centers, providers, and the Division. The re-design will include increased oversight of the regional center quality assurance functions to ensure that all consumers receive quality care. By December 31, 2001, the Division will implement the re-designed program, "Quality Framework: A Partnership for Consumer-focused Systems."*
- 2.2 *DMRDD accepts the recommendation and agrees that the Division implement a policy to assure that all regional centers collect and analyze incidents/injuries that affect client safety and/or well being. The Division will develop and implement a Division Operating Regulation by July 1, 2001, to include protocol for tracking, analyzing and maintaining reportable incident and injury reports.*
- 2.3 *DMRDD accepts the recommendation that contractors and regional centers should use a uniform incident/injury report form. The Division will develop a uniform report form by July 1, 2001.*
- 2.4 *DMRDD accepts the recommendation to utilize an automated database at each regional center to record and trend contractors' incident/injury reports. The Division anticipates that all regional centers will have an automated system in place within this calendar year. The Division will also work with the Department to incorporate incident/injury data fields and trend reporting in Phase I implementation of the new Department Consumer Information Management Outcomes and Reporting (CIMOR) system. Phase I*

is scheduled to be implemented by October 2002 pending approval of the Department's FY 02 budget request.

- 2.5 *DMRDD agrees that electronic submission of incident reports is beneficial to the Division. The Division will explore the feasibility of including this component in the new CIMOR system. Until that system is implemented, the Division will reinforce with providers and staff the importance of receiving the incident reports expeditiously.*

APPENDIX I

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objectives of this audit were to determine (1) the effectiveness of the Division's oversight of its eleven regional centers, and (2) the effectiveness of regional center officials' oversight and inspections of contractors operating residential facilities, and day habilitation programs.

Scope and Methodology

The audit included

- a review of state laws and regulations that govern the operations of the Division and its 11 regional centers,
- a review of Division contractors who provide services to the people with developmental disabilities, and developmentally disabled,
- interviews of officials from the Division's 11 regional centers to determine their policies and procedures for obtaining, reviewing, and archiving contractors' incident reports.

We analyzed incident reports for eight contractors operating in 5 of the Division's 11 regional centers—Albany, Joplin, Kansas City, St. Louis, and Springfield. These regional centers were selected because they serve both rural and urban client populations and have both large and small client caseloads.

At each regional center, we selected contractors who provided residential services to 30 or more clients in order to obtain an adequate client representation for each regional center. The incident reports analyzed were for the period January 1, 1999, through June 30, 2000. We also obtained a copy of the incident report database from the Central Missouri Regional Center in Columbia. We did not perform detailed analyses of this database, because it did not include all incident reports contractors had submitted during the period January 1, 1999, through June 30, 2000. We did, however, include in our report some information from this database related to acts of physical aggression by individual clients.

At the Kansas City and St. Louis regional centers, incident reports provided by the selected contractors were analyzed. We gathered the incident reports these contractors prepared and submitted during the above period to their respective regional centers. At the Albany, Joplin, and Springfield regional centers, we confirmed with the contractors that these were all of the

APPENDIX I

reports sent to the regional centers. We reviewed all incident reports that the selected contractors had reportedly submitted during the above period. It should be noted that many of the reports that were provided at the latter three regional centers could not be included in our analyses, because they were illegible.

Our analyses focused on identifying instances of potential physical aggression, which included (1) clients who had committed physical acts of aggression against other clients or clients who were victims of aggressive acts, and (2) clients who had incurred injuries, such as bruises, abrasions and scratches. We also identified incidents of clients committing physical acts of aggression against direct care staff because these clients potentially represented a danger to other clients. Audit tests included an analysis of incidents of medication errors, because they can adversely impact clients' health and safety.

The audit was made in accordance with generally accepted government auditing standards and included such tests of the procedures and records as were deemed appropriate.

APPENDIX II

BACKGROUND

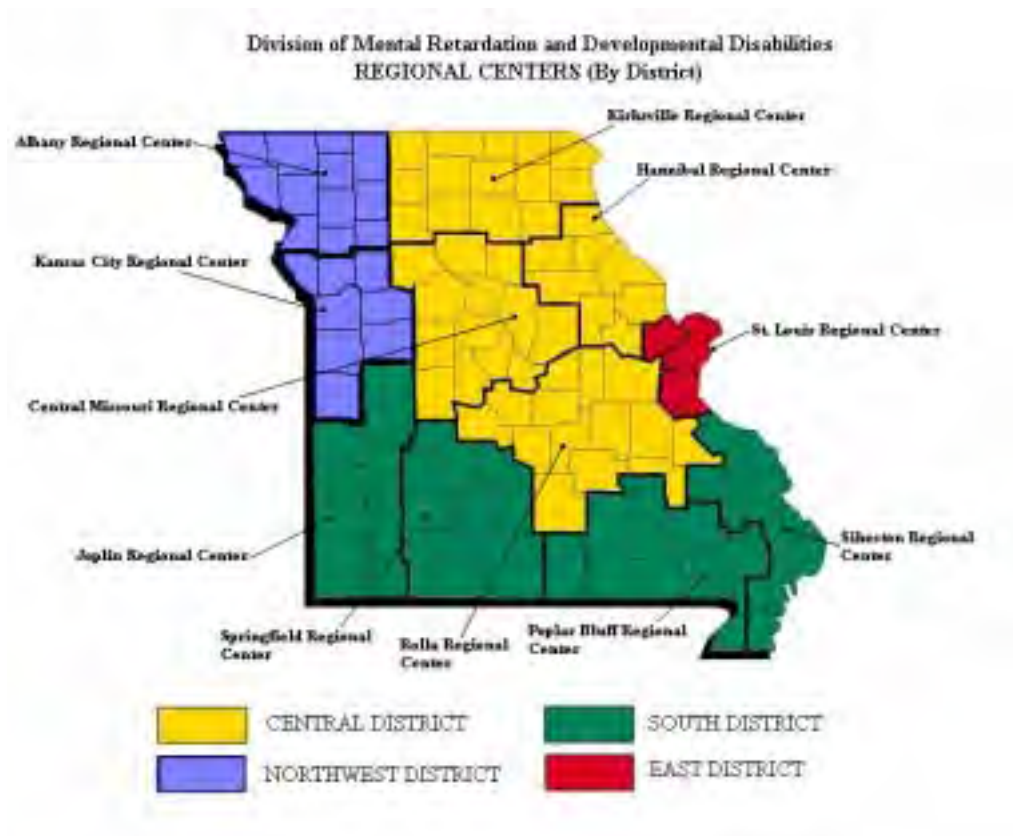
The Division of Mental Retardation and Developmental Disabilities (“the Division”) of the Department of Mental Health (“the Department”) was created by the omnibus reorganization act of 1974. It is responsible for insuring that mental retardation and developmental disabilities prevention, evaluation, care, habilitation and rehabilitation services are accessible, wherever possible. The Division is also responsible for supervising Divisional residential facilities, day programs and other specialized services operated by the Division, and oversight over contractor operated facilities, programs and services funded or licensed by the Division. Its goals are to improve the lives of persons with developmental disabilities through programs and services to enable those persons to live independently and productively. In 1988, the Division began participation in the Medicaid home and community-based waiver program, designed to help expand needed services throughout the state.

An estimated 27,500 Missourians with developmental disabilities such as mental retardation, cerebral palsy, and autism receive services from the Division each year. About 9,000 of these clients live in contractor operated residential facilities. The Division operates 17 facilities that provide or purchase specialized services. Eleven of these facilities are regional centers, which are the primary points for clients to obtain services from the Division and they provide assessment and case management services, which include coordination of each client’s individualized habilitation plan. The other six facilities are Division operated habilitation centers, which provide residential care and habilitation services for people with more severe disabilities.

Regional Centers

The following map shows the Division’s 4 Districts and the 11 regional centers:

APPENDIX II



The following table shows the number of counties and clients served by each regional center:

<u>Regional Centers</u>	<u>No. of Counties</u>	<u>No. of Clients</u>
Albany	12	1432
Central Missouri (Columbia)	13	2011
Hannibal	8	1218
Joplin	11	1419
Kansas City	8	3793
Kirksville	14	901
Poplar Bluff	10	1080
Rolla	14	1632
Sikeston	9	1106
Springfield	12	2209
St. Louis	3	9150
Total	114	25,951³

³ The Division's six habilitation centers serve 1,509 clients resulting in a total of about 27,500 clients.

APPENDIX II

The Division's Budget

In fiscal year 2001, the Division received \$258.2 million in total funds. This is an increase of 9 percent from fiscal year 2000. The following are some of the areas receiving additional funding for fiscal year 2001:

- \$2.7 million for 64 additional case managers to maintain adequate client-to-case manager (service coordinator) staffing ratios;
- \$2.7 million for provider rate increases targeted to improving direct care staff salaries; and
- \$605,228 for 13 nurses to improve and monitor the health care of regional center clients.

APPENDIX III

STATUTES AND CODE OF STATE REGULATIONS

Section 630.115.1 of RSMo prescribes that each client shall be entitled to certain rights without limitation that include: (1) humane care and treatment; (2) to the extent that the facilities, equipment and personnel are available, to medical care and treatment in accordance with the highest standards accepted in medical practice; (3) safe and sanitary housing; (4) to be treated with dignity as a human being; and (5) to be free from verbal and physical abuse. Section 630.655 of RSMo, directs that the Department of Mental Health promulgate rules which set forth reasonable standards for residential facilities, day programs or specialized services such that each program's level of service, treatment, habilitation or rehabilitation may be certified and funded accordingly by the department for its placement program clients or as necessary for the facilities or programs, to meet conditions of third-party reimbursement.

Section 633.010 of RSMo states the Division of Mental Retardation and Developmental Disabilities shall have the responsibility of insuring that mental retardation and developmental disabilities prevention, evaluation, care, habilitation and rehabilitation services are accessible, wherever possible. The Division shall have and exercise supervision of division residential facilities, day programs and other specialized services operated by the department, and oversight over facilities, programs and services funded or licensed by the department. The powers, functions and duties of the Division shall include the following: (1) assurance of program quality in compliance with such appropriate standards as may be established by the department, and (2) participation in developing standards for residential facilities, day programs and specialized services operated, funded or licensed by the department for persons affected by mental retardation or developmental disabilities.

9 CSR 45-5 defines the terms and principles for Medicaid contractors, who provide residential and day habilitation services to persons with developmental disabilities. The regulation requires that individuals incurring injuries or experiencing unusual incidents have the injuries or incidents documented in their files. The regulation does not require contractors to report injuries or unusual incidents to their respective regional centers. The regulation also states that individuals take medications as prescribed and are supported in safely managing their medications. The regulation does not require medication errors to be reported to the Division's regional centers.

9 CSR 40-5 defines the rules for non-Medicaid contractors, who provide residential and day habilitation services to persons with developmental disabilities. The regulation does not require that individuals incurring injuries or experiencing unusual incidents have the injuries or incidents documented in their files, and accordingly reported to the individuals' respective regional center. The regulation, however, does require that all errors in administering or in self-administration of medications shall be reported immediately to the physician and regional center.

APPENDIX III

9 CSR 45-3.050 defines the terms and establishes procedures for admission and treatment of clients with aggressive behaviors in facilities operated by the Division of Mental Retardation and Developmental Disabilities. According to Division officials, this regulation does not apply to clients living in contractor-operated facilities. The regulation defines “Dangerous to others” as presented with an opportunity, a client attempts to harm others by physical or sexual aggression through spontaneous action, or the client has committed any serious incidents of physical or sexual aggression in the last three months. The regulation requires that clients who are categorized as dangerous to others must receive one-to-one, line-of-sight or high priority supervision. 9 CSR 45-3.050 also states a client’s risk determination should be reevaluated within twenty-four hours after a serious incident of aggressive behavior.

BOB HOLDEN
GOVERNOR

ROY C. WILSON, M.D.
DIRECTOR



APPENDIX IV

STATE OF MISSOURI DEPARTMENT OF MENTAL HEALTH

1706 EAST ELM STREET
P.O. BOX 687
JEFFERSON CITY, MISSOURI 65102
(573) 751-4122
(573) 526-1201 TTY
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DORN SCHUFFMAN, DIRECTOR
DIVISION OF COMPREHENSIVE
PSYCHIATRIC SERVICES
(573) 751-5212
(573) 751-8017 TTY
(573) 751-7815 FAX

ANNE S. DEATON, DIRECTOR
DIVISION OF MENTAL RETARDATION AND
DEVELOPMENTAL DISABILITIES
(573) 751-4054
(573) 751-8217 TTY
(573) 751-9207 FAX

MICHAEL COUTY, DIRECTOR
DIVISION OF ALCOHOL AND
DRUG ABUSE
(573) 751-4942
(573) 751-7093 TTY
(573) 751-7814 FAX

February 15, 2001

Claire C. McCaskill
State Auditor
224 State Capitol
Jefferson City, MO 65101

Dear Ms. McCaskill:

This letter and the attached documents represent the formal response from the Division of Mental Retardation and Developmental Disabilities to the recent state audit performed at six of the Division's eleven regional centers by your staff. This response addresses each of the recommendations separately along with a corrective plan for each recommendation.

The Division will exercise due diligence in implementing the corrective plans. Implementation timeframes may vary due to the fact that some corrective plans entail extensive due process procedures that require specific timelines. For example, amending a CSR to include corrective action could take at least six months.

The Division will pursue the changes as quickly as possible and will, on a quarterly basis, keep your office informed on progress until the implementation plans are completed. My understanding is that this response will be included as an appendix to the final report, which will be made public by your office.

We very much appreciate the cooperation received from William Miller, Kirk Boyer and John Mollett as we have moved through this process. Please contact me at 573-751-8676 if any additional information would be helpful.

Sincerely yours,

A handwritten signature in cursive script that reads "Anne S. Deaton".

Anne S. Deaton, Ed.D., Division Director
Mental Retardation and Developmental Disabilities

ASD:rls

c: Roy Wilson, M.D.

**DEPARTMENT OF MENTAL HEALTH
DIVISION OF MENTAL RETARDATION AND DEVELOPMENTAL
DISABILITIES'
FORMAL RESPONSE TO THE STATE AUDIT REPORT
February 15, 2001**

SECTION I:

Response to Recommendations Contained in Section I "State Regulations Do Not Adequately Protect Missouri's People with Developmental Disabilities from Physical Aggression and Injuries"

Correction plans for the first three recommendations contained in the state audit are addressed in this section. The division will initiate the corrective plans by March 1, 2001 with an anticipated completion date of December 31, 2001.

RECOMMENDATION 1.1: Amend 9 CSR 45-5-5.010 and 9 CSR 40-5.030 to require contractors to submit Incident and Injury reports to their respective regional centers immediately when serious injuries are involved and within 24 hours for other injuries and incidents.

RESPONSE: The Division agrees that contract providers should systematically report specified incidents and injuries to regional centers. In this regard, the Division will amend all applicable state regulations, contracts and department operating regulations to include types of reportable incidents and injuries including medication errors, provider reporting and documentation requirements, and sampling methodology.

RECOMMENDATION 1.2: Amend 9 CSR 45-3.050 to apply to clients living in contractor operated facilities.

RESPONSE: DMRDD accepts the recommendation and agrees that a process needs to be clarified which will result in risk assessments being accomplished for individuals who live in the community and who exhibit aggressive behavior which may be considered "dangerous to self and others." The Division will pursue an amendment of 9 CSR 45-3.050 or establish a separate CSR to address the recommendation.

RECOMMENDATION 1.3: Amend 9 CSR 45-5.010 to state errors in administering or in self-administration of medications shall be reported immediately to the regional center or placement office.

RESPONSE: DMRDD agrees that contract providers should report errors in medication administration to regional centers. Reporting of errors that may have an adverse effect on the client is of particular importance. These should be reported immediately to the client's primary care physician/practitioner and the regional center. In addition to reporting requirements, contract providers should establish policies and procedures, in

accordance with acceptable standards of practice, to monitor errors in medication administration and proper documentation.

To ensure quality improvement in medication administration, the division will include language in applicable state regulations and contracts to specify the types of reportable medication errors and provider responsibility to monitor medication administration.

(NOTE: the audit reference to “placement office” on p. 7 is unclear: DMRDD conducts all business and service coordination activity from regional centers.)

SECTION II:

Response to Recommendations contained in Section II “The Division Lacks Standard Quality Assurance Programs and Reporting Systems to Ensure All Clients Are Afforded the Same Safety and Quality of Care”.

This section contains corrective plans concerning quality assurance and the development of an automated database for documenting and analyzing data about incident and injury reports and a standardized format for collecting data.

RECOMMENDATION 2.1: Develop an effective Quality Assurance program and ensure it is uniformly implemented by all regional centers.

RESPONSE: The Division agrees that its Quality Assurance/Enhancement program that began in 1995 and is currently being re-designed should be uniformly implemented by all regional centers. In October 2000, the Division began re-designing its current program to more effectively integrate quality assurance and enhancement functions among the regional centers, providers, and the Division. The re-design will include increased oversight of the regional center quality assurance functions to ensure that all consumers receive quality care. By December 31, 2001 the Division will implement the re-designed program, “Quality Framework: A Partnership for Consumer-focused Systems.”

RECOMMENDATION 2.2: Establish a Divisional policy that requires regional centers to systematically analyze contractors’ incident reports to identify patterns of attacks, injuries, and medication errors and other incidents that can affect client’s safety and well being.

RESPONSE: DMRDD accepts the recommendation and agrees that the Division implement a policy to assure that all regional centers collect and analyze incidents/injuries that affect client safety and/or well being. The Division will develop and implement a Division Operating Regulation by July 1, 2001 to include protocol for tracking, analyzing and maintaining reportable incident and injuries reports.

RECOMMENDATION 2.3: In concert with contractors and regional centers, develop a standard incident report form (which could be scanned) to record and report information that needs to be included in incident reports.

RESPONSE: DMRDD accepts the recommendation that contractors and regional centers should use a uniform incident/injury report form. The Division will develop a uniform report form by July 1, 2001. Please note that prior experience with scanning handwritten incident/injury reports has proven to be ineffective as handwriting is illegible in the scanning process.

RECOMMENDATION 2.4: Require each regional center to install an automated database to record and analyze contractors' incident reports. The Division should require centers without a database to adapt an existing database currently used by other centers until the Division can develop a standard database.

RESPONSE: DMRDD accepts the recommendation to utilize an automated database at each regional center to record and trend contractors' incident/injury reports. The Division anticipates that all regional centers will have an automated system in place within this calendar year. The Division will also work with the Department to incorporate incident/injury data fields and trend reporting in Phase I implementation of the new Department Consumer Information Management Outcomes and Reporting (CIMOR) system. Phase I is scheduled to be implemented by October 2002 pending approval of the Department's FY 02 budget request.

RECOMMENDATION 2.5: Encourage contractors to electronically submit their incident reports.

RESPONSE: DMRDD agrees that electronic submission of incident reports is beneficial to the Division. The Division will explore the feasibility of including this component in the new CIMOR system. Until that system is implemented, the Division will reinforce with providers and staff the importance of receiving the incident reports expeditiously.



NEW BLOOMFIELD R-III SCHOOL DISTRICT
CALLAWAY COUNTY, MISSOURI
YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-19
March 13, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the New Bloomfield R-III School District, Callaway County, Missouri.

The New Bloomfield R-III School District has experienced significant growth in the revenues and expenditures of its operating funds during the last five years. Despite the growth in revenues, the district has spent more than it received during the last two years, and as a result, has experienced a significant decline in the financial condition of its operating funds. The district's operating reserves dropped from 29 percent to 5 percent of annual expenditures over the past two years. In addition, the district's current budget projects an operating funds deficit of approximately \$200,000 at June 30, 2001. The School Board needs to review its current budget and take steps to balance the budget. In addition, the School Board needs to develop a long-range plan to improve the financial condition of the district.

During the five years ended June 30, 2000, the district repeatedly overspent budgeted expenditures in various funds. In addition, the budget document was not presented to and approved by the school board in a timely manner for the year ended June 30, 2000. The board approved this budget on September 1, 1999. The district's budgeting policy requires that the budget be adopted by June 30.

In light of the district's declining financial position, it is imperative for the district to prepare accurate budget estimates on a timely basis and to closely monitor actual revenues and expenditures. The board should refrain from approving expenditures in excess of the budgeted amounts, and if necessary, adopt budget amendments in accordance with state law.

The district's 2000 debt service tax levy was set at \$1.01 per \$100 assess valuation while it appears the levy should have been set at \$.51 per \$100 assessed valuation. The district will over collect approximately \$138,000 in debt service revenues. District officials indicated the extra revenues generated by the levy will be used for the early retirement of callable bonds, which reduces bond interest expenditures. The district should ensure future debt service levies are properly calculated.

The school district does not always solicit bids or retain bid documentation for major purchases. The district's bidding policy only addresses construction projects and insurance. The district should develop a formal bid policy for all major purchases.

(over)

YELLOW SHEET

The purpose of some meal reimbursements to the former superintendent was not always clearly documented, and expense reimbursements to the former superintendent and the former administrative assistant were not always approved by a supervisor. Purchase orders were not prepared in accordance with district policy for several purchases. The district did not have adequate policies to ensure professional development resources were spent in accordance with state guidelines.

A husband recorded some of his time worked on his wife's timesheet, to allow her to qualify for benefits including health insurance. The district incurred 1,741 hours of overtime in the 1999-2000 school year, but doesn't have a policy to govern the approval of overtime. Some compensation payments made to employees were not reported on Forms W-2, and the district did not issue any Forms 1099-Miscellaneous for 1999.

The district does not have a current facility usage plan or a written contract for the use of the machine shop at the home of the individual who maintains the buses.

NEW BLOOMFIELD R-III SCHOOL DISTRICT
CALLAWAY COUNTY, MISSOURI

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Appendix

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
New Bloomfield R-III School District
New Bloomfield, MO 65063

The State Auditor was petitioned under Section 29.230, RSMo, to audit the New Bloomfield R-III School District. The school board had engaged William E. Wooldridge Jr., Certified Public Accountant (CPA), to perform an audit of the district for the year ended June 30, 2000. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the school district included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

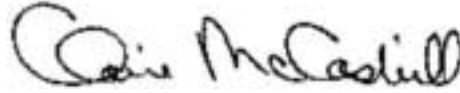
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions, as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures, as we considered necessary in the circumstances. We also reviewed board minutes, school district policies, and various school district financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization and Appendices are presented for informational purposes. This information was obtained from the district and its audited financial reports and was not subjected to auditing procedures applied during our audit of the district.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the New Bloomfield R-III School District.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

December 1, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Joyce Nielson, CPA

HISTORY AND ORGANIZATION

NEW BLOOMFIELD R-III SCHOOL DISTRICT
CALLAWAY COUNTY, MISSOURI
HISTORY AND ORGANIZATION

The New Bloomfield R-III School District is located in the central area of Callaway County. The campus of three schools is located in New Bloomfield approximately 15 miles north of Jefferson City on Highway J, near Highway 54.

The district operates a senior high school (grades 9-12), a junior high school (grades 6-8), and an elementary school (grades K-5). Enrollment was approximately 645 for the 1999-2000 school year, and the district employed approximately 87 full and part-time employees, including 4 administrators, 49 teachers, and 34 support staff.

New Bloomfield R-III School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education

A seven-member Board elected for three-year terms, serves without compensation as the policy-making body for the district's operations. Members of the Board at June 30, 2000 and their current terms of office are:

<u>Name and Position</u>	<u>Current Term Expires</u>
Julie Ives, President	April 2002
Doyle Beck, Vice President (1)	April 2003
Dale Cuno, Treasurer	April 2002
Leonard Hodges, Member	April 2001
Kathryn Reece, Member	April 2001
Patsy Suttles, Member (1)	April 2003
Leroy Wade, Member	April 2002

(1) Elected to the board in April 2000, replacing Al Robinson and Wayne Hinkle.

<u>Other Principal Officials</u>	<u>Annual Compensation</u>
Eric Mansfield, Superintendent (1)	\$ 76,533
James Woods, High School Principal (2)	54,200
Joseph Williams, Junior High School Principal (2)	49,500
Susan Rehagen, Elementary School Principal	47,000

(1) Dr. James Botts became the Superintendent in July 2000.

(2) Julie Trammell became the High School and Junior High School Principal in July 2000.

Assessed valuation and tax rate information for the school district were as follows:

	<u>2000</u>	<u>1999</u>
Assessed Valuation	\$ <u><u>27,293,273</u></u>	\$ <u><u>24,793,215</u></u>
Tax Rate:		
Incidental	\$ 2.75	\$ 2.75
Debt	<u>1.01</u>	<u>1.01</u>
Total	\$ <u><u>3.76</u></u>	\$ <u><u>3.76</u></u>

MANAGEMENT ADVISORY REPORT

NEW BLOOMFIELD R-III SCHOOL DISTRICT
CALLAWAY COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Financial Condition (pages 9-10)

The district has experienced a decline in the financial condition of its operating funds (General Fund and Special Revenue Fund) over the past two years. The district's operating reserves dropped from 29 percent to 5 percent of annual expenditures. In addition, the district's current budget projects an operating funds deficit of approximately \$200,000 at June 30, 2001.

2. Debt Service Property Tax Levy (pages 10-11)

The district's 2000 debt service levy was set at \$1.01 per \$100 assessed valuation while it appears the levy should have been set at \$.51.

3. Budgets (pages 11-13)

The district overspent its approved budget amounts in various funds during the last several years.

4. Expenditures (pages 13-17)

Bids were not obtained or bid documentation retained for several of the district's purchases. Adequate supporting documentation and approval were not obtained for some expense account reimbursements, purchase orders were not always prepared timely and accurately, and professional development expenditures were not always in compliance with the Outstanding Schools Act. The duties of ordering and approving food expenditures should be segregated from the duties of receiving food shipments. Some district expenditures for appreciation dinners and flowers did not appear to be necessary operating expenditures.

5. Facilities Management (pages 17-18)

The district does not have a current facility usage plan or a written contract for the use of the machine shop at the home of the individual who maintains the buses.

6. Personnel and Related Policies and Procedures (pages 18-20)

A husband recorded some of his time worked on his wife's timesheet, to allow her to qualify for benefits including health insurance. The district incurred 1,741 hours of overtime in the 1999-2000 school year, but doesn't have a policy to govern the approval of overtime. Some compensation payments were made to employees which were not reported on Forms W-2, and forms 1099-Miscellaneous were not issued for 1999.

7. General Fixed Asset Records and Procedures (pages 20-21)

A permanent detailed record of the property owned by the district has not been established. Prenumbered inventory tags are not affixed to property items.

NEW BLOOMFIELD R-III SCHOOL DISTRICT
CALLAWAY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Financial Condition
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During the last five years, the district has experienced significant growth in the revenues and expenditures of the operating funds (General Fund and Special Revenue Fund). Despite the growth in district revenues, the district has spent more than it received during the last two years, resulting in a decline of the balance in the operating funds as follows:

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Beginning balance	\$ 450,991	728,019	364,850	174,767	(30,509)
Revenues	3,579,399	3,036,232	3,051,668	2,433,858	2,164,054
Expenditures	(3,701,333)	(3,127,103)	(2,492,825)	(2,243,775)	(1,952,082)
Net transfers	<u>(143,950)</u>	<u>(186,157)</u>	<u>(195,674)</u>	<u>0</u>	<u>(6,696)</u>
Ending balance	\$ <u>185,107</u>	<u>450,991</u>	<u>728,019</u>	<u>364,850</u>	<u>174,767</u>
Ending balance as a percentage of expenditures	5.0%	14.4%	29.2%	16.3%	9.0%

As shown in the above table, the financial condition of the operating funds has declined significantly in the past two years. At June 30, 2000, the balance of the operating funds was only approximately \$185,000.

The district overspent its budget for the year ended June 30, 2000, and ended the year with \$275,000 less than it had anticipated. The board was provided monthly financial information during this time period to monitor the financial condition of the district and should have addressed the financial decline in a more timely manner. See Management Advisory Report (MAR) No. 3 for more specific budgeting concerns.

Expenditures for instruction expense increased approximately \$507,000 in fiscal year ended June 30, 1999, due in part to hiring more teachers for the increase in enrollment. However, the increase in revenues has not kept up with the increase in expenditures.

For fiscal year 2001, the district budgeted revenues of \$3,869,845 and expenditures of \$4,270,213. With a beginning balance of \$185,107, the budget shows a projected fund balance of negative \$215,261 at June 30, 2001. Deficit budgeting is prohibited by state law. In addition, it appears the district is headed for serious financial problems unless immediate action is taken to increase revenues or reduce expenditures. The school board recently approved putting a tax rate increase of \$.30 per \$100 assessed valuation on the April 2001 ballot. The board should also closely review all budgeted expenditures and determine if immediate cuts can be made to avoid the planned deficit.

The school district does not have a long-term financial plan. Although the budget process provides annual financial planning, the school board needs to plan for the long-term to ensure the school district can maintain or increase the fund balance.

WE RECOMMEND the School Board closely review the current budget and take steps to balance the budget. In addition, the board should develop annual budgets that more accurately reflect the district's anticipated activity and develop a long-range plan to improve the financial condition of the district.

AUDITEE'S RESPONSE

While the board received regular financial information, the minutes of the related meetings do not reflect the level of concern expressed by board members or the extent to which additional information was requested of the district's administration concerning this issue. On numerous occasions, individual board members as well as the board as a whole requested follow up information regarding purchases and expenditures. Typical responses to these inquiries were assurances that the budget impact had been reviewed and all necessary adjustments had been made. As a specific example, the board was assured that sufficient funds were available to employ additional instructional staff for the 2000-01 school year. Subsequent review of the budget documents revealed that revenue growth was probably insufficient for their employment without major reallocation of resources. In many instances, the request for information never received a response. This inability to get access to complete information severely handicapped the board's ability to gain an understanding of the developing financial issues or to take effective steps to correct the underlying problems.

On February 8, 2001, the board of education approved a budget revision presented by Dr. Botts, Superintendent. This revision, is in compliance with state statutes, and indicates all funds will either end the year on June 30, 2001, with a positive balance or at the very least a zero balance.

2. Debt Service Property Tax Levy
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The school district levies debt service property taxes to pay the principal and interest of the district's general obligation bonds. The district's 2000 debt service levy was set at \$1.01 per \$100 assessed valuation. However, it appears the tax rate should have been set at \$.51 per \$100 assessed valuation, based on the district's minimum required debt payments for 2001 and a reasonable reserve, as allowed by state law.

District officials indicated that the levy was set at \$1.01 to allow the district to make early payments of callable bonds, which would reduce future interest payments. However, the district did not clearly document this intent on its tax rate calculation worksheets, which are submitted annually to the State Auditor's Office. In addition, the district's budget for the year ended June 30, 2001, did not indicate any early payments of bond principal. In September 2000, the district deposited \$68,275 of debt service funds into escrow for the early retirement of \$70,000 of callable bonds.

Based on our calculation of the district's available debt service balance and future minimum debt principal and interest payments, the district levied approximately \$138,000 more than required in 2000 debt service taxes. The district underreported the estimated available debt service cash balance at December 31, 2000 by approximately \$39,000. District officials indicated this error occurred because the district used an inaccurate draft version of its financial statements when preparing its tax rate calculation. The district overreported the required principal and interest payments for 2002 (a reasonable reserve) by approximately \$99,000, primarily because the district did not consider the effect of the reduction in future principal payments due to the September 2000 early escrow deposit.

WE RECOMMEND the School Board ensure future debt service tax rates are properly calculated and set in accordance with state law.

AUDITEE'S RESPONSE

The New Bloomfield R-III School district is a growing district and has needed to accomplish a number of building projects in recent years. The policy of the Board of Education and Administration has been to maintain a constant debt service fund levy and to prepay as many bonds as necessary each year to be in a position to continue that program. If correct fund balances were available from the district records, \$110,000 of the Series 1992 bonds would have been prepaid instead of \$70,000. At the time of the preparation of the State Auditor's debt service calculations, the district was beginning the planning process for the \$3,100,000 general obligation bond issue that is currently on the ballot for the April 3, 2001 election. It is being structured in a manner that does not require any increase in the current \$1.01 debt service fund levy to make the payments. Prepaying and refunding bonds to save interest expense are very sound long term debt management policies.

The district did not overstate the required principal and interest payments for 2002 by \$99,000 when the intent of the board to prepay existing debt is taken into consideration. The increase in fund balances resulting from the current debt service levy will be used to support the proposed bonds or to prepay the existing debt to save future interest expenses, if the proposed bond issue does not pass. Hence, there is no plan for the district to maintain excessive balances in the debt service fund account.

The district does recognize the need to be certain the budget accurately reflects the use of fund balances to prepay debt, to revise the debt service calculation worksheets after the prepayment decisions have been made, and to revise the remaining debt service payment schedules each time prepayments occur.

3. Budgets

During the five years ended June 30, 2000, the district overspent budgeted expenditures in various funds as illustrated below:

<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
	<u>Expenditures</u>	<u>Expenditures</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
<u>Year Ended June 30, 2000</u>			
General Fund	1,368,708	1,860,750	(492,042)
Debt Service Fund	210,355	234,059	(23,704)
<u>Year Ended June 30, 1999</u>			
General Fund	1,271,802	1,546,210	(274,408)
Special Revenue Fund	1,433,987	1,580,893	(146,906)
Debt Service Fund	209,993	809,687	(599,694)
Capital Projects Fund	160,068	242,630	(82,562)
<u>Year Ended June 30, 1998</u>			
General Fund	1,138,254	1,238,297	(100,043)
Special Revenue Fund	1,213,875	1,254,528	(40,653)
Debt Service Fund	209,993	211,066	(1,073)
<u>Year Ended June 30, 1997</u>			
General Fund	1,029,873	1,080,815	(50,942)
Debt Service Fund	1,000,645	1,019,047	(18,402)
Capital Projects Fund	610,953	644,658	(33,705)
<u>Year Ended June 30, 1996</u>			
Special Revenue Fund	1,054,042	1,059,861	(5,819)
Capital Projects Fund	1,053,244	2,513,972	(1,460,728)

The board did approve one budget amendment for the General Fund in the year ended June 30, 2000, which is reflected in the budgeted amount in the schedule above. However, expenditures still exceeded the revised budget amount.

The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. Section 67.040, RSMo 1994, allows for budget amendments, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

In addition, the budget document was not presented to and approved by the school board in a timely manner for the year ended June 30, 2000. The board approved this budget on

September 1, 1999. The district's budgeting policy requires that the budget be adopted by June 30.

In light of the district's declining financial position, it is imperative for the district to prepare accurate budget estimates on a timely basis and for the board to closely monitor actual revenues and expenditures. The board should refrain from approving expenditures in excess of the budgeted amounts, and if necessary, adopt budget amendments in accordance with state law.

WE RECOMMEND the School Board closely monitor budgeted and actual revenues and expenditures and ensure expenditures for individual funds do not exceed the amounts approved in the budget, unless proper and timely amendments are made prior to incurring the expenditures. In addition, the board should adopt annual budgets by June 30 of each year as required by district policy.

AUDITEE'S RESPONSE

A board is dependent on its relationship with the district's professional administrative staff to provide budget materials that are accurate, consistent with statutory requirements, and address the goals and objectives of the district. In several instances during the period covered by this audit prior to July 2000, this relationship did not function adequately.

Unfortunately, the minutes of the board meetings during the period from June through September 1999 do not reflect the concern of the board that a budget was not prepared for approval or the assurances that were provided by the administration that such a document would be forthcoming immediately following each meeting. Additionally, requests were made for the distribution of updated budget data in order to evaluate the need for revisions in response to expenditures not anticipated during budget development. Those requests seldom resulted in clear explanations of the impact of board decisions on the district's financial condition or updated budget materials.

During 2000-01, the Board of Education did approve the 2000-01 budget prior to June 30, 2000. In addition, the board has approved three budget revisions as of February 8, 2001.

4. Expenditures

- A. The school district does not always solicit bids or retain bid documentation for major purchases. The district's bidding policy only addresses construction projects and insurance. While district employees indicated bids are sometimes solicited through telephone quotes or other contacts with vendors, documentation showing vendors contacted, prices quoted, and reasons for selecting the successful vendor was not retained for the following purchases during the fiscal year ended June 30, 2000:

<u>Item</u>	<u>Cost</u>
Computers	\$34,014
School bus	30,350
Classroom furniture	3,905
Bus radios	3,716
Roofing materials	3,392
Emergency assistance program	1,950
Backhoe service	1,600

The district's purchasing procedures could be made more effective by adopting a written policy identifying specific bid procedures that are required for each type or size of expenditure. Bids can be handled by telephone quotation, by sealed bid, or by advertised sealed bid. Different approaches may be appropriate, depending on the dollar amount of the purchase. Written documentation of bids also provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specification, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors.

B. During our review of expense account reimbursements, the following concerns were noted:

1. The school district reimbursed the former superintendent for \$665 in meal expenses for the year ended June 30, 2000. Included in this amount were meals purchased by the former superintendent for other individuals. The purpose of these meal expenses was not always documented. In addition, some of the meal receipts only listed a total dollar amount, so the number of meals purchased could not be determined.
2. The school district reimbursed the former superintendent and the former administrative assistant \$1,352, (including \$327 for meals included in part 1 above) without supervisory approval or an authorized signature. Payments to the superintendent should include an authorized signature, possibly that of a board member.

To ensure the propriety of all expenditures, proper supporting documentation, including the purpose and date of each expense, should be required for all expense account reimbursements. In addition, supervisory approval should be documented on all expense account reimbursements.

C. The school district requires that a purchase order be completed and authorized by both a supervisor and the superintendent for all expenditures, excluding regular recurring expenditures such as telephone and utility bills.

Our review noted that purchase orders were not prepared for some expenditures, some purchase orders were prepared after the expenditure was incurred, and at least one purchase order did not agree to the items actually purchased. In addition, the former superintendent authorized purchase orders for expense account payments to himself, and the former administrative assistant authorized some purchase orders in place of the superintendent including some purchases for the A+ Program which she administered.

To ensure the propriety of expenditures, the district should prepare accurate and timely purchase orders for all expenditures, in accordance with district policy.

- D. The Outstanding Schools Act indicates that each school district shall allocate one percent of its revenue from the state foundation formula to the district's professional development committee (PDC) for professional development. To meet the statutory requirements, 100 percent of the professional development funds must be (1) used for professional development, (2) spent on activities consistent with the professional development plan and approved by the professional development committee, and (3) clearly related to the objectives of the district comprehensive school improvement plan (CSIP).

The district does not have adequate policies and procedures to ensure expenditures relate to the objectives of the CSIP. District employees stated that prior to the current school year, the committee just allowed a certain dollar amount for each teacher to attend training and there were no monitoring procedures to ensure the training met the required objectives. In addition, coaching clinics costing \$241 were charged to these funds during the year ended June 30, 2000, which is not allowed by state guidelines.

To ensure professional development funds are spent in accordance with state guidelines, the district should adopt procedures to monitor all expenditures charged to professional development.

- E. The head cook orders the food, receives food deliveries, compares the invoices with the billing statements, and approves the statements for payment. To minimize the risk that unauthorized expenditures may occur and not be detected, the district should adequately segregate the duties of receiving food deliveries from comparing the invoices with the billing statement and approving the statement for payment. A district employee, other than the head cook, should receive the food deliveries and document the receipt of goods.
- F. Expenditures totaling approximately \$1,203 and \$197 were paid from school funds for appreciation dinners and flowers for funerals and illnesses, respectively. These expenditures do not appear to be necessary for district operations or prudent uses of public funds.

WE RECOMMEND the School Board:

- A. Establish formal bidding policies and procedures for all major purchases and retain all bid documentation. If sole source procurement is necessary, the district should retain documentation of these circumstances.
- B. Require adequate documentation for all expense account reimbursements to employees, including the date, purpose, detailed receipts, and supervisory authorization for payment.
- C. Require purchase orders be prepared prior to all purchases in accordance with district policy. Any differences between the purchase order and the actual purchase should be documented and approved by a supervisor prior to payment.
- D. Adopt procedures to monitor all professional development expenditures to ensure that professional development funds are used in accordance with the Outstanding Schools Act.
- E. Segregate the duties of ordering food and approving the statement for payment from receiving food deliveries.
- F. Ensure expenditures are a necessary and prudent use of public funds.

AUDITEE'S RESPONSE

- A. *Formal bidding policies were in place prior to 1996-97. The policy was changed sometime between 1997-2000. During 2000-01, a policy committee recommended a revision in Policy DJC and it was approved by the Board of Education. This establishes a formal procedure for major purchases along with retention of bid documentation.*
- B. *Policy DLC-AP was approved by the Board of Education in April 2000. Per this policy, supervisors sign to authorize payment to employees with proper documentation. If the superintendent requests payment, the board president signs to authorize payment.*
- C. *Every effort is made to prepare purchase orders in advance of purchase. When expenditures exceed the purchase order estimate, supervisors do sign to note approval. If the superintendent processes a purchase order for his/her reimbursement, it will require the board president's signature. This process was started in the Spring of 2000 and has continued during 2000-01. The procedures described in place today were in practice in the district until 1997-98.*
- D. *The professional development committee meets monthly. The monthly agenda always includes an update of the current status of the budget. The professional development plan approved by the Board of Education in the fall of 2000 includes a rubric that must be completed by any staff member requesting the use of PD funds. This rubric requires them to state how the activity addresses the district CSIP. Before approval is given, it is*

reviewed by the building PD representative and the building principal with their signatures indicating approval.

- E. Beginning March 2001, the head cook will place all orders for food service and when orders arrive, another food service worker will be assigned to check the order to determine it is complete. The signature and date by the food service worker on the invoice will note a complete order and ready for payment.*
- F. A social fund will be established with donations made by employees who wish to participate. At the time of a funeral, illness, etc., funds will be used to purchase flowers, cards, etc. to express sympathy or wishing a speedy recovery from illness. District funds will not be used for this type of expenditure.*

5. Facilities Management

The district currently maintains high school, junior high, and elementary buildings; an agriculture classroom building; a garage; and a house. Our review of the district's facilities noted the following concerns:

- A. The school district does not have a current facility use and improvement plan. In 1998, the school district prepared a facility accessibility study and an accessibility transition plan, which have been partially completed. However, the school district has not updated these plans and portions of the school's property are still not compliant with the Americans With Disabilities Act (ADA). The superintendent stated an architect has been contacted who will complete a study of the school's facilities in the near future.

Formal plans for facility usage and facility needs are necessary to identify the short-term and long-term needs of the district, help ensure school facilities are being used effectively, and help ensure compliance with the ADA.

- B. The school district pays \$300 per month for use of the machine shed located at the home of the individual who does the maintenance and repairs on the school buses. The school district has not entered into a written contract with this individual. Written contracts, signed by the parties involved, are necessary to ensure all parties are aware of their responsibilities and to prevent misunderstandings. Section 432.070, RSMo 1994, requires contracts for political subdivisions to be in writing.

WE RECOMMEND the School Board:

- A. Evaluate facility usage and develop a current plan which identifies the short-term and long-term needs of the district and needed facility repairs and improvements, to ensure the most efficient usage of all school facilities.

- B. Enter into a written agreement regarding the usage of the machine shop for school bus maintenance and repairs.

AUDITEE'S RESPONSE

- A. *Considerable time has been spent this year with the Comprehensive School Improvement Plan Committee revising the district CSIP. One section of the revision is a schedule to revise the short and long range facility plan. This revised CSIP was presented to and approved by the Board of Education on February 26, 2001. As this plan is implemented, a portion of it will include updating the ADA compliance.*
- B. *At the February 26, 2001, regular Board of Education meeting, a contract for usage of the machine shop for bus maintenance and repairs through June 30, 2001, was approved. This will be reviewed again for consideration for the 2001-02 fiscal year during May or June 2001.*

6. Personnel and Related Policies and Procedures

- A. During the 1999-2000 school year, a husband and wife both had contracts to work as full-time custodians for the school district. Full-time status is defined by district policy as working at least 20 hours per week which entitles the employee to certain benefits, including medical insurance. During most of this time period, the wife apparently did not work the required 20 hours per week but continued to receive full-time employment benefits. The husband indicated he recorded some of his work hours on his wife's timesheet to ensure her timesheet showed at least 20 hours per week. The husband discontinued recording hours on his wife's timesheet after February 2000, and although her timesheet showed less than 20 hours worked per week she continued to receive full-time benefits through May 2000. The district did not renew the wife's contract after June 2000.

The husband apparently had the verbal approval of the former superintendent to record some of his work hours on his wife's timesheet, but there is no documentation that the school board approved this arrangement. The husband's hourly wage was higher than his wife's, so the district actually incurred less salary cost when the husband recorded his time on his wife's timesheet. However, the district may have paid inappropriate employment benefits to the wife if she did not actually work 20 hours per week. The school board should review this situation and determine whether to seek reimbursement from the wife for any inappropriate employment benefits paid to her.

- B. The district does not have written overtime policies and procedures. During the 1999-2000 school year, noncertificated personnel were paid for over 1,741 hours of overtime totaling \$19,098. The approval of overtime is not documented prior to the work being completed. Starting in September 2000, the school district no longer allowed payment of overtime, but provided for compensatory time off

work. In September and October 2000, over 134 hours of compensatory time had been accumulated by noncertificated personnel.

Formal policies for overtime and compensatory time are necessary to ensure proper controls over overtime costs. The policy should require prior supervisory approval for all overtime.

- C. The district made payments to employees which were not reported as wages. Payments made in 1999 included \$840 to the prior high school principal for accumulated sick leave. Payments made in 2000 included professional development payments for extra-duty of \$500 to the professional development chair, \$200 to the mentor coordinator, and \$200 to one mentor. These payments appear to represent compensation subject to Form W-2 reporting and payroll tax withholding.
- D. The school district did not issue any Forms 1099-Miscellaneous for the year ended December 31, 1999. The bookkeeper indicated that Forms 1099-Miscellaneous had been issued for prior years and this was just an oversight for 1999. Sections 6041 through 6051 of the Internal Revenue Code require non-employee compensation of at least \$600 in one year, to an individual or unincorporated business, to be reported to the federal government.

WE RECOMMEND the School Board:

- A. Review this situation and determine whether any additional action is necessary.
- B. Implement written policies for overtime and compensatory time, including prior supervisory approval for all overtime incurred.
- C. Ensure all wages are reported on Forms W-2 and subject to payroll tax withholding. Prior years' W-2 forms should be amended to reflect these payments.
- D. Issue Forms 1099-Miscellaneous for the year ended December 31, 1999 and ensure this is done in the future.

AUDITEE'S RESPONSE

- A. *No further action will take place. One of the individuals no longer works for the district. The individual who still works for the district has conferenced with the current superintendent and clearly understands this is not an option to consider either now or in the future.*
- B. *Payment for overtime is not considered an option in the district during 2000-01. If employees work beyond their regular hours, it is to be taken as compensatory time off. An informal procedure is currently in place to seek supervisor approval to work*

overtime, record the time, and award compensatory time off. A more structured formal process will be developed, presented to the Board for approval, and be in place for the 2001-02 fiscal year. Board Policy GDBB has been adopted during 2000-01 to partially address this concern.

- C. Coding of these payments in prior years and currently is assigned by the superintendent. The current superintendent noticed in the past school year some employees were paid stipends using the code for purchased services. The current superintendent understands this is an inappropriate code and has not allowed this to happen during 2000-01. All stipends paid to staff members are recorded under the salary code and benefits are properly charged and assigned.*
- D. Forms 1099 have been properly issued in prior years. The situation during 1999-2000 was merely an oversight and has been handled correctly during 2000-01. Forms 1099 will be issued for 1999-2000.*

7. General Fixed Asset Records and Procedures
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- A. The school district has not established a permanent detailed record of the property owned by the district. The district requires teachers to prepare an annual inventory list of their classrooms; however, a supervisory review of changes made from year to year is not performed and approval of items discarded is not documented. Adequate property records are necessary to secure better internal control over property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with school monies are being utilized by the school district.

Without these records, the district does not have a reliable record of property owned. In addition, the district is unable to prepare and present in its financial statements a statement of changes in general fixed assets or a general fixed assets account group, as required by generally accepted accounting principles.

- B. The district does not utilize prenumbered inventory tags that identify fixed asset items as "Property of New Bloomfield R-III School District". Prenumbered tags, when affixed to property items, allow for identification of the property in the records and limit the potential for personal use of school district assets.

WE RECOMMEND the School Board:

- A. Require general fixed asset records be maintained on a current basis.
- B. Ensure prenumbered inventory tags that label each item as "Property of New Bloomfield R-III School District" are attached to all property and equipment.

AUDITEE'S RESPONSE

- A. *When items are no longer considered of educational value, the Board of Education approves the removal of items by official board action. This procedure is outlined in Board Policy DID-AP. A process to maintain general fixed asset records will be developed and presented to the Board of Education for approval by July, 2001.*
- B. *As a part of the fixed asset record system mentioned in item A, a procedure will be developed to identify property and equipment. This may be through the use of engravers or the use of other identification such as inventory tags.*

This report is intended for the information of the school board and district's management. However, this report is a matter of public record and its distribution is not limited.

APPENDICES

APPENDIX A

NEW BLOOMFIELD R-III SCHOOL DISTRICT COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL AND SPECIAL REVENUE FUNDS FIVE YEARS ENDED JUNE 30, 2000

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Revenue:					
Local	\$ 1,377,288	1,270,798	1,168,709	1,046,550	930,997
County	111,999	103,646	97,663	98,791	95,876
State	1,929,536	1,569,532	1,677,986	1,203,082	1,042,911
Federal	160,576	92,256	107,310	85,435	93,517
Other	0	0	0	0	753
Total revenue	3,579,399	3,036,232	3,051,668	2,433,858	2,164,054
Expenditures:					
Instruction	1,939,650	1,823,319	1,315,580	1,213,652	1,102,983
Attendance	40,947	22,265	0	0	0
Student activities	0	0	108,153	116,001	93,547
Guidance	98,998	70,997	61,829	53,283	31,690
Heath, psych, speech and audio	44,315	40,498	31,414	34,277	14,552
Improvement of instruction	203,587	5,418	3,115	5,010	4,615
Professional development	12,720	9,505	11,509	8,173	7,598
Media services	74,523	98,554	60,809	55,895	46,247
Board of education services	44,877	34,153	22,316	11,386	13,358
Executive administration	184,219	200,884	126,415	113,002	105,960
Building level administration	218,742	153,118	161,765	129,149	127,458
Operation of plant	457,463	354,702	316,227	281,046	197,443
Pupil transportation	205,010	152,080	132,580	109,667	90,845
Food services	160,214	145,718	133,770	108,124	109,236
Business / central services	30	363	0	0	0
Community services	16,038	14,710	7,343	5,110	2,856
Debt service:					
Principal retirement	0	0	0	0	0
Interest and fees	0	819	0	0	3,694
Total expenditures	3,701,333	3,127,103	2,492,825	2,243,775	1,952,082
Revenues over (under) expenditures	(121,934)	(90,871)	558,843	190,083	211,972
Transfers to Capital Projects Fund	(143,950)	(186,157)	(195,674)	0	(6,696)
Fund balance at beginning of year	450,991	728,019	364,850	174,767	(30,509)
Fund balance at end of year	\$ 185,107	450,991	728,019	364,850	174,767

APPENDIX B

NEW BLOOMFIELD R-III SCHOOL DISTRICT
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GENERAL (INCIDENTAL) FUND
FIVE YEARS ENDED JUNE 30, 2000

		Year Ended June 30,				
		2000	1999	1998	1997	1996
Revenue:						
Local	\$	1,375,629	1,270,798	1,168,709	1,046,550	930,997
County		72,741	71,312	68,632	72,819	70,044
State		1,929,536	1,569,532	1,677,986	1,203,082	1,042,911
Federal		160,576	92,256	107,310	85,435	93,517
Other		0	0	0	0	753
Total revenue		3,538,482	3,003,898	3,022,637	2,407,886	2,138,222
Expenditures:						
Instruction		505,349	551,776	295,935	257,864	225,219
Attendance		40,947	22,265	0	0	0
Student activities		0	0	108,153	116,001	93,547
Guidance		15,812	14,205	11,376	8,721	5,915
Heath, psych, speech and audio		44,315	40,498	31,414	34,277	14,552
Improvement of instruction		143,233	5,418	3,115	4,559	4,570
Professional development		10,960	6,729	9,467	7,064	5,828
Media services		36,559	60,520	32,155	28,480	19,845
Board of education services		44,877	34,153	22,316	11,386	13,358
Executive administration		97,353	87,438	67,342	61,529	56,739
Building level administration		82,591	54,816	67,104	46,989	48,574
Operation of plant		457,463	354,702	316,227	281,046	197,443
Pupil transportation		205,010	152,080	132,580	109,667	90,845
Food services		160,214	145,718	133,770	108,124	109,236
Business / central services		30	363	0	0	0
Community services		16,038	14,710	7,343	5,110	2,856
Debt service:						
Principal retirement		0	0	0	0	0
Interest and fees		0	819	0	0	3,694
Total expenditures		1,860,751	1,546,210	1,238,297	1,080,817	892,221
Revenues over (under) expenditures		1,677,731	1,457,688	1,784,340	1,327,069	1,246,001
Transfers in (out)		(1,943,615)	(1,734,716)	(1,421,171)	(1,136,986)	(1,040,725)
Fund balance at beginning of year		450,991	728,019	364,850	174,767	(30,509)
Fund balance at end of year	\$	185,107	450,991	728,019	364,850	174,767

APPENDIX C

NEW BLOOMFIELD R-III SCHOOL DISTRICT COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE (TEACHERS) FUND FIVE YEARS ENDED JUNE 30, 2000

		Year Ended June 30,				
		2000	1999	1998	1997	1996
Revenue:						
Local	\$	1,659	0	0	0	0
County		39,258	32,334	29,031	25,972	25,832
State		0	0	0	0	0
Federal		0	0	0	0	0
Other		0	0	0	0	0
Total revenue		40,917	32,334	29,031	25,972	25,832
Expenditures:						
Instruction		1,434,301	1,271,543	1,019,645	955,788	877,764
Attendance		0	0	0	0	0
Student activities		0	0	0	0	0
Guidance		83,186	56,792	50,453	44,562	25,775
Heath, psych, speech and audio		0	0	0	0	0
Improvement of instruction		60,354	0	0	451	45
Professional development		1,760	2,776	2,042	1,109	1,770
Media services		37,964	38,034	28,654	27,415	26,402
Board of education services		0	0	0	0	0
Executive administration		86,866	113,446	59,073	51,473	49,221
Building level administration		136,151	98,302	94,661	82,160	78,884
Operation of plant		0	0	0	0	0
Pupil transportation		0	0	0	0	0
Food services		0	0	0	0	0
Business / central services		0	0	0	0	0
Community services		0	0	0	0	0
Debt service:						
Principal retirement		0	0	0	0	0
Interest and fees		0	0	0	0	0
Total expenditures		1,840,582	1,580,893	1,254,528	1,162,958	1,059,861
Revenues over (under) expenditures		(1,799,665)	(1,548,559)	(1,225,497)	(1,136,986)	(1,034,029)
Transfers in (out)		1,799,665	1,548,559	1,225,497	1,136,986	1,034,029
Fund balance at beginning of year		0	0	0	0	0
Fund balance at end of year	\$	0	0	0	0	0

APPENDIX D

NEW BLOOMFIELD R-III SCHOOL DISTRICT COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND FIVE YEARS ENDED JUNE 30, 2000

	Year Ended June 30,				
	2000	1999	1998	1997	1996
Revenue:					
Local	\$ 294,977	305,045	241,929	180,924	155,767
County	23,024	21,480	21,187	16,238	15,175
Other	0	540,000	17,284	825,000	0
Total revenue	318,001	866,525	280,400	1,022,162	170,942
Expenditures:					
Debt service:					
Principal retirement	120,000	650,000	100,000	910,000	75,000
Interest and fees	114,059	159,687	111,066	109,047	122,884
Total expenditures	234,059	809,687	211,066	1,019,047	197,884
Revenues over (under) expenditures	83,942	56,838	69,334	3,115	(26,942)
Fund balance at beginning of year	211,622	154,784	85,450	82,335	109,277
Fund balance at end of year	\$ 295,564	211,622	154,784	85,450	82,335



CITY OF NORTHWOODS, MISSOURI

YEAR ENDED DECEMBER 31, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-18
March 12, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the City of Northwoods, Missouri.

As of December 31, 2000, at least \$10,096 of bond monies and \$1,990 of bond processing fees collected in the police department, was not transmitted to the city for deposit. In addition, records related to fees collected for police reports, and prosecution refusals were not sufficient to determine the amounts of monies collected and not transmitted. The misappropriation was not detected due to numerous internal control weaknesses and little or no independent review.

Bond monies transmitted to the city were deposited in the city's bond escrow account, and the bond forms given to the court clerk. In August the Court Clerk and City Office Manager sent a memorandum regarding missing bond monies to the Police Chief and the Administrative Aide responsible for making the transmittals. The memorandum identified approximately \$4,500 of bond monies that had not been received by the city/court for defendants who had appeared in court and presented bond forms for refund or payment of fines and costs. The Police Chief indicated that he personally repaid this \$4,500, but took no further action. Additional memoranda were sent in November 2000. Some changes were made in the bond collection procedures and the Police Chief indicates he was investigating the matter.

Information gathered during our review has been turned over to the St. Louis County Police Department and Prosecuting Attorney's office. The board should review the situation and take the necessary actions to obtain reimbursement of the missing monies and work with law enforcement officials regarding any criminal prosecution.

The city has not disbursed \$13,500 (the state's portion) of Crime Victim's Compensation and Peace Officer Standards and Training Commission fees collected, and neither the Police department nor the court maintain adequate records to account for tickets assigned and issued, and the ultimate disposition. Information noted in the case files does not always agree to the court computer system, police department records of active warrants did not always agree to the court records, and the Court Clerk could not locate many case files and court dockets. In addition, required records of convictions on traffic offenses are not forwarded to the Missouri state Highway Patrol.

(over)

YELLOW SHEET

Receipts are not deposited on a timely basis.

- Fine and cost receipts during January and February 2000, which totaled approximately \$11,000, were not deposited until June 2000.
- Approximately \$5,000 in bond monies were held by the city for more than three months before they were deposited and a total of \$12,805 in undeposited bond monies, dated as far back as October 15, 1999, were on hand at December 31, 1999. In addition, several deposit errors were noted resulting in \$890 of bond monies that were never deposited.

The Treasurer's monthly reports are not delivered to the board in a timely manner. For example, the July monthly report was presented to the board in October. As of January 26, 2001, the reports for October and later had not been completed. A timely, complete and accurate financial report is necessary to keep the board informed of the financial position of the city.

Capital improvement sales tax monies are being spent on non-capital improvement items, and law enforcement training fees are not accounted for separately or maintained in a separate fund.

Several disbursements were made during the year ended December 31, 2000 that do not appear to be a prudent use of public funds. Examples include flowers for funeral arrangements and get well plants (\$531), retiring employee party expenses (\$155), telephone calls to a psychic service (\$119), and items for fruit baskets (\$25). When this was brought to the city's attention, city personnel indicated they would seek reimbursement for the telephone calls to the psychic service.

The city's residents have place a fiduciary trust in their public officials to spend tax revenues and fees in a necessary and prudent manner. Disbursements for other items could be funded through an employee contribution fund or association.

CITY OF NORTHWOODS, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Northwoods
Northwoods, Missouri 63121

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Northwoods, Missouri. Our audit of the city included, but was not limited to, the year ended December 31, 2000. The objectives of this audit were to:

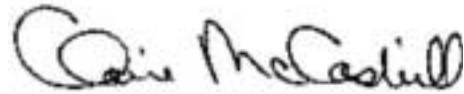
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted governmental auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Northwoods, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill
State Auditor

January 26, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Karen A. Wolf
Audit Staff:	Douglas P. Robinson
	Carl E. Zilch, Jr.

HISTORY AND ORGANIZATION

CITY OF NORTHWOODS, MISSOURI HISTORY AND ORGANIZATION

The city of Northwoods was incorporated in 1940 and is located in north St. Louis County. The population of the city in 1990 was 5,106.

The city government consists of a mayor and an eight-member board of alderman. The eight board members are elected for two-year terms, one from each of the four wards each year. The mayor is elected for a two-year term, presides over the board of alderman, and votes only in case of a tie. The Mayor, Board of Alderman, and other principal officials at December 31, 2000, were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for The Year Ended December 31, 2000</u>
Errol S. Bush, Mayor	April, 2001	\$ 5,400
Maggie M. Strong, Alderwoman	April, 2002	4,400
Sharon Pace, Alderwoman (1)	April, 2001	3,000
Jack Chase, Alderman	April, 2001	3,600
John Bowman, Alderman (3)	April, 2002	4,700 (4)
Shirley Johnson, Alderwoman (5)	April, 2002	4,100
David Tolliver, Alderman	April, 2001	3,700 (2)
Lona Moore, Alderwoman	April, 2001	3,600
Joe W. Jones, Alderman	April, 2002	4,700 (4)
Leno Holmes, Collector	April, 2001	3,700 (2)
<u>Other Principal Officers</u>		
Denise Johnson, City Clerk		26,605
Debra Walker, Treasurer (6)		900
Sylvester Jones, City Administrator/ Police Chief (7)		59,519
Thomas Flach, City Attorney		9,000
Nadine Nunn, Prosecuting Attorney		9,600
Clarissa Walker, Court Clerk (8)		7,722
Renee Mayweather, Office Manager		25,973
Gloria Reno, Municipal Judge		10,200

- (1) Elected to a one year term in April 2000. Jonnie Gross had been appointed in December 1999 to fill a vacancy caused by an Alderman's death.
- (2) Includes \$100 overpayment of compensation.
- (3) Resigned effective December 31, 2000. He was elected to the Missouri House of Representatives for the 70th District. This seat remains vacant.

- (4) Includes \$300 overpayment of compensation.
- (5) Appointed October 1999 to replace Johnnie Spears who resigned August 1999. She retained her position at the April 2000 election.
- (6) Joseph Schweitzer served as Treasurer until September 2000.
- (7) Sylvester Jones received \$46,519 for City Administrator and \$13,000 for Police Chief.
- (8) Dorothy Jones served as Court Clerk until July 2000.

As of December 31, 2000, the city of Northwoods employed 34 full-time employees and 8 part-time employees.

Assessed valuation and tax rate information for tax year 2000 are as follows:

ASSESSED VALUATION

Real estate	\$ 17,647,617
Personal property	<u>6,361,186</u>
Total	\$ <u>24,008,803</u>

TAX RATE PER \$100 ASSESSED VALUATION

General Revenue Fund	\$.36
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The city also has the following sales taxes; rates are per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>
General	\$.01	None
Capital Improvement	.005	None

A summary of the financial activity of the city of Northwoods for the year ended December 31, 2000, is presented below:

	General Fund	Capital Improvement Fund	Bond Fund	Other Funds *	Total
RECEIPTS					
Property taxes	\$ 106,859	0	0	0	106,859
Sales taxes	639,413	281,026	0	0	920,439
Utility franchise taxes	495,229	0	0	0	495,229
Gasoline tax	150,977	0	0	0	150,977
Cigarette tax	23,241	0	0	0	23,241
Motor fuel and motor vehicle fees	58,630	0	0	0	58,630
Court costs	60,002	0	0	6,014	66,016
Bonds	0	0	47,860	0	47,860
Licenses, permits, and inspections	58,602	0	0	0	58,602
Interest/Gains on Investments	29,096	1,458	188	156	30,898
Grants	28,803	34,378	0	0	63,181
Automobile stickers	6,634	0	0	0	6,634
Reimbursements	32,265	0	0	0	32,265
Other	26,968	3,321	0	0	30,289
Transfers in	49,027	0	0	14,951	63,978
Total Receipts	1,765,746	320,183	48,048	21,121	2,155,098
DISBURSEMENTS					
Executive	446,228	0	0	0	446,228
Legislative	48,197	0	0	0	48,197
Judicial	94,256	0	0	0	94,256
Public works	244,115	0	0	0	244,115
Health service	189,144	0	0	0	189,144
Parks	9,557	0	0	0	9,557
Police	679,477	0	0	280	679,757
Housing and building	4,569	0	0	0	4,569
Capital improvements	0	336,025	0	0	336,025
Other	51,794	143	9,156	521	61,614
Transfers out	14,951	0	33,072	15,955	63,978
Total disbursements	1,782,288	336,168	42,228	16,756	2,177,440
Receipts over (under)					
Disbursements	(16,542)	(15,985)	5,820	4,365	(22,342)
Cash and Investments, January 1,	525,469	126,526	19,491	23,876	695,362
Cash and Investments, December 31,	\$ 508,927	110,541	25,311	28,241	673,020

* Includes the Evidence, POST, Asset Forfeiture, Local Government Block Grant, Victims Compensation, Operating and Escrow Development Funds.

MANAGEMENT ADVISORY REPORT

CITY OF NORTHWOODS, MISSOURI
SUMMARY OF FINDINGS

1. Missing Funds (pages 11-12)

As of December 31, 2000, at least \$10,096 of bond monies and \$1,990 of bond processing fees collected in the police department, was not transmitted to the city for deposit. In addition, records related to fees collected for police reports, and prosecution refusals were not sufficient to determine the amounts of monies collected and not transmitted.

2. Bond Procedures (pages 12-14)

An independent reconciliation of the bonds received by the police department and the bonds transmitted to the city was not performed. The portions of the bond monies used to pay fines and costs were not disbursed to the city's general account on a timely basis and some were never disbursed. The Court Clerk did not maintain a bond ledger to account for the receipt, disbursement, and balance of bond monies, or prepare a monthly listing of open-items (liabilities) to document the amount of bond monies held by the city.

3. Municipal Court Division (pages 14-17)

The city has not disbursed \$13,500 (the state's portion) of Crime Victim's Compensation and Peace Officer Standards and Training Commission fees collected, and neither the police department nor the court maintain adequate records to account for tickets assigned and issued, and the ultimate disposition. Information noted in the case files does not always agree to the court computer system, police department records of active warrants did not always agree to the court records, and the Court Clerk could not locate many case files and court dockets. In addition, required records of convictions on traffic offenses are not forwarded to the Missouri State Highway Patrol.

4. Accounting Records and Procedures (pages 17-19)

Receipts are not deposited on a timely basis and the Treasurer's monthly report is not delivered to the board in a timely manner. Bank reconciliations are not accurate and there are no procedures to follow up on old outstanding checks. In addition, the police department's petty cash fund was not operated on an imprest basis, and police report and prosecution refusal receipt records could not be located.

5. Disbursement Procedures (pages 20-22)

The Board of Aldermen does not review and approve the payment of city expenditures prior to the disbursements being made, original invoices or other supporting documentation were not required or retained for several disbursements, and several

invoices were not paid on a timely basis. In addition, several disbursements did not appear to be a prudent use of public funds.

6. Payroll and Personnel Policies and Procedures (pages 22-24)

Several elected officials did not receive the correct amount of compensation for the year ended December 31, 2000. Employees are not required to submit itemized reports of actual travel expenses or of uniform expenses, nor are these amounts included on their W-2 forms. In addition, the city has not adopted a formal policy regarding the use of city-owned vehicles, including policies which would prohibit personal usage.

7. Restricted Revenues (pages 24-25)

Capital improvement sales tax monies are being spent on non-capital improvement items, and law enforcement training fees are not accounted for separately or maintained in a separate fund.

8. Budgets and Financial Reporting (pages 25-26)

The budget did not include a budget message or the actual and estimated beginning and ending cash and resources available. Capital improvement disbursements exceeded the budget by approximately \$36,000, and the city has not published semi-annual financial statements.

CITY OF NORTHWOODS, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Missing Funds
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As of December 31, 2000, at least \$10,096 of bond monies and \$1,990 of bond processing fees collected in the police department, was not transmitted to the city for deposit. In addition, records related to fees collected for police reports, and prosecution refusals were not sufficient to determine the amounts of monies collected and not transmitted. The misappropriation was not detected due to numerous internal control weaknesses and little or no independent review.

Police officers accept cash for payment of bonds (including a \$5 processing fee) and issue a bond form, a copy of which serves as a receipt slip for the defendant. The police officers record the bond and fee on a bond log, and then place the monies and a copy of the bond form in a locked box. The monies and bond forms are removed from the locked box, and transmitted to the city for deposit. There were significant delays in the transmitting of some bonds, and other bonds, as well as all of the bond processing fees, were never transmitted to the city.

Bond monies transmitted to the city were deposited in the city's bond escrow account, and the bond forms given to the court clerk. In August the Court Clerk and City Office Manager sent a memorandum regarding missing bond monies to the Police Chief and the Administrative Aide responsible for making the transmittals. The memorandum identified approximately \$4,500 of bond monies that had not been received by the city/court for defendants who had appeared in court and presented bond forms for refund or payment of fines and costs. The Police Chief indicated that he personally repaid this \$4,500, but took no further action. Additional memorandums were sent in November 2000. Some changes were made in the bond collection procedures and the Police Chief indicates he was investigating the matter.

The misappropriation was not detected throughout the audit period due to numerous internal control weaknesses, little or no independent review, and inadequate follow up to discrepancies noted. See related Management Advisory Report (MAR) comments No. 2 and 4 related to accounting controls, records and procedures. Information gathered during our review has been turned over to the St. Louis County Police Department and Prosecuting Attorney's office.

WE RECOMMEND the Board of Aldermen review the situation and take the necessary actions to obtain reimbursement of the missing monies, and work with law enforcement officials regarding any criminal prosecution.

AUDITEE'S RESPONSE:

The Mayor and Board of Aldermen agree with the recommendation. This matter, upon discovery was immediately referred to the Prosecuting Attorney of St. Louis County for investigation. This investigation is continuing and the City officials will take whatever action that is necessary to obtain reimbursement. Prosecution of any criminal offense arising out of this matter is in the discretion of the Prosecuting Attorney's Office of St. Louis County.

2. Bond Procedures

- A. An independent reconciliation of the bonds received by the police department and the bonds transmitted to the city was not performed. The police officers maintain a log of bond monies received; however, the log does not appear complete. Several bonds transmitted from the police department to the city were not listed on the bond log. When police personnel remove bond monies from the bond box, the monies should be reconciled to the bond log to ensure all monies are accounted for properly and the log is complete.

A transmittal form, listing each bond to be transmitted, is completed and sent with the bond forms and bond monies to the city. To adequately account for all bond receipts and ensure all receipts are properly deposited, someone independent of the bond processing function should reconcile the police bond log to the bond transmittals to ensure all bonds received are transmitted to the city for deposit.

- B. The portions of the bond monies used to pay fines and costs were not disbursed to the city's general account on a timely basis and some were never disbursed. The Court Clerk determines the amount of bonds to be paid to the city's general account on court night; however, city personnel indicated they normally do not disburse the bond monies to the city's general account until the week following court. City personnel did not ensure the bond monies were received by the general account.

To adequately account for bond monies, the Court Clerk should include the disbursement from the bond account with transmittal of the other fines and costs monies collected on court night. In addition, city personnel should ensure the amount transmitted equals receipt slips issued per the fines and costs ledger.

- C. Receipt slips are not issued for bonds received from other political subdivisions. These bond monies are received directly by the city and deposited to the bond account. To adequately account for bond monies received, a prenumbered receipt slip should be issued for all monies received.
- D. The Court Clerk does not maintain a bond ledger to account for the receipt, disbursement, and balance of bond monies, nor does she prepare a monthly listing of open-items (liabilities) to document the amount of bond monies being held by

the city. At our request, the Office Manager prepared a listing as of December 31, 2000. The open items listing totaled approximately \$13,000 less than the balance in the bond account. The court computer system has the capability of maintaining an open items list; however, the Court Clerk does not record bond information on the computer.

A bond ledger indicating date and amount of receipt and date of disbursement is necessary to ensure proper accountability over bonds. Monthly open-items listings should be prepared and reconciled to the bond ledger and reconciled bank balance held by the city, to ensure proper accountability over open cases and ensure monies held in trust are sufficient to meet liabilities. An attempt should be made to determine the proper disposition of these excess monies. For those bonds which remain unclaimed, Section 447.595, RSMo 2000, requires bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

Conditions B, C, and D were noted in our prior report.

WE RECOMMEND the Municipal Division:

- A. Ensure someone independent of the bond processing function reconciles the police bond log to bonds transmitted to the city for deposit.
- B. Ensure the portion of bond monies used to pay fines and costs is disbursed to the city's general account on a timely basis. In addition, city personnel should ensure the amount transmitted equals receipt slips issued per the fines and costs ledger.
- C. Ensure prenumbered receipt slips are issued for all bond monies received.
- D. Maintain a bond ledger, prepare a monthly listing of open items and reconcile the listing to the ledger balance and reconciled bank balance. The municipal division should attempt to identify to whom the \$13,000 belongs, and disburse the funds appropriately. If this cannot be determined, the unidentified bond monies should be turned over to the state's Unclaimed Property Section in accordance with state law.

AUDITEE'S RESPONSE:

The City and Municipal Judge provided the following response:

- A. *The city will ensure that an independent person reconciles the police bond log to the bond deposit in the city's general account.*
- B. *This recommendation has already been implemented.*
- C. *This recommendation has been implemented and will be enforced.*

- D. *This recommendation will be implemented immediately. Adequate procedures will be instituted to identify all individuals on closed cases to whom a bond is owed. The court will disburse the funds appropriately. The court will forward any unidentified bond monies which exceed the one year time period to the state's Unclaimed Property Section in accordance with state law.*

3.

Municipal Court Division

- A. The city does not disburse the state's portion of the Crime Victims Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees for cases on which they were collected. Section 595.045, RSMo 2000, requires 95 percent of the CVC fees be paid monthly to the state. POSTC fees should also be disbursed monthly to the state. No disbursements were made during the year ended December 31, 2000. CVC and POSTC fees collected through February 2000 were deposited to separate bank accounts; however, the city began depositing CVC and POSTC monies into the city's general fund in March 2000. As of December 31, 2000, approximately \$10,500 and \$3,000 was due to the state for CVC and POSTC, respectively.

- B.1. Information noted in the case files does not always agree to the court computer system. Some case files indicated the tickets were paid and closed but the computer showed the case as open with a balance due.

The court allows defendants to make partial payments of fines and court costs. Although the court's computer system tracks payment history as well as amounts owed to the court, the accounts receivable records are not accurate because some payments were not recorded on the computer system. The computer generates an income report that lists all payments recorded on the computer, however, this report is not used or retained by the court clerk. The income report should be reconciled to receipt slips issued to ensure all payments are recorded on the computer.

To ensure the court records are accurate and up-to-date, all information as well as the ultimate disposition of each case should be entered into the court's computer system in a timely manner. To fully utilize the court computer system, computer generated income reports should be reconciled to receipt slips.

2. Police department records of active warrants did not agree to the court records in some cases. To ensure proper disposition of all cases, the police warrant records should be periodically compared to the court's records and differences should be resolved.
- C. The police department maintains manual logs of ticket books assigned and tickets issued, but the logs are not complete or adequate to account for all tickets issued

and their ultimate disposition. The log of ticket books assigned had several books listed without the names of the officers assigned the books and one ticket book that was not recorded on the log. The log of tickets issued does not account for the tickets in numerical sequence. Each officer records their tickets issued; however, the log is not reviewed to account for the numerical sequence. Numerous tickets could not be located or accounted for properly.

Without a proper accounting of the numerical sequence and disposition of tickets, the police department and the court cannot be assured that all tickets issued were properly submitted to the court for processing. A complete listing of each ticket number, the date issued, offense, and violator's name would help ensure all tickets issued are properly submitted to the court for processing, properly voided, or not prosecuted. In addition, a record should be maintained of the ultimate disposition of each ticket.

This condition was noted in our prior report.

- D. Checks and money orders are not restrictively endorsed until deposits are prepared by the city. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- E. The Court Clerk could not locate fifteen of the seventy case files requested for review and several of the final court dockets. In addition, monthly reports generated from the computer system were not retained. While fourteen of the cases were located on the court's computer system and the computer reports needed were obtained from the computer programmer, the case files and computer reports should be retained. Supreme Court Rule 8 requires all municipal ordinance case files be maintained for three years after the date of filing and financial records be maintained for five years or upon completion of an audit.

A similar condition was noted in our prior report.

- F. The municipal division does not forward required records of convictions on traffic offenses to the Missouri State Highway Patrol (MSHP). Court personnel indicated the prior court clerk forwarded the white copy of the ticket to the MSHP; however, this has not been done since the prior court clerk left in July 2000. Our review of twenty four case files noted that the white copies of the tickets remained in the case files.

Section 302.225, RSMo 2000, requires records of any pleas or findings of guilty traffic violations under the laws of the state, county, or municipal ordinance to be forwarded to the MSHP within ten days of the conviction date.

- G. The Court Clerk does not file a monthly report with the city of all cases heard in court. Section 479.080.3, RSMo 2000, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the Traffic Violations

Bureau (TVB), including all fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the city's governing body.

WE RECOMMEND the Municipal Division:

- A. Work with the city to ensure all CVC and POSTC fees collected are remitted to the state in accordance with state law and on a timely basis.
- B.1. Ensure payment information and the final disposition of all court cases is recorded on the computer system on a timely basis. In addition, computer income reports should be reconciled to receipt slips to ensure all payments are properly recorded.
- 2. Work with the police department to ensure the police and court warrant records are in agreement.
- C. Work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets assigned and issued.
- D. Restrictively endorse checks and money orders immediately upon receipt.
- E. Retain all tickets, case information, and financial records in accordance with Supreme Court Rule 8.
- F. Forward records of conviction on traffic offenses to the MSHP as required by state law. In addition, cases disposed of since July 2000 should be reviewed, and any applicable tickets filed with the MSHP.
- G. Prepare monthly reports of court actions, including fines and costs collected, and file these with the city's governing body in accordance with state law.

AUDITEE'S RESPONSE:

The City and Municipal Judge provided the following response:

- A. *This recommendation has been implemented and will be followed on a timely basis.*
- B.1. *This recommendation will be implemented immediately.*
- 2. *The police department has been made aware of this concern. Adequate procedures are being instituted between the court and police department to ensure that the court and police department warrants are in agreement.*
- C. *The police department has been made aware of this concern. The court will account for all traffic tickets and summons transmitted to court. The Police Department has indicated that it will account for tickets assigned and issued.*

D.-F. This recommendation has already been implemented.

G. This recommendation will be implemented immediately.

4. Accounting Records and Procedures

A. Receipts are not deposited on a timely basis.

- Deposits for license fees, permits, city stickers, and grants were made twice a month and averaged \$21,000 during February and July 2000.
- Fine and cost receipts during January and February 2000, which totaled approximately \$11,000, were not deposited until June 2000.
- Approximately \$5,000 in bond monies were held by the city for more than three months before they were deposited and a total of \$12,805 in undeposited bond monies, dated as far back as October 15, 1999, were on hand at December 31, 1999. In addition, several deposit errors were noted resulting in \$890 of bond monies that was never deposited.

As a result, a significant amount of cash received was not reflected on the Treasurer's report when received. The Treasurer should ensure her report reflects any significant amount of cash on hand at year end.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100. In addition, the Treasurer should ensure any cash on hand is properly reflected on her financial report.

B. The Treasurer's monthly reports are not delivered to the board in a timely manner. For example, the July monthly report was presented to the board in October. As of January 26, 2001, the reports for October and later had not been completed.

A timely, complete and accurate financial report is necessary to keep the board informed of the financial position of the city.

C.1. Bank reconciliations for the general account and bond account were not accurate for December 2000. For example, the outstanding check lists prepared for these accounts did not include some checks that were outstanding at December 31, 2000 and included several checks that had cleared in previous months. As a result, the reconciled bank balances did not agree to the treasurer's book balances. The Treasurer indicated she was aware of the errors on the bank reconciliations; however, she did not correct the errors, or investigate the differences between the reconciled bank balances and the book balances.

Complete and accurate bank reconciliations should be prepared to ensure all monies have been properly deposited, accounting records are in agreement with the bank, and errors or discrepancies are detected and corrected timely. Complete documentation of the reconciliations should be retained to support conclusions and any corrections made and to facilitate independent reviews.

2. Checks totaling \$6,582 and \$5,726 written on the general account and bond account, respectively, have been outstanding for more than one year as of December 31, 2000. Some checks dated as far back as January 1996 and February 1998 for the general account and bond account, respectively.

Outstanding checks should be periodically reviewed to determine if the payees can be readily located and if there is a need to reissue the checks. If the payees cannot be located, the amounts should be disbursed to the state's Unclaimed Property Section as required by Section 447.595, RSMo 2000.

3. Voided checks are not adjusted to the cash balances on a timely basis. In addition, voided bond checks were not always retained. Voided checks should be adjusted to cash balances on a timely basis to ensure cash balances are current and accurate. In addition, to ensure all checks are properly accounted for, voided checks should be defaced and retained.
- D. The police department's petty cash fund was not operated on an imprest basis. In addition, invoices or receipts were not maintained for some expenditures, and a ledger was not maintained to document disbursements. The fund was entirely under the police administrative aide's control and no independent review was made of the fund to ensure it was maintained properly.

According to city personnel, the police department's petty cash fund was originally established at \$150. A cash count on November 8, 2000, indicated only approximately \$7 currency on hand and \$50 of receipts on hand to be reimbursed. Police department personnel could not explain the \$93 shortage.

Invoices should be maintained for all petty cash disbursements and the fund should be operated on an imprest basis, meaning that cash and invoices should always total the established balance, and checks issued to replenish the fund should equal the amount of invoices. A ledger of all petty cash transactions should be maintained. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to prevent these monies from being misused.

- E. As discussed in MAR 1, the police report and prosecution refusal receipt records could not be located. Retention of city records is essential to establishing accountability for city financial activity and in demonstrating compliance with

state law. Effective control of records requires all documents and records be safeguarded against loss due to fire or theft, be accessible to the appropriate city officials/employees, and upon reasonable request, be accessible to the public.

WE RECOMMEND the Board of Alderman:

- A. Ensure receipts are deposited daily or when accumulated receipts exceed \$100 and investigate the \$890 of undeposited receipts and take appropriate action to recover any missing amounts. In addition, the Treasurer should ensure any cash on hand at year end is appropriately reflected on her report.
- B. Work with the Treasurer to ensure monthly reports are presented to the board timely.
- C.1. Ensure complete and accurate bank reconciliations are prepared monthly and reconciled to accounting records.
 - 2. Reissue old outstanding checks to any payees who can be located. If the payees cannot be located, the monies should be disposed of through the applicable statutory provisions. In addition, procedures to routinely review and reissue any old outstanding checks should be adopted.
 - 3. Ensure all voided checks are adjusted to the cash balances on a timely basis, and all voided checks are defaced and retained.
- D. Work with the police department to ensure the petty cash fund is maintained on an imprest basis and periodically counted and reconciled to the imprest balance by an independent person. In addition, invoices should be maintained for all petty cash disbursements and a ledger should be prepared of all petty cash transactions.
- E. Work with the police department to ensure all records of the city are properly retained and available for review.

AUDITEE'S RESPONSE:

The City will consider and adopt new policies that cover these recommendations.

In addition, the Board will begin an investigation as to the \$890 of undeposited receipts.

Due to a turnover in employees, some employees have not been trained with regards to all aspects of their duties and renewed efforts will be undertaken to insure all employees understand their job responsibilities.

As to the issue of outstanding checks, the new City Treasurer, prior to the issuance of this report, has attempted to secure correct information in order that any outstanding checks can be reissued and/or deposited with the Unclaimed Property Section of the State of Missouri. She will continue in her efforts to clear up any outstanding checks.

5.**Disbursement Procedures**

- A.1. The Board of Aldermen does not review and approve the payment of city expenditures prior to the disbursements being made. A statement of bills is prepared monthly by the Office Manager which lists the general fund checks issued during the month; however, the statement of bills is generally presented to the board two months after the disbursements have been made. In addition, the board does not review invoices nor have they assigned someone independent of the check preparation and signing process to review the invoices. Although the Mayor and City Administrator review the invoices, they are also authorized to sign checks.

Capital improvement checks are not presented to the board and therefore, are not authorized by the board. The Treasurer's monthly report that is approved by the board includes total capital improvement disbursements; however, the report does not provide the detail of each check issued.

There were several transfers between funds and investments during the year ended December 31, 2000 that were not approved in advance by the board. According to the former Treasurer, the City Administrator authorized the transfers; however, his authorization was not documented.

Good business practices require all disbursements to be closely scrutinized by the board or someone independent of the disbursement process and properly authorized before the disbursement occurs. In addition, an independent reconciliation should be performed of the invoices, approved listing of bills, and actual checks written. Failure to properly review all invoices and other supporting documentation, and to document authorization, increases the possibility of inappropriate disbursements occurring and not being detected on a timely basis.

2. City ordinance 115.050 gives the City Administrator authority to oversee disbursements approved in the budget up to \$500 per item, not to exceed \$1,500 for a month. However, some disbursements, such as a court computer system upgrade (\$4,775), lights and sirens for police cars (\$3,500), and tires for city vehicles (\$657) were not approved by the board. While these items were approved in the budget, the actual disbursements were not approved in advance by the board as required by city ordinance.
- B. Original invoices or other supporting documentation were not required or retained for several disbursements. The Office Manager often pays bills from monthly statements rather than detailed invoices. Examples include credit card bills (\$3,794), professional dues (\$2,050), conference expenses (\$1,743), police department office supplies (\$1,484), cellular phone bills (\$674) and numerous

expense accounts and cash advances to city officials, employees, and other individuals for purchases or travel made on behalf of the city (\$920).

All disbursements should be supported by detailed expense accounts, paid receipts, contracts, or vendor-provided invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds. Invoices for registration, airfare, lodging, or other conference expenses are necessary to determine the attendees at these conferences.

In addition, receipts for credit card purchases should be reconciled to credit card statements to ensure the propriety of the charges. Without adequate supporting documentation, the city cannot evaluate the necessity and reasonableness of credit card purchases.

- C. Several invoices were paid late or included past due amounts. One vendor was overpaid because invoices were shown on more than one monthly statement. The city was apparently behind on its payment so, the vendor had listed the unpaid invoices again; however, the city paid the total of the three statements rather than the current balance. The vendor mailed the city a refund check for the overpayment.

Good business practices require timely payments of invoices. Failure to make timely payments could result in unnecessary penalties and interest.

- D. Several disbursements were made during the year ended December 31, 2000 that do not appear to be a prudent use of public funds. Examples include flowers for funeral arrangements and get well plants (\$531), retiring employee party expenses (\$155), telephone calls to a psychic service (\$119), and items for fruit baskets (\$25). When this was brought to the city's attention, city personnel indicated they would seek reimbursement for the telephone calls to the psychic service.

The city's residents have placed a fiduciary trust in their public officials to spend tax revenues and fees in a necessary and prudent manner. Disbursements for other items could be funded through an employee contribution fund or association.

- E. Invoices and other supporting documentation are not always initialed or dated by a city employee to indicate receipt and acceptance of the goods or services. To ensure the goods and services have been properly received by the city, all invoices and other supporting documentation should be properly initialed or signed by a city employee upon receipt.
- F. The city does not have a written contract with the city of Pine Lawn for rabies control. The city of Northwoods indicated they have a verbal agreement with the city of Pine Lawn to equally share the expenses of the Municipal Rabies Control Corporation.

Section 432.070, RSMo 2000, requires contracts for political subdivisions to be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

WE RECOMMEND the Board of Alderman:

- A. Review and approve the expenditure of city funds prior to disbursements being made. In addition, either the board or someone independent of the check preparation and signing process should review the invoices. Approved listings of bills should also be compared to checks written.
- B. Ensure that invoices or other supporting documentation are maintained to support all city disbursements.
- C. Ensure bills are paid on a timely basis. In addition, procedures should be established to ensure invoices are not paid twice.
- D. Limit disbursements to only those necessary to properly operate the city and ensure reimbursement is obtained for the telephone call to the psychic service.
- E. Require all invoices be initialed or signed by a city employee to indicate acceptance of the goods or services.
- F. Enter into a written contract with the city of Pine Lawn for rabies control.

AUDITEE'S RESPONSE:

A.-C.

&E. The City will consider and adopt policies in accordance with these recommendations.

D. As to the expenses necessary to operate the City, the City has already received reimbursement for the item mentioned in this recommendation.

F. As to the Pine Lawn agreement, the City intends to enter into a written contract with the City of Pine Lawn for rabies control.

6. Payroll and Personnel Policies and Procedures

- A. Several elected officials did not receive the correct amount of compensation for the year ended December 31, 2000. In March 2000, two aldermen were paid an additional \$300 and in June 2000, three aldermen and the collector were paid an

additional \$100. Two aldermen returned their \$100 overpayment; however, the remaining overpayments were not refunded to the city. City personnel indicated these overpayments were the result of payroll errors.

The city should ensure the excess compensation paid to the applicable officials is reimbursed. In addition, the city should ensure compensation paid to city officials is paid in accordance with city ordinances.

- B. Employees are paid per diems of \$20 per day to cover meal expenses when traveling for city business. These amounts are not included on their W-2 forms and employees are not required to document actual expenditures paid from the per diem payments.

The Board of Alderman should adopt travel policies to ensure the city pays for only actual and reasonable travel expenses. If the board continues to provide per diem payments, the city should include per diem payments as income on applicable W-2 forms.

- C. During the year ended December 31, 2000, approximately \$15,000 in uniform allowances were paid to police officers, police clerks, public works employees, and the housing code enforcer. The employees are not required to submit an itemized report of uniform expenditures and these amounts are not reported on the employees' W-2 forms.

Internal Revenue Service Regulation Section 31.3401 (a)-4 requires expenses not accounted for to the employer to be considered as gross income and also requires payroll taxes to be withheld from this gross income.

- D. The city owns twelve patrol cars, five public works trucks, and two city cars. The city has not adopted a formal policy regarding the use of city-owned vehicles, including policies which prohibit personal usage. A formal policy would help ensure the vehicles are used only in a manner approved by the board.

In addition, mileage logs which document vehicle usage are not maintained. Mileage logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for city business and help identify vehicles which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

WE RECOMMEND the Board of Aldermen:

- A. Ensure compensation paid to city officials is paid in accordance with city ordinances. Any overpayments received should be reimbursed to the city.

- B. Establish a travel policy to ensure only actual and necessary travel expenses are reimbursed to employees. If per diem payments continue to be made, the city should include these payments as income on applicable W-2 forms.
- C. Require the employees to submit itemized reports of uniform expenses or report the uniform allowances as other income on the employees' W-2 forms.
- D. Establish a formal policy governing the use of city vehicles, and require mileage logs to be maintained for each vehicle. The logs should be reviewed by a supervisor periodically for completeness and reasonableness.

AUDITEE'S RESPONSE:

- A. *Due to payroll errors and budget processing errors, some City officials were overpaid. All of said officials have reimbursed the City, and it is clear that there was no attempt made by any City official to defraud the City of any money.*
- B.-C. *The City will take the necessary steps to bring the City's policies into compliance with IRS Regulations as stated in these recommendations.*
- D. *The City will review and consider adopting this recommendation.*

7.	Restricted Revenues
-----------	----------------------------

- A. Capital improvement sales tax monies are being spent on non-capital improvement items. In November 1995, city voters passed a 1/2 cent capital improvement sales tax to be used for the purpose of funding capital improvements. The following disbursements, made from this fund, do not appear to be capital improvements:

Three police cars	\$43,500
Court computer system upgrade	4,775
Lights and sirens for police cars	3,500
Copy machine	3,003
Computer maintenance	766
Tires for city vehicles	657
Digital camera	480
Flowers for city hall grounds	210

Section 94.577, RSMo 2000, states that all capital improvement sales tax receipts shall be deposited in a special trust fund and used solely for capital improvements.

- B. Law enforcement training fees are not maintained in a separate fund, or accounted for separately. While the city tracks law enforcement training fees collected,

disbursements are not accounted for separately to ensure the fees are used solely for training of law enforcement officers.

Section 590.140, RSMo 2000, requires law enforcement training fees to be used only for the training of law enforcement officers. The city should transfer law enforcement training fees collected to a separate fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

WE RECOMMEND the Board of Alderman:

- A. Ensure capital improvement sales tax monies are used solely for their intended purpose and repay the capital improvement sales tax fund for any monies spent for other purposes.
- B. Establish a separate accounting for law enforcement training fees to ensure compliance with state law.

AUDITEE'S RESPONSE:

- A. *The City does not necessarily agree with the State Auditor's Office's finding and interpretation of capital improvements since there is no definition under Missouri statutory or case law of the term capital improvement. However, certain items (totaling \$1,347) paid out from the capital improvement account were not authorized by the Board of Aldermen to be paid out from said account, and those expenses will be repaid to the account from general revenue. No City funds were missing and/or misappropriated, but simply paid from the wrong account. The City will consider the State Auditor's comments when formulating next year's budget.*
- B. *The City will adopt this recommendation.*

8. Budgets and Financial Reporting

- A. The budgets for the years ended December 31, 2001 and 2000, did not include a budget message, or the actual and estimated beginning and ending cash and resources available. The budgets presented the actual revenues for the three preceding years but did not present disbursements for any prior years. Section 67.010, RSMo 2000, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and a

reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

- B. For the year ended December 31, 2000, actual expenditures exceeded budgeted expenditures by \$36,168 for the Capital Improvement Fund.

Section 67.040, RSMo 2000, indicates a political subdivision shall not increase the total amount authorized for expenditure from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures. The board should ensure any budget amendments are properly authorized and adequately documented.

- C. The city has not published semi-annual financial statements as required by state law. Section 79.160, RSMo 2000, requires the Board of Alderman to prepare and publish semi-annual financial statements. These financial statements are to include a statement of receipts and expenditures and indebtedness of the city for the preceding six month period. In addition, Section 79.165, RSMo 2000, states the city cannot legally disburse funds until the financial statement is published.

WE RECOMMEND the Board of Alderman:

- A. Prepare budgets that contain all information as required by state law.
- B. Ensure actual expenditures do not exceed budgeted amounts. If circumstances require expenditures in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional expenditures and documenting the reasons for such.
- C. Publish semi-annual financial statements as required by state law.

AUDITEE'S RESPONSE:

- A. *The City did prepare a budget, however, the disbursements for prior years were not presented at the time of the adoption of the budget. Said prior disbursements had been available, and the City will reformat its budget to accommodate the other information requested.*

- B.-C. *The City will adopt these recommendations.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *



STATE OF MISSOURI
SINGLE AUDIT
YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-17
March 7, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

The State Auditor's Office has completed an audit of the federal grant programs administered by the State of Missouri. The state is required by the federal Single Audit Act and U.S. Office of Management and Budget, Circular A-133 to have this audit conducted each year for the benefit of the federal agencies that provide grant funds to the state agencies. Federal grant funds expended by state agencies totaled \$5.5 billion during the year ended June 30, 2000. The Single Audit noted problems in several different areas related to federal grant funding. In total, the audit questioned the use of \$11,878,143 because the state did not comply with federal requirements.

- The Department of Social Services (DSS) incorrectly charged \$134,278 of administrative costs to the federal Adoption Assistance program that should have been charged to the state Adoption Assistance program.
- The Department of Social Services disbursed \$11.8 million to other entities under the Caring Communities and Juvenile Justice programs. These other entities are subrecipients and should have been audited in accordance with Circular A-133. However, the Department of Social Services classified these other entities as vendors and did not require them to be audited under A-133.
- The audit noted various problems in the eligibility of recipients of the Independent Living, Food Stamps, Medicaid, and Child Care programs as follows:

Various coding errors made by Department of Social Services employees allowed some ineligible recipients to receive services under the federal Independent Living Program.

The audit did a computer match of recipients of Temporary Assistance for Needy Families, Food Stamps, and Medicaid with a record of individuals who received a settlement from the state's Second Injury Fund. The match noted some recipients who had not reported the income from the settlements. As a result, it appears they received Food Stamps and Medicaid benefits they were not eligible for.

The Department of Social Services does not require licensed child care providers to submit any attendance records to the state. As a result, the Department of Social Services has little assurance the state is billed for the correct amount for child care.

(over)

SHEET
MOTEL
YELLOW

- The Department of Natural Resources (DNR) needs to make various improvements in its procedures for the State Revolving Fund program. Duties for recording receipts and for custody of receipts need to be adequately segregated. In addition, the Department of Natural Resources needs to minimize the time elapsing between the receipt of monies and their deposit. Unused construction funds should be used to reduce the debt from bond issues. The Department of Natural Resources needs to ensure that participating communities obtain audits as required under Circular A-133.
- The Department of Economic Development needs to reconcile its internal accounting system to the statewide accounting system.
- The audit also covered the state's financial statements. The state began using a new accounting system (SAM II) in fiscal year 2000. The audit noted various reportable conditions in internal controls over SAM II. Reports are inaccurate and unreliable, security access procedures are weak, some interagency transactions are not recorded properly, reconciliations are not performed timely, and supporting documentation for expenditures is not always properly filed.

STATE OF MISSOURI
SINGLE AUDIT

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INTRODUCTORY SECTION



CLAIRE C. McCASKILL
Missouri State Auditor

LETTER OF TRANSMITTAL

Honorable Bob Holden, Governor
and
Members of the General Assembly

I am pleased to submit the report on the Single Audit of the state of Missouri, covering the fiscal year ended June 30, 2000.

The United States Congress passed the Single Audit Act of 1996 to establish requirements for audits of states, local governments, and non-profit organizations with respect to federal award programs. The Office of Management and Budget (OMB) revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to prescribe policies, procedures, and guidelines to implement the Single Audit Act.

The Single Audit conducted by my office meets the requirements of the Single Audit Act of 1996 and covers expenditures of federal awards totaling \$5.55 billion by the state during the year.

The following charts and graphs provide summary information related to the expenditure of federal awards for the state of Missouri.

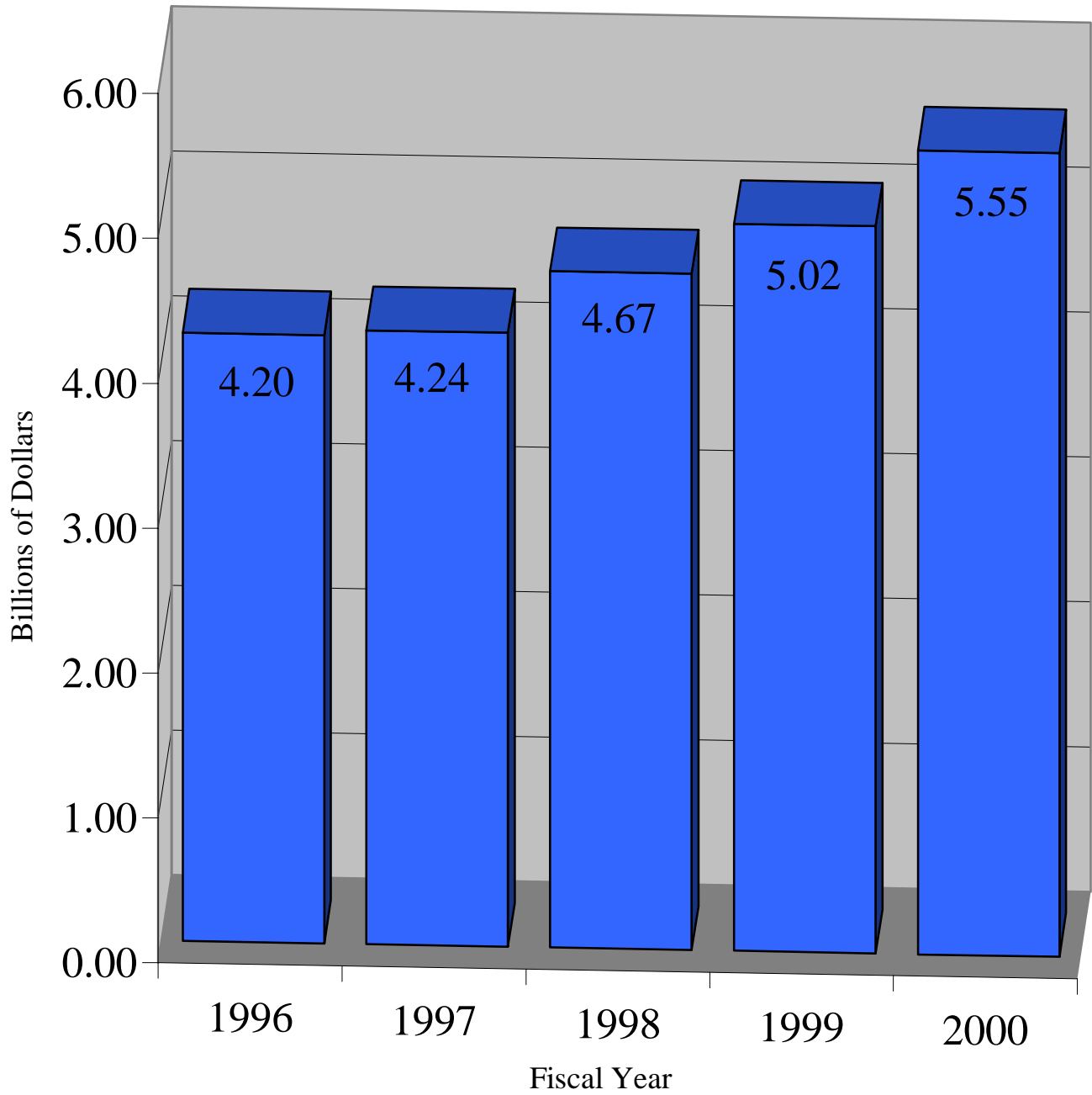
A handwritten signature in dark ink, reading "Claire McCaskill".

Claire McCaskill
State Auditor

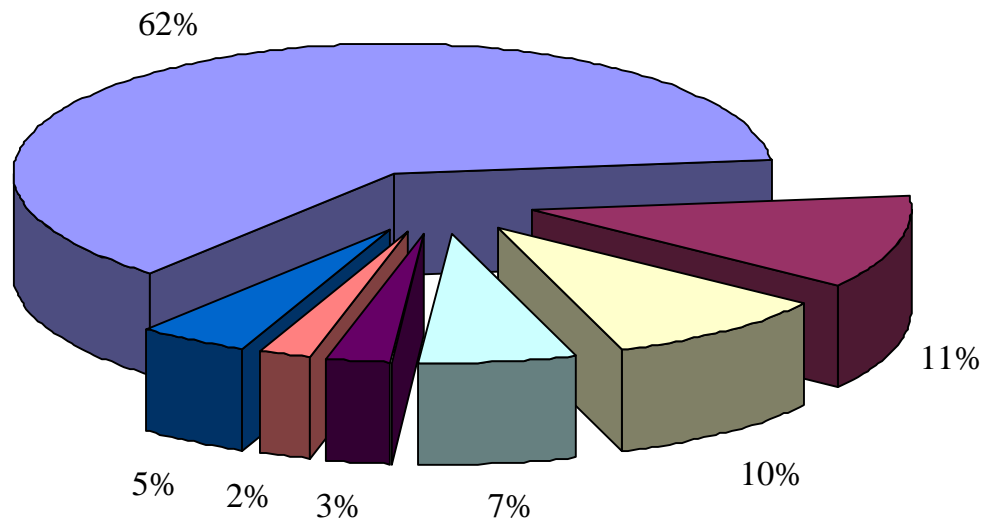
STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
	Food Stamp Cluster:		
10.551	Food Stamps	Agriculture	\$ 357,665,583
10.561	State Administrative Matching Grants for Food Stamp Program	Agriculture	36,233,506
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	26,029,712
10.555	National School Lunch Program	Agriculture	95,216,680
10.556	Special Milk Program for Children	Agriculture	349,649
10.559	Summer Food Service Program for Children	Agriculture	9,535,345
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Agriculture	60,363,205
10.558	Child and Adult Care Food Program	Agriculture	33,858,761
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	39,702,237
	Employment Service Cluster:		
17.207	Employment Service	Labor	14,840,266
17.801	Disabled Veterans' Outreach Program	Labor	1,434,100
17.804	Local Veterans' Employment Representative Program	Labor	1,586,327
17.225	Unemployment Insurance	Labor	356,779,498
	Job Training Partnership Act Cluster:		
17.246	Employment and Training Assistance - Dislocated Workers	Labor	17,075,528
17.250	Job Training Partnership Act	Labor	27,231,195
20.205	Highway Planning and Construction	Transportation	613,666,719
66.458	Capitalization Grants for State Revolving Funds	Environmental Protection Agency	34,669,617
84.010	Title I Grants to Local Educational Agencies	Education	121,596,572
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	80,038,860
84.173	Special Education - Preschool Grants	Education	6,330,884
84.032	Federal Family Education Loans	Education	44,141,830
84.048	Vocational Education - Basic Grants to States	Education	25,781,896
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	57,956,081
	Aging Cluster:		
93.044	Special Programs For The Aging - Title III, Part B - Grants For Supportive Services and Senior Centers	Health and Human Services	6,730,792
93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services	Health and Human Services	10,062,905
93.558	Temporary Assistance for Needy Families	Health and Human Services	201,994,120
93.563	Child Support Enforcement	Health and Human Services	51,069,599
93.568	Low-Income Home Energy Assistance	Health and Human Services	34,399,811
	Child Care Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	62,464,120
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	38,145,350
93.658	Foster Care - Title IV-E	Health and Human Services	71,299,113
93.667	Social Services Block Grant	Health and Human Services	36,380,816
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	676,183
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	10,265,797
93.778	Medical Assistance Program	Health and Human Services	2,474,011,715
93.959	Block Grant for Prevention and Treatment of Substance Abuse	Health and Human Services	22,151,180
96.001	Social Security - Disability Insurance	Social Security Administration	32,937,329
	Total Type A Programs (expenditures greater than \$16.5 million)		5,114,672,881
	Total Type B Programs (expenditures less than \$16.5 million)		436,593,416
	Total Expenditures of Federal Awards		\$ 5,551,266,297

STATE OF MISSOURI
TOTAL EXPENDITURES OF FEDERAL AWARDS
FIVE YEAR COMPARISON



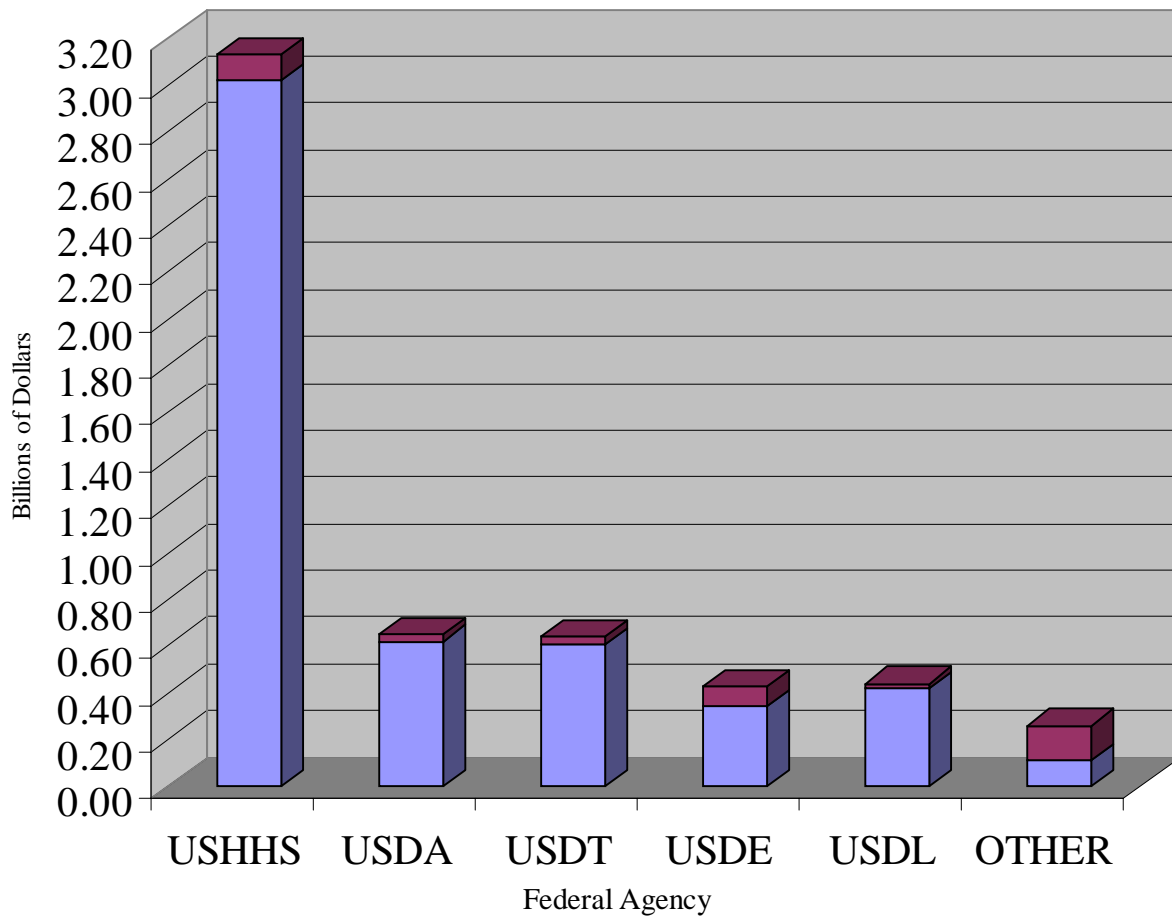
STATE OF MISSOURI
EXPENDITURES OF FEDERAL AWARDS BY STATE DEPARTMENT
YEAR ENDED JUNE 30, 2000



- Social Services
- Transportation
- Elementary and Secondary Education
- Labor and Industrial Relations
- Health
- Economic Development
- All Others

STATE OF MISSOURI

EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
YEAR ENDED JUNE 30, 2000

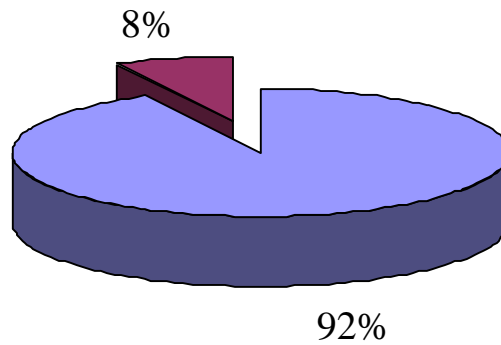


Total - \$ 5,551,266,297
 ■ Type A - \$ 5,114,672,881 ■ Type B - \$ 436,593,416

USHHS	United States Department of Health and Human Services
USDA	United States Department of Agriculture
USDT	United States Department of Transportation
USDE	United States Department of Education
USDL	United States Department of Labor
OTHER	Other United States Departments

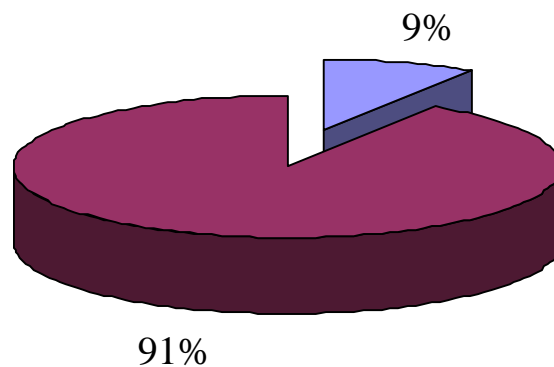
STATE OF MISSOURI

TYPE A vs TYPE B EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000



TOTAL - \$ 5,551,266,297

■ Type A - \$ 5,114,672,881 ■ Type B - \$ 436,593,416



TOTAL NUMBER OF PROGRAMS - 276

■ Type A Programs - 25 ■ Type B Programs - 251

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Members of the General Assembly

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the state of Missouri, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 30, 2001. We did not audit the financial statements of the Missouri Department of Transportation, which statements constitute 2 percent and 24 percent, respectively, of the assets and revenues of the special revenue funds; 56 percent and 95 percent, respectively, of the assets and revenues of the capital projects funds; 17 percent of the general fixed assets account group; and 7 percent of the general long-term debt account group. We did not audit the financial statements of the Missouri State Lottery, which statements constitute 47 percent and 93 percent, respectively, of the assets and operating revenues of the enterprise funds. We did not audit the financial statements of the Missouri Consolidated Health Care Plan, Missouri State Employees' Insurance Plan, Highway and Transportation Employees' and Highway Patrol Insurance Plan, and the Missouri Department of Transportation Self Insurance Plan, which statements constitute 44 percent and 68 percent, respectively, of the assets and operating revenues of the internal service funds. We did not audit the financial statements of the Missouri State Public Employees' Deferred Compensation Plan, which statements constitute 53 percent and 32 percent, respectively, of the assets and revenues of the expendable trust funds. We did not audit the financial statements of the pension trust funds, which statements constitute 81 percent of the assets of the agency and trust funds. We did not audit the financial statements of the colleges and universities and the proprietary component units, which statements constitute 29 percent of the assets for all fund types and account groups. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those amounts, is based on the reports of the other auditors. Our report expressed a qualified opinion on the general-purpose financial statements because we were not allowed access to tax returns and related source

documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the state of Missouri taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. The state of Missouri has excluded federal award expenditures of public universities from the accompanying Schedule of Expenditures of Federal Awards. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, except for the exclusion of federal award expenditures of public universities, is fairly presented in all material respects, in relation to the general-purpose financial statements taken as a whole.

Compliance

As part of obtaining reasonable assurance about whether the general-purpose financial statements of the state of Missouri are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

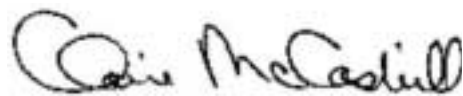
In planning and performing our audit of the general-purpose financial statements of the state of Missouri, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the state of Missouri's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 1 to 8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

The State Auditor's office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general-purpose financial statements. Our reports of these conditions do not modify our report dated January 30, 2001, on the general-purpose financial statements.

This report is intended for the information of the management of the state of Missouri and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

January 30, 2001 (fieldwork completion date)



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE**

Honorable Bob Holden, Governor
and
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The state's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the state's compliance with those requirements.

In our opinion, the state of Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB

Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2000-2 to 2000-12.

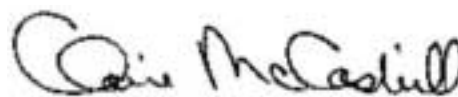
Internal Control over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the state's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2000-2 to 2000-12.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2000-12 to be a material weakness.

This report is intended solely for the information of the state's management, and federal awarding agencies and pass-through entities, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

January 30, 2001 (fieldwork completion date)

SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
U. S. Office of National Drug Control Policy			
07.PMWP549	HIDTA-HP Enforcement	\$ 368,910	368,910
07.PMWP550	HIDTA-Lab Enhancement	216,058	897
07.PMWP551	HIDTA-Task Forces	576,246	576,246
07.PMWP552	HIDTA-SAUSA	482,594	482,594
Total U. S. Office of National Drug Control Policy		1,643,808	1,428,647
U. S. Department of Agriculture			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	77,641	0
10.064	Forestry Incentives Program	1,500	0
10.069	Conservation Reserve Program	11,677	0
10.250	Agricultural and Rural Economic Research	101,254	0
10.550	Food Distribution	13,459,489	13,283,145
10.551	Food Stamps	357,665,583	0
10.553	School Breakfast Program	26,029,712	25,595,753
10.555	National School Lunch Program	95,216,680	94,453,202
10.556	Special Milk Program for Children	349,649	349,649
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)	60,363,205	11,060,613
10.558	Child and Adult Care Food Program	33,858,761	30,943,287
10.559	Summer Food Service Program for Children	9,535,345	5,211,022
10.560	State Administrative Expenses for Child Nutrition	2,823,278	0
10.561	State Administrative Matching Grants for Food Stamp Program	36,233,506	355
10.568	Emergency Food Assistance Program (Administrative Costs)	789,070	716,136
10.569	Emergency Food Assistance Program (Food Commodities)	4,670,956	4,670,956
10.570	Nutrition Program for the Elderly	4,635,618	4,635,618
10.572	WIC Farmers' Market Nutrition Program	278,099	245,740
10.574	Team Nutrition Grants	58,643	1,250
10.664	Cooperative Forestry Assistance	1,008,775	0
10.665	Schools and Roads - Grants to States	2,226,883	2,226,883
10.902	Soil and Water Conservation	173,428	0
10.904	Watershed Protection and Flood Prevention	29,000	0
Total U. S. Department of Agriculture		649,597,752	193,393,609
U. S. Department of Defense			
12.106	Flood Control Projects	290,707	0
12.112	Payments to States in Lieu of Real Estate Taxes	869,148	869,148
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	577,954	0
12.401	National Guard Military Operations and Maintenance Projects	12,070,465	0
12.AAG	Drug Interdiction & Counter Drug Activities (Note 4)	198,681	198,681
12.DACW41-96-H-00	Fire Suppression on Truman Reservoir	10,903	0
12	Other	43,622	0
Total U. S. Department of Defense		14,061,480	1,067,829
U. S. Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program	39,702,237	38,926,795
14.231	Emergency Shelter Grants Program	1,275,864	1,275,864
14.238	Shelter Plus Care	6,006,985	6,006,985
14.241	Housing Opportunities for Persons with AIDS	395,938	395,938
14.401	Fair Housing Assistance Program - State and Local	270,407	0
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	563,129	563,129
Total U. S. Department of Housing and Urban Development		48,214,560	47,168,711
U. S. Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	41,272	0
15.252	Abandoned Mine Land Reclamation Program	1,364,473	263,713
15.605	Sport Fish Restoration	7,724,066	0
15.611	Wildlife Restoration	4,485,410	0
15.615	Cooperative Endangered Species Conservation Fund	111,215	0
15.616	Clean Vessel Act	5,745	0
15.617	Wildlife Conservation and Appreciation	73,374	0
15.623	North American Wetlands Conservation Fund	990,000	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
15.807	Earthquake Hazards Reduction Program	14,900	0
15.904	Historic Preservation Fund Grants-In-Aid	573,157	56,065
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	345,214	0
15.FFB	Webless Migratory Game Bird Research Program	7,500	0
15.FFC	North American Wetlands Conservation Act	186,164	0
15.MO9903000	Joint Geohydrologic Investigations	50,000	50,000
15	Federal Facilities Compliance Agreement	778	0
Total U. S. Department of the Interior		15,973,268	369,778
U. S. Department of Justice			
16	Safe Futures - City of St. Louis	67,313	0
16.523	Juvenile Accountability Incentive Block	1,798,199	1,798,199
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,340,417	1,340,417
16.541	Juvenile Justice and Delinquency Prevention - Special Emphasis	119,392	119,392
16.546	Delinquency and Youth Violence	506,276	506,276
16.554	National Criminal History Improvement Program	629,697	154,620
16.560	Justice Research, Development, and Evaluation Project Grants	213,228	38,159
16.572	State Criminal Alien Assistance Program	136,138	0
16.575	Crime Victim Assistance	4,144,258	4,144,258
16.576	Crime Victim Compensation	1,148,960	0
16.579	Byrne Formula Grant Program	7,319,809	7,319,809
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	242,294	0
16.585	Drug Court Discretionary Grant Program	33,946	0
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	6,496,020	0
16.588	Violence Against Women Formula Grants	2,746,498	2,746,498
16.592	Local Law Enforcement Block Grants Program	562,785	562,785
16.593	Residential Substance Abuse Treatment for State Prisoners	543,020	543,020
16.598	State Identification Systems Grant Program	27,159	0
16.607	Bulletproof Vest Partnership Program	378	0
16.610	Mid-States Organized Crime Information Center - Technology Grant	2,804,050	2,804,050
16.710	Public Safety Partnership and Community Policing Grants	105,446	0
16.727	Enforcing Underage Drinking Laws Program	6,396	6,396
16.99CK-WX-0014	COPS Technolgy Program	2,655,904	0
16.SCMOE121	Organized Crime Drug Enforcement Task Force	40,708	0
16	Marijuana Eradication Program	482,405	0
Total U. S. Department of Justice		34,170,696	22,083,879
U. S. Department of Labor			
17.002	Labor Force Statistics	934,497	0
17.005	Compensation and Working Conditions Data	177,508	0
17.203	Labor Certification for Alien Workers	91,455	0
17.207	Employment Service	14,840,266	157,220
17.225	Unemployment Insurance (Note 3)	356,779,498	0
17.235	Senior Community Service Employment Program	2,123,932	2,092,073
17.245	Trade Adjustment Assistance - Workers	9,554,890	0
17.246	Employment and Training Assistance - Dislocated Workers	17,075,528	20,649,543
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	296,864	186,972
17.250	Job Training Partnership Act - Title II	27,231,195	28,792,112
17.253	Welfare-to-Work Grants to States and Localities	9,138,869	9,548,257
17.504	Consultation Agreements	840,468	0
17.600	Mine Health and Safety Grants	276,900	0
17.801	Disabled Veterans Outreach Program	1,434,100	0
17.804	Local Veterans Employment Representative	1,586,327	0
17.E9483928	State Occupational Information Coordinating Committee	113,570	0
Total U. S. Department of Labor		442,495,867	61,426,177
U. S. Department of Transportation			
20.005	Boating Safety Financial Assistance	1,346,076	0
20.000-01-MO-1	Airport Master Record Program	12,373	0
20.106	Airport Improvement Program	8,607,951	8,519,734
20.205	Highway Planning and Construction	613,666,719	65,130,831
20.218	Motor Carrier Safety Assistance Program	1,030,437	88,068

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
20.308	Local Rail Freight Assistance	48,870	48,870
20.500	Federal Transit Capital Improvement Grants	7,915,411	7,915,411
20.505	Federal Transit Technical Studies Grant	741,948	652,898
20.507	Federal Transit Capital and Operating Assistance Formula Grants	3,648,767	3,648,767
20.509	Public Transportation for Nonurbanized Areas	4,104,404	3,814,493
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,033,130	973,888
20.516	Job Access Reverse Commute	92,142	92,142
20.600	State and Community Highway Safety	3,715,093	3,715,093
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	364,668	364,668
20.700	Pipeline Safety	260,583	0
20.NRTP-96(001)	National Recreational Trails Fund	566	0
Total U. S. Department of Transportation		646,589,138	94,964,863
U. S. Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	341,915	0
Total U. S. Equal Employment Opportunity Commission		341,915	0
U. S. General Services Administration			
39.003	Donation of Federal Surplus Personal Property (Note 4)	2,577,008	2,577,008
Total U. S. General Services Administration		2,577,008	2,577,008
U. S. National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	497,165	154,863
45.310	State Library Program	3,186,887	2,707,799
Total U. S. National Foundation on the Arts and the Humanities		3,684,052	2,862,662
U. S. Veterans Administration			
64.005	Grants to States for Construction of State Home Facilities	11,131,521	0
64.015	Veterans State Nursing Home Care	12,305,726	0
64.203	State Cemetery Grants	2,064,405	0
64.V101223B	Veterans Educational Assistance	399,863	0
Total U. S. Veterans Administration		25,901,515	0
U. S. Environmental Protection Agency			
66.001	Air Pollution Control Support	49,508	0
66.433	State Underground Water Source Protection	38,214	0
66.438	WPC Construction Mgt. Asst.	17,357	0
66.454	Water Quality Management Planning	503,611	0
66.458	Capitalization Grants for State Revolving Funds	34,669,617	33,679,644
66.460	Nonpoint Source Implementation Grants	1,757,740	1,026,671
66.461	Wetlands Protection - Development Grants	316,421	56,401
66.463	National Pollutant Discharge Elimination Systems Related State Program Grants	64,131	0
66.468	Capitalization Grants for Drinking Water SRF	3,950,942	2,421,918
66.470	WPC-SRF Hardship Grants	393,195	0
66.600	Environmental Protection Consolidated Grants - Program Support	128,112	0
66.605	Performance Partnership Grants	9,657,868	312,941
66.606	Surveys, Studies, Investigations and Special Purpose Grants	583,271	18,318
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	454,272	0
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	225,099	0
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	126,001	17,197
66.708	Pollution Prevention Grants Program	83,087	0
66.802	Superfund State Site - Specific Cooperative Agreements	2,433,937	16,177
66.804	State Underground Storage Tanks Program	154	0
66.805	Leaking Underground Storage Tank Trust Fund Program	1,020,172	0
66.810	CEPP Technical Assistance Grants Program	60,702	0
66.SPX	Stormwater/Sludge Project	8,290	6,650
Total U. S. Environmental Protection Agency		56,541,701	37,555,917
U. S. Department of Energy			
81.041	State Energy Conservation	283,221	28,815
81.042	Weatherization Assistance for Low-Income Persons	2,710,784	2,629,845
81.090	DE EIA SHOPP 97	3,759	0
81.092	Weldon Springs Site Remedial Action Project	339,422	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
81.502	Demonstration of Light and Heavy Duty Alternative Fuel	9,790	0
81.997	Petroleum Violation Escrow Funds - Oil Overcharge	704,064	656,705
81	DE-SEP-CLN Cities Lambert	2,719	0
Total U. S. Department of Energy		4,053,759	3,315,365
U. S. Federal Emergency Management Agency			
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	78,521	0
83.105	Community Assistance Program - State Support Services Element	69,416	0
83.505	State Disaster Preparedness Grants	44,595	44,595
83.534	Emergency Management - State and Local Assistance	784,142	650,999
83.535	Mitigation Assistance	101,116	101,116
83.536	Flood Mitigation Assistance	13,227	0
83.539	Crisis Counseling	25,966	25,966
83.541	Disaster Unemployment Assistance	29,731	0
83.544	Public Assistance Grants	4,803,787	4,725,459
83.548	Hazard Mitigation Grant	2,156,843	1,903,006
83.551	Disaster Resistance Community Grant	64,824	0
83.552	Emergency Management Performance Grants	1,705,144	1,170,150
Total U. S. Federal Emergency Management Agency		9,877,312	8,621,291
U. S. Department of Education			
84.002	Adult Education - State Grant Program	6,692,341	6,309,881
84.010	Title I Grants to Local Educational Agencies	121,596,572	120,392,661
84.011	Migrant Education - Basic State Grant Program	1,641,646	1,641,646
84.013	Title I Program for Neglected and Delinquent Children	726,279	718,396
84.027	Special Education - Grants to States	80,038,860	77,209,829
84.029	Special Education - Personnel Development and Parent Training	1,969	1,963
84.032	Federal Family Education Loans	44,141,830	0
84.035	Interlibrary Cooperation and Resource Sharing	20,000	20,000
84.041	Impact Aid	3,804	0
84.048	Vocational Education - Basic Grants to States	25,781,896	24,711,325
84.069	State Student Incentive Grants	502,069	0
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	57,956,081	473,965
84.158	Secondary Education and Transitional Services for Youth with Disabilities	287,025	234,379
84.162	Immigrant Education	432,836	428,317
84.169	Independent Living - State Grants	309,898	309,898
84.173	Special Education - Preschool Grants	6,330,884	6,306,262
84.177	Rehabilitation Services - Independent Living Services for Older Individuals who are Blind	404,847	0
84.181	Special Education - Grants for Infants and Families with Disabilities	8,555,413	1,685,647
84.185	Byrd Honors Scholarships	699,666	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	7,357,228	6,404,347
84.187	Supported Employment Services for Individuals with Severe Disabilities	619,368	0
84.194	Bilingual Education Support Services	111,093	83,379
84.196	Education for Homeless Children and Youth	486,092	445,395
84.213	Even Start - State Educational Agencies	2,140,930	2,106,227
84.215	Fund for the Improvement of Education	1,358,615	1,197,013
84.216	Capital Expenses	46,496	46,496
84.224	Assistive Technology	463,519	0
84.243	Tech-Prep Education	2,647,917	2,623,764
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	138,147	0
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	7,687,758	4,718,191
84.278	School To Work State Implementation Grants	11,317,594	11,123,302
84.281	Eisenhower Professional Development State Grants	5,454,358	4,282,900
84.282	Charter Schools	675,815	647,991
84.298	Innovative Education Program Strategies	5,881,471	5,063,043
84.314	Even Start-Statewide Family Literacy Program	14,610	0
84.318	Technology Literacy Challenge Fund Grants	5,412,430	5,106,999
84.323	Special Education-State Program Improvement Grants for Children with Disabilities	780,639	780,639

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.326	Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	74,162	74,162
84.330	Advanced Placement Incentive Program	5,500	5,500
84.331	Workplace and Community Transition Training for Incarcerated Youth Offenders Program	362,955	0
84.332	Comprehensive School Reform Demonstration	2,581,868	2,510,079
84.340	Class Size Reduction	16,428,992	16,428,992
84.RN94-13-6026	National Cooperative System Program	76,194	0
Total U. S. Department of Education		428,247,667	304,092,588
U. S. Department of Health and Human Services			
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	108,743	103,306
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	172,140	163,533
93.043	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	339,765	322,777
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	6,730,792	6,394,252
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	10,062,905	9,559,759
93.046	Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	16,008	15,208
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	14,796	0
93.05-9905-MO	Operation Restore Trust	39,939	0
93.110	Maternal and Child Health Federal Consolidated Programs	156,924	80
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	609,457	86,596
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	64,041	0
93.125	Mental Health Planning and Demonstration Projects	641,035	635,117
93.130	Primary Care Services - Resource Coordination and Development Primary Care Offices	195,086	60,000
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	233,290	1,950
93.136	Injury Prevention and Control Research and State and Community Based Programs	83,145	0
93.150	Projects for Assistance in Transition from Homelessness	249,170	230,234
93.161	Health Program for Toxic Substances and Disease Registry	347,579	40
93.165	Grants for State Loan Repayment	27,500	27,500
93.194	Community Prevention Coalitions Demonstration Grant	1,222	0
93.196	Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	756,531	721,231
93.197	Childhood Lead Poisoning Prevention Program	589,937	177,247
93.223-98-4424	Mammography Inspections	173,666	0
93.223-98-4828	Tobacco Investigations	285,591	22,500
93.230	Consolidated Knowledge Development and Application Program	436,665	375,419
93.234	Traumatic Brain Injury	192,212	49,413
93.235	Abstinence Education	656,702	82,952
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	411,957	75,763
93.239	Policy Research & Evaluation Grants	126,144	0
93.268	Immunization Grants (Note 4)	13,165,302	759,009
93.270-95-0031	State Demand and Needs Assessment Studies: Alcohol and Drugs	57,512	56,642
93.270-96-0009	Outcome Pilot Studies	39,920	21,401
93.277-98-6020	Prevention Needs Assessment	215,752	215,752
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	2,298,906	134,266
93.283-95-0026	Uniform Alcohol and Drug Abuse Grant	68,496	68,496
93.393	Cancer Cause and Prevention Research	619,061	122,628
93.556	Family Preservation and Support Services	7,100,902	0
93.558	Temporary Assistance for Needy Families	201,994,120	0
93.563	Child Support Enforcement	51,069,599	6,932,364

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.566	Refugee and Entrant Assistance - State Administered Programs	3,897,386	23,148
93.568	Low-Income Home Energy Assistance	34,399,811	15,851,278
93.569	Community Services Block Grant	12,805,166	12,626,981
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	57,573	0
93.575	Child Care and Development Block Grant	62,464,120	0
93.576	Refugee and Entrant Assistance-Discretionary Grants	375,606	373,613
93.584	Refugee and Entrant Assistance - Targeted Assistance	821,396	0
93.585	Empowerment Zones Program	873,626	873,626
93.586	State Court Improvement Program	193,271	0
93.590	Community-bases Family Resource and Support Grants	436,667	436,667
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	38,145,350	0
93.597	Grants to States for Access and Visitation Programs	283,831	0
93.600	Headstart	250,000	0
93.603	Adoption Incentive Payments	29,272	0
93.630	Developmental Disabilities Basic Support and Advocacy Grant	1,431,714	926,751
93.631	Developmental Disabilities Projects of National Significance	44,571	43,993
93.643	Children's Justice Grants to States	292,523	0
93.645	Child Welfare Services - State Grants	6,067,967	0
93.658	Foster Care - Title IV-E	71,299,113	0
93.659	Adoption Assistance	12,839,495	0
93.667	Social Services Block Grant	36,380,816	0
93.669	Child Abuse and Neglect State Grants	353,149	0
93.671	Family Violence Prevention and Services/Grants for Battered Shelters - Grants to states and Indian Tribes	1,070,048	0
93.674	Independent Living	1,435,654	0
93.775	State Medicaid Fraud Control Units	676,183	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	10,265,797	160
93.778	Medical Assistance Program	2,474,011,715	0
93.779	Health Care Financing Research, Demonstrations and Evaluations	166,306	0
93.865	Center for Research for Mothers and Children	294,660	127,693
93.913	Grants to States for Operation of Offices of Rural Health	48,974	37,603
93.917	HIV Care Formula Grants	6,903,834	6,824,868
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2,941,771	1,446,452
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	168,086	57,500
93.940	HIV Prevention Activities - Health Department Based	2,972,536	1,744,486
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance	530,678	178,683
93.945	Assistance Program for Chronic Disease Prevention and Control	389,760	4,676
93.958	Block Grant for Community Mental Health Services	4,912,749	4,383,142
93.959	Block Grant for Prevention and Treatment of Substance Abuse	22,151,180	19,077,724
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,684,077	580,502
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	227,779	20,320
93.991	Preventive Health and Health Services Block Grant	4,352,104	837,061
93.994	Maternal and Child Health Services Block Grant to the States	11,781,452	4,758,423
Total U. S. Department of Health and Human Services		3,131,080,278	98,650,785
U. S. Corporation for National and Community Service			
94.003	State Commissions	113,458	0
94.004	Learn and Serve America - School and Community Based Programs	509,451	349,528
94.006	AmeriCorps	2,369,127	2,369,127
94.007	Planning and Program Development Grants	169,575	169,575
94.009	Training and Technical Assistance	100,991	0
Total U. S. Corporation for National and Community Service		3,262,602	2,888,230
U. S. Social Security Administration			
96.001	Social Security - Disability Insurance	32,937,329	0
Total U. S. Social Security Administration		32,937,329	0
U. S. State Justice Institute			

STATE OF MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
SJI-98-N-216	Juvenile Office Lotus Notes Communication	10,091	0
SJI-99-N-005	Stenomask Voice Recognition	4,499	0
	Total U. S. State Justice Institute	14,590	0
	Total Expenditures of Federal Awards	\$ 5,551,266,297	882,467,339

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The circular requires a schedule of expenditures of federal awards showing total expenditures for each federal financial assistance program as identified in the catalog of federal domestic assistance (CFDA), and identification of federal financial assistance programs which have not been assigned a CFDA number.

The accompanying schedule includes all federal financial assistance programs administered by the state of Missouri, except for those accounted for in the college and university fund type of the general-purpose financial statements of the state of Missouri. Federal financial assistance provided to entities accounted for in the college and university fund type has been excluded from this audit.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as, "...assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals."

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri, Type A programs are those which exceed \$16.5 million in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

The major programs for which expenditures of federal awards are presented on the modified accrual basis are as follows:

17.207	Employment Service
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act
17.253	Welfare to Work Grants to States and Localities
17.801	Disabled Veterans Outreach Program
17.804	Local Veterans Employment Representative
20.205	Highway Planning and Construction
84.032	Federal Family Education Loans

2. Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling \$27,402,229, on sales of formula to participants in the WIC Program (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

3. Unemployment Insurance Expenditures from the State Unemployment Compensation Fund

Expenditures reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$299,819,949. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those states totaling \$14,438,242 have also been included in the Unemployment Insurance program expenditure totals. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri totaling \$4,861,917 have been excluded from the Unemployment Insurance program expenditure totals.

4. Nonmonetary Assistance

The Department of Health distributes vaccines to local health agencies and other health care professionals under the Immunization Grants program (CFDA No. 93.268). Distributions were valued at the cost of the vaccines paid by the federal government and totaled \$9,384,683.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program. Property distributions totaled \$11,060,121 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program. Property distributions totaled \$852,706 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value.

The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2000

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weaknesses identified?

_____ yes X no

Reportable conditions identified that are
not considered to be material weaknesses?

 X yes _____ none reported

Noncompliance material to the financial statements
noted?

_____ yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified?

 X yes _____ no

Reportable conditions identified that are
not considered to be material weaknesses?

 X yes _____ none reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133?

 X yes _____ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Food Stamp Cluster:
10.551	Food Stamps
10.561	State Administrative Matching Grants for Food Stamp Program
10.558	Child and Adult Care Food Program

	Emergency Food Assistance Cluster:
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)
	Employment Service Cluster:
17.207	Employment Service
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative Program
	Job Training Partnership Act Cluster:
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act
17.253	Welfare-to-Work Grants to States and Localities
20.205	Highway Planning and Construction
	Federal Transit Cluster:
20.500	Federal Transit Capital Improvement Grants
20.507	Federal Transit Capital and Operating Assistance Formula Grants
66.458	Capitalization Grants for State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
	Special Education Cluster:
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.032	Federal Family Education Loans
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.181	Special Education - Grants for Infants and Families with Disabilities
84.186	Safe and Drug-Free Schools and Communities - State Grants
84.213	Even Start - State Educational Agencies
	Aging Cluster:
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
	Child Care Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant
93.674	Independent Living
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A
and Type B programs:

\$16,500,000

Auditee qualified as a low-risk auditee?

_____ yes X no

Section II - Financial Statement Findings

The state began using a new accounting system (SAM II) in fiscal year 2000. We audited the new accounting system to determine if controls were adequate and effective. We noted certain matters involving internal controls over SAM II that we consider to be reportable conditions as described below as items 1 to 8.

1.

Reporting

- A. Our surveys of state agencies indicated the reporting needs of various state agencies have not been met by the SAM II system. Some agencies indicated the standard reports generated by the SAM II system do not provide the detailed information needed for review of their transactions and for tracking their appropriations. In addition, some agencies indicated the information provided by the standard reports is organized in a format which is complex and confusing. SAM II is a fund based accounting system while SAM was an appropriation based system.

Many users indicated that reports are needed which include detailed information at the organization level and at the appropriation level. Many state agencies are unable to determine the current status of their appropriations. One agency indicated, "...We are three-fourths of the way through the fiscal year and have no real way to see where we are." The inability for agencies to evaluate their appropriation levels is a critical concern of many users. In addition, users indicated the formatting for standard reports is complex and not meaningful. As a result of inadequate reports, users are having difficulties reviewing reports for individual transactions. Some users indicated that although the SAM II standard reports provide adequate summary information, the information is difficult to analyze and understand what is included in these summary reports. Standard reports that provide significant detailed information regarding specific transactions are still needed. Many users also indicated the reports generated by the SAM II system are not similar to the previous reports produced by the SAM system. As one agency indicated, "...We were led to believe from the project that we would receive reports similar to what we were used to receiving. That turned out to be fiction...." Some agencies hired consultants to develop usable reports. The hiring of consultants was an additional expense incurred by these agencies.

In addition to the standard reports generated by the SAM II system, state agencies can generate reports from the data warehouse. The data warehouse enables agencies to query detailed information and to organize the information into the desired format. However, many users indicated that even though the data warehouse has the desired information, it is extremely difficult to obtain, download, and organize this information into a usable report.

As a result of complaints from the state agencies for more detailed and user friendly reports, a SAM II Data Warehouse/Reporting Information Technology Advisory Board (ITAB) Committee was formed. This committee was created to assist state agencies in obtaining the information necessary for reporting purposes. The committee considered various agency needs and coordinated the development of three additional standard reports. Some agencies have indicated these three reports will be beneficial and will satisfy many reporting needs. The committee also encourages users to communicate with other users to determine successful data warehouse queries and the methods used in developing usable report information.

However, many survey responses received indicated the lack of adequate reports is the most important concern of users. The SAM II Data Warehouse/Reporting ITAB Committee has partially addressed this issue with the development of the three reports mentioned above. At the time of the survey, these three reports were still in the early implementation phase and agencies had not received or become familiar with these reports. Thus, survey responses indicated that many users were unable to obtain the necessary detailed information required for reporting purposes. One user indicated, "If the reports are not available, the system is useless. This needs top priority."

B. We reviewed the Comparative Balance Sheet By Fund report (F205) as of June 30, 2000, and the Statement of Revenue and Expense report (F140) for Fiscal Year 2000. Our review noted the following concerns:

1. The balance sheet for the General Revenue and the State Road funds did not balance as total assets did not equal total liabilities and fund equity.

For financial reporting purposes, total assets must equal total liabilities and fund equity. When this does not occur it is an indication of improperly recorded transactions.

2. An accurate statement of changes in fund balance could not be prepared for 19 of the 356 (5.3 percent) funds. The difference between calculated fund balance and the reported fund balance was \$92,290,033. The differences in these 19 funds ranged from \$(7,766,261) to \$84,614,374. An accurate statement of changes in fund balance is needed for financial reporting purposes. When this does not occur it is an indication of improperly recorded transactions.

3. An accurate statement of cash flows could not be prepared for 18 of the 356 (5.1 percent) funds. The difference between calculated cash balance and the reported cash balance was \$(13,302,986). The differences in these 18 funds ranged from \$(20,314,124) to \$11,587,147. Many of the differences were for the same funds indicated in 2 above. An accurate statement of cash flows is needed for financial reporting purposes. When this does not occur it is an indication of improperly recorded transactions.
4. We noted that accumulated depreciation was reported for six funds. However, four of these funds did not report a fixed asset amount and the other two funds reported a negative fixed asset amount. Accumulated depreciation is recorded as a reduction in the fixed asset amount and should only be reported when there are fixed assets. In addition, fixed assets should never be a negative number. These discrepancies indicate there are errors in the recording of fixed assets and accumulated depreciation.

From the errors indicated above, the Comparative Balance Sheet By Fund report as of June 30, 2000, and the Statement of Revenue and Expense report for Fiscal Year 2000 are not accurate and reliable.

WE RECOMMEND the Office of Administration:

- A. Continue to coordinate the development of reports to meet the reporting needs of the various state agencies.
- B. Determine the reasons for the inaccuracies in the SAM II reports and develop procedures to ensure the accuracy of reports.

AUDITEE'S RESPONSE

- A. *We concur. We did work with the ITAB Datawarehouse/Reporting Committee to develop and implement the three standardized reports identified in this finding. In addition, the ITAB Committee and the SAM II Steering Committee confirmed that these reports met the identified needs of systems users.*

While the system has 170 standard reports available, we are encouraging agencies to make use of the adhoc reporting capabilities of the system. We envision that in the future more information will be used and analyzed by adhoc reports than by standardized reports.

To move from a batch, paper document, cash basis accounting system to an on-line real-time accrual based accounting system has been a major undertaking and we expect we will continue to experience a considerable learning curve.

- B.1. *This error was caused by a human error when entering a transaction. This was corrected and these reports now balance.*

- 2&3. *These errors were the result of conversion errors in moving data from SAM I to SAM II. Cash balance amounts were loaded into the fund balance account. This was corrected and these reports now reflect correct totals.*
4. *These errors were caused when the payment voucher transactions to purchase the assets were entered incorrectly. The payment indicated that no asset record should be created. However, correct entries were made in the fixed asset subsystem. These errors were caught and corrected as part of preparation of the Comprehensive Annual Financial Report.*

2.	Workflow and Document Listing
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The SAM II workflow system routes documents from one user to another user to facilitate the processing and approval of various on-line documents. Included in the workflow system is a worklist which is a listing of all documents routed to a specified user. Each user has a unique worklist which identifies documents ready to be processed and approved.

Vendor invoices are processed using different types of on-line payment voucher documents. All payment vouchers except for automated payment vouchers and vendor payment vouchers require approval by the Office of Administration (OA) - Compliance Audit Section before payment is made. The on-line payment voucher documents are submitted to the compliance auditors from state agencies by the workflow system and the state agencies submit the original invoices to the compliance auditors for final approval of the payment voucher document.

The compliance auditors are not using the worklist in the workflow system to approve payment voucher documents. A large number of payment voucher documents from different state agencies are routed through the workflow system to the compliance auditors for the compliance auditors to approve the payment voucher document. However, the work list cannot locate payment voucher documents by using a specific document number. In addition, the worklist cannot be sorted to allow the compliance auditors to locate specific documents. To locate a document on the worklist, the compliance auditors must scroll through the listing of documents until the specific document is located. As a result, it takes a lot of time to search the worklist for specific documents needing approval. In order to locate documents quicker, the compliance auditors are using the document listing table which is also known as the suspense file (SUSF). However, the SUSF allows the compliance auditor access to documents before the documents have been processed and approved at the agency level.

The SUSF does not operate within the workflow system. The SUSF operates as a holding file storing documents from all workstations connected to the system. The SUSF stores documents until the documents are approved, completed or corrected. Compliance auditors are allowed access to the SUSF and use it to locate documents needing approval. The SUSF allows the compliance auditors to search by document number, document type, agency

number, or fund number. However, by using the SUSF, compliance auditors have access to all documents, not just those documents pending approval from the compliance auditors. By not using the workflow system, which restricts the flow of documents to only the designated workstation, the OA compliance auditors could approve documents, which would generate a check to the vendor, before the documents have been reviewed and approved at the agency level. In addition, by using the SUSF the compliance auditors are circumventing the controls established with workflow in the SAM II system.

WE RECOMMEND the Office of Administration modify the workflow system to provide for the more efficient and timely location of documents by the compliance auditors and discontinue allowing the compliance auditors to approve documents from the SUSF.

AUDITEE'S RESPONSE

The ability of the worklist to be sorted to locate a specific document has been identified as a significant shortcoming to AMS and they are currently working on an enhancement to the baseline software. In the meantime, we have strengthened our procedures to reduce the chance of error when using SUSF.

3. Filing Supporting Documentation

The OA does not ensure the original supporting documentation is received from state agencies for Automated Payment Voucher (PVA) and Vendor Payment Voucher (P1) transactions. During our review of expenditures, the OA was unable to locate supporting documentation for 21 of 30 PVA expenditures reviewed (70 percent) and supporting documentation for 8 of 23 P1 expenditures reviewed (35 percent). In addition, one agency indicated it had not submitted supporting documentation for any PVA expenditures to the OA since the SAM II system was implemented.

Vendor invoices are processed using different types of payment voucher documents. The PVA documents are generated by the SAM II system as a result of the three-way match feature. According to SAM II policies and procedures, this feature provides the capability of generating payment vouchers automatically, provided the system has accepted the correct combination of the corresponding purchase order, receiving, and vendor invoice documents. When the required criteria has been matched on these three documents, a payment voucher is automatically generated. The P1 documents are payment vouchers which are prepared at the agency level. The P1 documents also reference a purchase order and vendor invoice, but is not an automatically generated payment voucher. Once the P1 document has been completed, the P1 will be approved and processed by designated personnel at the agency level and does not have to be approved by compliance auditors. Supporting documentation of expenditures is filed with the OA after the payment voucher documents have been processed and approved.

The OA is responsible for receiving all supporting documentation relating to PVA and P1

transactions. The OA will use a Data Warehouse query (payment document submission) to ensure supporting documentation for all PVA and P1 transactions has been submitted to the OA for filing. SAM II policies and procedures indicate the payment document submission query will be used by the agency and the OA to ensure all original supporting payment documents forwarded by the agency are physically present. In addition, SAM II policies and procedures indicate the OA will do a comprehensive verification of all submitted documents within three business days. If there are any discrepancies the agency will be contacted.

The OA indicated a monthly spot check is performed to verify that supporting documentation has been submitted for several expenditures before the documents are filed. However, not all expenditures are verified. In addition, as of May 2000, the payment document submission query had only been generated through December 1999 for the PVA documents and no review had been performed to ensure agencies submitted P1 documents to the OA. As of August 17, 2000, the payment document submission query had been generated through July 2000. However, the OA was still receiving documents dating back to July 1999. Therefore, it does not appear that a comprehensive verification of all documents is performed by the OA to ensure that all supporting documentation has been received.

SAM II policies and procedures indicate the OA has the primary responsibility of filing and archiving supporting documentation for most financial transactions. In addition, Section 33.060, RSMo 1994, indicates the Commissioner of Administration shall keep all vouchers, documents, and all papers relating to the accounts of the state, and Section 33.150, RSMo 1994, indicates the original of all accounts, vouchers, and documents approved or to be approved be kept by the Commissioner of Administration. Therefore, it is imperative for the OA to develop and follow procedures which will ensure supporting documentation for all expenditures has been submitted to the OA for filing.

WE RECOMMEND the Office of Administration develop and follow procedures to ensure supporting documentation for expenditures is received from the agencies and filed accordingly.

AUDITEE'S RESPONSE

We concur.

4. Internal Control Plans

Following the implementation of the SAM II system, state agencies were requested to submit an internal control plan to the OA. However, only three state agencies had submitted completed internal control plans as of August 17, 2000.

The instructions for the preparation of an agency internal control plan were distributed to state agencies in April 1999. Originally, internal control plans were to be submitted to the OA by October 1999. However, due to complications and increased workload associated

with the implementation of the SAM II system, an extension was granted to January 2000. The OA had not received any internal control plans by January 2000 and extended the deadline to the spring of 2000 without setting an actual date for the submission of the internal control plans.

The state agencies are responsible for preparing the internal control plans and submitting the plans to the OA. The state agencies are also responsible for reviewing and evaluating internal controls on an annual basis and are required to report on the annual review to the OA. The development of internal control plans by the state agencies will provide assurance that assets are being safeguarded, that applicable statutes, rules and regulations are being followed, and that the objectives of agency management are being met.

WE RECOMMEND the Office of Administration require all state agencies to submit internal control plans by a certain date and discontinue extending the deadline.

AUDITEE'S RESPONSE

We concur. We will meet with agency representatives and establish a workable deadline.

5. Receivable Document Processing
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The receivable (RE) document is used to record accounts receivable and interagency billings. In general, receivables are to be recorded in SAM II when the state has the right to an asset (cash) that has not been received.

The processing of an RE document results in a debit to accounts receivable and a credit to revenue. When cash is received for an applicable receivable, the cash receipt (CR) document will reference the RE document number and the system will debit cash and credit accounts receivable.

The RE document is also used to record interagency billings. When a RE document is used to bill another state agency, certain fields in the RE document must be coded correctly to ensure the transaction is accurately recorded. The net effect on cash when processing an RE document correctly for an interagency transaction is zero. A RE document for non-interagency transactions results in a cash increase. To ensure the proper recording of interagency transactions, the prefix IAB was added as the first three digits of the RE document number when processing an interagency billing. In addition to the IAB prefix, interagency revenue source codes were established to distinguish interagency revenue from non-interagency revenues.

Our review noted the following areas of concern:

- A. Users are not following SAM II policies and procedures for processing interagency RE documents. Since the RE document is used to code both interagency and non-

interagency transactions, the SAM II system is unable to ensure the IAB prefix is indicated on the RE document for interagency transactions. It is the users responsibility to know when to manually add the IAB prefix and when to use the specified interagency revenue source code. The SAM II system does not provide an edit check to ensure IAB is coded in the first three characters of the document number when an interagency revenue source code is used or ensure an interagency revenue source code is used when IAB is coded in the first three characters of the document number. Without the IAB coding in the first three characters of the document number, the SAM II system will not recognize the transaction as an interagency transaction and will not record the transaction correctly.

- B. For interagency transactions, the purchasing agency must manually cancel the purchase order generated by the SAM II system instead of being automatically liquidated, as the RE document does not include the purchase order document number. Without manually canceling the purchase order, the purchase order will remain on the SAM II system which causes reporting errors and understates the balance of remaining appropriations.

WE RECOMMEND the Office of Administration:

- A. Implement edit checks to ensure that agencies properly code the RE documents when processing interagency transactions by using IAB in the first three characters of the document number and to ensure that agencies use the interagency revenue source code.
- B. Change procedures for interagency transactions so that purchase orders will be liquidated automatically by the SAM II system.

AUDITEE'S RESPONSE

We have identified a number of problems associated with the interagency billing transactions and are considering elimination of the Cash Receipt Payment (CRP) transaction. We are exploring the possibility of using standard payment voucher transactions for the payment of interagency bills. Such an approach would use vendor information to identify transactions between agencies for financial reporting purposes.

6. Cash Receipt Payment Document Processing
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The cash receipt payment (CRP) document was a modification to the SAM II system and is used strictly to record payments for interagency billings. The CRP document is a clone of the SAM II cash receipt (CR) document consisting of the same fields. The CRP document is used to record both revenue and expense information. The CRP document references the interagency billing/invoice (RE) document and also records the expenditure accounting information for the billed/paying agency.

Our review noted the following areas of concern:

- A. Users are not following SAM II policies and procedures for the processing of CRP documents as users are not indicating IAB in the document prefix or entering the interagency bank account code. These two fields distinguish CRP documents from CR documents. Neither the IAB prefix nor the interagency bank account code populate the fields automatically for a CRP document. In addition, the CRP document will accept any valid object or revenue source code in the SAM II system versus only accepting revenue source codes specific to interagency transactions. The CRP document does not have edit checks to ensure the above information has been entered correctly. Thus, interagency transactions are not being recorded correctly resulting in errors in the accounting records.
- B. In addition, the CRP document will process without referencing a valid RE document. When the CRP document is processed without referencing a valid RE document, the transaction will credit revenues instead of accounts receivables, overstating both revenues and accounts receivables. An edit check should be included on the CRP document to ensure a valid RE document is referenced.

WE RECOMMEND the Office of Administration:

- A. Modify the CRP document to populate the prefix IAB and the interagency bank account code automatically to ensure the proper processing of interagency billing transactions. In addition, the modification should ensure only interagency revenue source codes are used on a CRP document.
- B. Design an edit check to ensure a valid RE document is referenced on CRP documents.

AUDITEE'S RESPONSE

We have identified a number of problems associated with the interagency billing transactions and are considering elimination of the CRP transaction. We are exploring the possibility of using standard payment voucher transactions for the payment of interagency bills. Such an approach would use vendor information to identify transactions between agencies for financial reporting purposes.

7. SAM II Access Procedures

The Office of Administration (OA) controls access to the SAM II system. The OA grants access to the system based on security request forms completed by agency personnel. We noted the following concerns in the state's system security access procedures:

- A. The OA did not instruct the agencies and/or give the agencies any guidance on proper controls and procedures to establish access to the system. As a result, each agency had to establish their own procedures to control access. In addition, the OA did not require agencies to report their procedures to the OA; therefore, the OA does not know if agency procedures are proper and adequate.
- B. The OA did not coordinate the designation by each agency of which employees would serve as the agency's security liaison. For proper control and to be able to manage security more effectively, each agency should use a designated security liaison. This would help ensure that agency access requests are authorized by a person who is familiar with the various SAM II security profiles. It would also give the OA a list of agency employees to contact to discuss security concerns.
- C. The OA did not require agencies to submit a list of personnel who can authorize security request forms. The OA left it up to each agency to decide who could make these authorizations. In addition, the OA does not have a listing of the individuals designated as authorized signatures. As a result, the OA cannot ensure the access that is being granted by the form was appropriately approved. The OA should review the forms to determine if they are signed by an authorized person.
- D. Although the OA maintains a system that documents security access levels at various times on a historical basis, the OA does not produce any security reports. Without reports, the OA and the agencies cannot effectively manage security profiles assigned to individual users. Each agency, as well as the OA, should review security profiles on a continuing basis. Instead of each agency implementing their own system to track security access levels, it appears it would be more efficient and effective if the OA used the system to generate security access information.
- E. The OA does not review security request forms for reasonableness or to identify incompatible profiles where too much access is granted to an individual. Although each agency may be ultimately responsible for security access, we believe the OA or the SAM II system should have certain controls and procedures at a centralized level to reduce the risk of inappropriate financial activity.

WE RECOMMEND the Office of Administration:

- A. Provide appropriate guidance to agencies about system security access.
- B. Require each agency to designate a security liaison.
- C. Help agencies identify appropriate personnel to authorize security request forms, maintain a list of authorized personnel and review the security request forms to ensure they are signed by an authorized person.
- D. Produce security access information for review by the OA and agency personnel.

- E. Review security request forms for inappropriate access.

AUDITEE'S RESPONSE

- A. *While we are sure additional instruction would be beneficial, limited resources prevent us from doing more in this area.*
- B, C,
& E. *We concur.*
- D. *Reports on security are available on a weekly basis now.*

8. Reconciliations

The OA did not prepare their monthly financial summary on a timely basis. As of July 2000, the last monthly financial summary completed was October 1999, indicating the OA was eight months behind in preparing the monthly financial summary. As of August 17, 2000, the OA had completed the monthly financial summary through May 2000 demonstrating that the OA has been able to improve on the timeliness of the monthly financial summary in the last few months.

To prepare the monthly financial summary, the OA reconciles SAM II data from the data warehouse to the State Treasurer's Office monthly cash balance report and the SAM II Monthly Fund Cash Activity Report. The OA reconciles the cash balance but also reviews transactions for possible coding errors to ensure transactions were processed properly. The OA has indicated that most problems encountered when reconciling are due to interagency transactions which have been discussed earlier in this report.

Timeliness of monthly reporting is essential to the monitoring of state activities. By not ensuring monthly financial summary reports are prepared on a timely basis, the state's activities cannot be properly monitored.

WE RECOMMEND the Office of Administration ensure monthly financial summary reports are completed on a timely basis.

AUDITEE'S RESPONSE

We concur.

Section III – Federal Award Findings and Questioned Costs

2000-1

Cost Allocation Errors

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
State Agency: Department of Social Services

The department's Division of Budget and Finance (DBF) incorrectly allocated \$67,139 in administrative costs to the federal Adoption Assistance program. These costs should have been allocated to the state adoption program. The costs were incorrectly allocated for the Children's Services time studies prepared for the first three quarters of the year ending June 30, 2000. The DBF made correcting adjustments to the cost allocation for the fourth quarter to correct the previous errors after we informed them of the problem.

The Children's Services time study is used to allocate various costs among all Children's Services programs. Costs are allocated based upon the percentage of time a sample group of employees work on each program. The time study is conducted quarterly by the department's Research and Evaluation Section and the results are given to the DBF to be used to allocate the costs among the various programs. The U.S. Department of Health and Human Services approves the allocation method every two years.

The DBF did not update the spreadsheet used to calculate the percentage of costs to be allocated to Title IV-E (federal costs) and non-Title IV-E (state costs) for the quarterly cost allocation. These percentages dictate how costs are allocated to the Adoption Assistance program. Total costs incorrectly allocated were \$134,278 and the federal share of those costs was \$67,139.

WE RECOMMEND the DBF ensure future cost allocations are correct.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2000-2

Schedule of Expenditures of Federal Awards

Federal Agency:	Department of Health and Human Services	
Federal Programs:	93. Combined	<u>Questioned Costs</u>
	93.556 Family Preservation and Support Services	\$ 11,832,573
	93.563 Child Support Enforcement	
	93.658 Foster Care - Title IV-E	

93.667 Social Services Block Grant
State Agency: Department of Social Services

- A. Amounts were incorrectly stated on the Schedule of Expenditures of Federal Awards (SEFA) for some programs. The Department of Social Services (DSS) needs to place a higher priority on the accuracy of the SEFA and establish effective procedures to ensure amounts are correct. The original SEFA prepared by the DSS misreported expenditure amounts for the following programs:

CFDA #	Program	(Understated) Overstated Amount
93.658	Foster Care - Administration	\$830,439
93.658	Foster Care - Training	(\$317,305)
93.658	Foster Care - Assistance	(\$73,710)
93.667	Social Services Block Grant	(\$2,588,500)

In addition, the amount provided to subrecipients was understated by \$620,670 for the Child Support Enforcement program (CFDA # 93.563).

The errors noted above were corrected when we brought them to the attention of DSS management.

- B. The SEFA prepared by the DSS did not report any amounts provided to subrecipients for the Social Services Block Grant or Family Preservation and Support Services programs. The DSS provides funding to local community partnerships through various programs (including the Family Preservation and Support Services program) in coordination with several other state agencies and to local juvenile courts through the Social Services Block Grant. We estimate these two programs provide approximately \$11,832,573 to community partnerships for the state's Caring Communities Program and the Social Services Block Grant payments to local juvenile courts as part of the state's Juvenile Court Diversion Program. The related contracts do not require the subrecipients to obtain audits in compliance with OMB Circular A-133.

The DSS indicated they did not report these amounts as payments to subrecipients because these entities were vendors instead of subrecipients within the definition of OMB Circular A-133. However, we believe these entities are subrecipients. It should be noted the DSS treated and reported the funds provided to these partnerships and juvenile courts as subrecipients in prior years.

The DSS indicated another reason they classified the community partnerships as vendors is they are unable to determine the specific grant fund source for the funding provided the partnerships. OMB Circular A-133 Section 400 (d) requires the DSS to disclose the source of funding and all regulations that must be followed to each grant

subrecipient. When some of the required information is not available, the state is required to provide the best information available to describe the federal award. The DSS stated its accounting system does not provide the needed information. To comply with OMB Circular A-133 Section 400 (d), the DSS should provide all possible required information to subrecipients.

In addition, the above problems result in additional concerns, including failure of appropriate subrecipients to obtain required audits of the use of their federal funds in compliance with OMB Circular A-133.

Based on the lack of appropriate DSS SEFA subrecipient reporting, the accounting system's failure to provide the needed grant expenditures information, the failure to provide subrecipients adequate disclosure of the funding source or regulations to be followed in discharging their responsibilities, and the failure to require audits in compliance with OMB Circular A-133, we question the federal funds provided to the local juvenile courts and the Caring Communities Program totaling an estimated \$11,832,573.

In addition, we are currently performing a separate audit of the Caring Communities Program. That audit may result in the reporting of additional concerns at a later time.

WE RECOMMEND the DSS resolve the questioned costs with the grantor agency. In addition the DSS should:

- A. Ensure amounts are accurately reported on the SEFA.
- B. Treat the community partnerships and local juvenile courts as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain audits in compliance with OMB Circular A-133 when appropriate.

AUDITEE'S RESPONSE

- A. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*
- B. *We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.*

2000-3	Inadequate Monitoring of Immigrant Mutual Aid Association
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Federal Agency: Department of Health and Human Services
Federal Program: 93.566 Refugee & Entrant Assistance – State Administered Programs
State Agency: Department of Social Services - Division of Family Services
Questioned Costs: \$36,000

The Lao Mutual Aid Association (Association) receives reimbursements from the Division of Family Services (DFS) for expenditures incurred in accordance with a contract to provide refugee resettlement services to persons immigrating to Missouri from Laos. These services could include counseling and other guidance, job skills, and English as a second language classes. This program is funded entirely by federal funds provided through the DFS.

The Association was unable to provide supporting documentation for most of the expenditures claimed for reimbursement. The Association indicated that supporting documentation is discarded upon payment. The DFS contract with the Association does not cover the retention period for financial records. The DFS monitored program services to ensure the intended services were provided by the Association but did not monitor expenditure records. The DFS contract with the Association requires an annual audit to help provide assurance that adequate financial records are maintained by the Association. However, an audit has not been obtained and DFS has only limited assurance monies provided to the Association were used in accordance with the budget specified in the contract.

As a result of the lack of documentation to support expenditures and noncompliance with contract audit provisions, we question the entire \$36,000 paid to the Association during the year ended June 30, 2000.

WE RECOMMEND the DFS resolve the questioned costs with the Association and the grantor agency. In addition, DFS should require the Association to keep all financial records for at least three years and submit an annual audit as required by the contract.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2000-4	Independent Living Program Payments
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Federal Agency: Department of Health and Human Services
Federal Program: 93.674 Independent Living
State Agency: Department of Social Services – Division of Family Services
Questioned Costs: \$537

The DFS uses federal Title IV-E Independent Living Program (ILP) monies to assist foster youth in becoming independent. Under USC Section 677 (a), youth ages 16 to 21 who are in foster care or were in foster care after age 16 are eligible to receive ILP services to prepare them to live independently. The state may use federal ILP monies to provide training in daily living skills, provide educational or vocational counseling, enable youth to seek a high school diploma or college degree, etc.

We obtained a listing of all youth who received federal ILP services during the year ended June 30, 2000. The listing identified a total of 1,041 clients and we selected 40 for our test of eligibility. We identified six individuals out of the forty tested (15 percent) that were not eligible because they were under sixteen years of age. The following table provides greater detail on these six cases:

Case No.	Month Youth is Eligible for Independent Living Services	Reason Youth Not Eligible During 2000	Inappropriate Payments From Independent Living Program
1	March, 2001	A	\$ 29
2	February, 2001	A	18
3	February, 2001	A	20
4	June, 2012	A	500
5	August, 1999	B	31
6	May, 2000	B	127
			<u>\$ 725</u>

A Will not turn 16 until after FY 2000.

B Turned age 16 during FY 2000; therefore was eligible only part of FY 2000.

If the above error rate remains constant throughout the population of 1,041 clients, the estimated number of clients ineligible for benefits is approximately 156. The average ILP benefit paid per ineligible client was approximately \$120; and therefore, 156 clients would have received about \$18,720.

In addition to the federal ILP services, the state provides independent living services to youth ages thirteen through fifteen at state expense. DFS employees are required to code state program costs to the appropriate state fund as they are incurred. In five of the six cases above, the DFS employee incorrectly coded the payment to the federal program instead of the state program. The remaining error was Case No. 4 in the table above for a three year old child who inappropriately received federal ILP benefits. It appears this payment should have come out of the state Adoption Subsidy Fund.

Based on the results documented in the above table, the six clients in question received \$725 during the year ended June 30, 2000, in federal ILP benefits they were not eligible to receive,

and we question the federal share of \$537 (74 percent).

We reported a similar condition in our previous report and the DFS indicated an automated system edit to prevent similar future errors was activated on August 23, 2000.

WE RECOMMEND the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should ensure the system edit prevents future errors and review for and correct similar errors in the remaining client records.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2000-5

Eligibility – Unreported Income

Federal Agency: Department of Agriculture and Department of Health and Human Services

		<u>Questioned Costs</u>
Federal Program:	10.551 Food Stamps	\$ 8,399
	93.778 Medical Assistance	269

State Agency: Department of Social Services–Division of Family Services (DFS),
Division of Medical Services (DMS)

The DFS requires individuals to report all unearned income on their benefit application and sign a “Notification of Fraud Provisions” statement that all changes in unearned income of more than \$25 must be reported by the client within ten days of the change.

To test the effectiveness of these procedures relative to payments from the state’s Second Injury Fund, we performed a match of computer records of Temporary Assistance for Needy Families and Food Stamp clients as of September 2000 against records of individuals who received a settlement from the Second Injury Fund between January 1999 and June 2000. The match identified 235 clients that received benefits and also received a settlement from the Second Injury Fund. We selected six cases for further review to determine if the client had properly reported this unearned income to the DFS. We determined that four of the six (67%) had not properly reported the unearned income.

Unearned income can have a direct effect on the clients’ eligibility and benefit amount. The following table provides greater detail on the unearned income not properly reported and questionable benefits paid through early January 2001.

Case No.	Settlement from the Second Injury Fund	Date Received	Total Questionable Food Stamp Benefits	Total Questionable Medical Assistance Benefits
1	\$ 14,446	09/03/1999	\$ 2,038	\$ 220
2	675	09/10/1999	1,937	na
3	696	08/16/1999	2,936	113
4	1,921	09/23/1999	1,488	113
			<u>\$ 8,399</u>	<u>\$ 446</u>

It appears \$8,399 in Food Stamp benefits and \$446 in Medical Assistance claims were paid to recipients whose unearned income could exceed eligibility requirements. We question the federal portion of these amounts which are \$8,399 for Food Stamps and \$269 for Medical Assistance.

The DFS should review the above active cases to determine if the assistance benefits need to be terminated and consider what policy and procedure changes are needed to reduce the problems caused by clients who do not report Second Injury Fund or other types of unearned income.

In previous years, we have performed several similar eligibility tests seeking and finding unreported client income from various other state payment sources and have reported problems similar to those shown above. We believe the DSS should be more proactive in seeking new ways to prevent similar problems from occurring in the future and to identify and correct like problems where preventive efforts have failed.

WE RECOMMEND the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. The DFS should also determine needed policy and procedure changes to help identify clients who fail to properly report Second Injury Fund or other types of unearned income.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2000-6**Child Care Attendance Records**

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
State Agency: Department of Social Services–Division of Family Services (DFS)

The above programs provide monies to child care providers who serve clients participating in the program. Eligible clients include children of parents meeting certain income guidelines who are working or attending a job training or education program. Parents apply to DFS to participate in the program. Once approved by DFS, parents select a child care provider and the state enters into an agreement with the provider to provide child care services. Child care providers can be either licensed by the state or unlicensed, depending on the number of children cared for. Providers bill DFS monthly for services.

Unlicensed providers are required to submit an attendance sheet that is signed by the parents to verify the child received the services. However, since state regulations require licensed providers to keep attendance records, DFS does not require licensed providers to submit any attendance records to DFS.

Without reviewing the attendance records of the licensed providers, the DFS has little assurance it is being billed for the correct amount or that its policies regarding allowable absences are being followed. While it may not be feasible to require all the licensed providers to submit all their attendance records, the DFS should consider ways to improve the review process of the billings from licensed providers. These could include requiring various levels of detail to be submitted, periodic monitoring visits, or some combination of these depending on the size of the provider, how long they have been participating in the program, and the expected level of compliance with DFS policies.

WE RECOMMEND the DFS consider ways to enhance the reliability of billings submitted by licensed child care providers.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2000-7**Cash Management**

Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for State Revolving Funds
State Agency: Department of Natural Resources (DNR)

- A. The DNR has not established adequate cash management procedures to ensure the minimum time elapses between receipt of federal monies and the disbursement of such monies. The lack of adequate internal controls led to several payments totaling \$804,797 being held eight to ten days in the state's Water and Wastewater Loan Fund before disbursement.

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the United States Department of Treasury states that funds shall be requested such that they are received not more than two days prior to disbursement of a payment.

- B. The DNR has not established adequate cash management procedures to ensure a timely state match on all federal draws deposited in the State Revolving Fund (SRF). The lack of adequate internal controls led to several payments totaling \$2,602,298, which received the state match one to fifteen days late.

Section 602 (b) (2) of the Title VI Clean Water Act requires the state match to be deposited in the SRF on or before federal monies are received.

- C. The DNR is not processing the repayments of loan guarantees in a timely manner. Our test of twenty-five repayments noted that all repayments were deposited in the Water and Wastewater Loan Revolving Fund approximately one month after receiving the checks from the trustee banks. We estimate the DNR lost interest revenue of approximately \$51,000 by not processing repayments totaling \$11,053,922 in a timely manner.

The SRF program uses federal and state monies to guarantee bond issues for clean water projects. The bond monies and the loan guarantees are held by a trustee bank. The bank will proportionally release these monies back to the program as the community makes principal payment on the bond issue. The program will then use the released loan guarantees to fund direct loans for other clean water projects.

Adequate cash management policies and procedures are necessary to ensure that all repayments are processed in a timely manner to prevent the loss of interest revenue. In addition, the timely processing of repayments increases the amount of money that is available for new loans.

WE RECOMMEND the DNR:

- A. Ensure federal monies are requested in accordance with the Cash Management Improvement Act.
- B. Ensure that the state match is made on or before federal monies are received.
- C. Ensure all repayments of loan guarantees are deposited in a timely manner.

AUDITEE'S RESPONSE

The department agrees with these findings. We have implemented procedures to ensure minimum time elapses between receipt and disbursement and a timely state match. These processes will be monitored and necessary adjustments will be employed. Details of these procedures will be outlined in the Corrective Action Plan.

2000-8

Reporting

Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for State Revolving Funds
State Agency: Department of Natural Resources (DNR)

The original Schedule of Expenditures of Federal Awards (SEFA) prepared by DNR was overstated by approximately \$48 million. The DNR revised the schedule after we questioned the accuracy of the schedule. The errors resulted from inadequately trained staff, a lack of formal written procedures, and a lack of appropriate supervisory reviews.

OMB Circular A-133 requires the DNR to prepare the SEFA showing the financial activity for each federal program. Without adequately trained staff, formal written procedures, and supervisory reviews, the DNR has little assurance the schedule is complete and accurate.

WE RECOMMEND the DNR prepare a complete and accurate SEFA.

AUDITEE'S RESPONSE

The department agrees with the finding in that the SEFA as originally presented was overstated. The department has reviewed the SEFA preparation and will address formal written procedures and supervisory review in the Corrective Action Plan.

2000-9

Accounting Procedures

Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for State Revolving Funds
State Agency: Department of Natural Resources (DNR)

The recording and custodial duties regarding receipts are not adequately segregated within the State Revolving Fund (SRF) Program. The program's primary accountant is responsible for recording and has access to the receipts.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly

safeguarded. Internal control could be improved by segregating the recording function from the custody of assets.

WE RECOMMEND the DNR adequately segregate the recording and custody of assets functions over receipts.

AUDITEE'S RESPONSE

The department agrees with this finding. We have previously implemented internal controls to segregate duties; the Corrective Action Plan will outline our formal proposal.

2000-10	Administration Fees
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Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for State Revolving Funds
State Agency: Department of Natural Resources (DNR)

- A. The DNR is not processing Construction Loan Fund administration fees in a timely manner. The DNR receives an administration fee paid by the community through the trustee bank of approximately one percent of the construction loan fund balance. When these fees are paid to the trustee bank by the community, a check is issued to DNR for the amount of these fees. The lack of adequate procedures led to several of these checks being held by DNR thirty-four to one hundred and thirty-four days before being deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited in a timely manner. In addition, timely deposits maximize interest revenue earnings.

- B. Administration fees are unnecessarily being held by the trustee banks. According to the agreement between the DNR and the trustee banks, the banks will hold all fees paid until each community within a bond series has made payment. Our review noted that the trustee banks held some checks thirty-three to sixty-five days after receiving payment from individual communities.

To reduce the amount of time between fees being due and the actual receipt of these fees, the DNR should require the trustee banks to remit the fees when received instead of waiting for all fees within a series to be received.

WE RECOMMEND the DNR:

- A. Establish procedures to ensure all administration fees are processed in a timely manner.

- B. Require the trustee bank to remit the administration fees to the DNR when received from each community.

AUDITEE'S RESPONSE

The department agrees with these findings. The department will establish procedures that ensure administration fees are received and processed timely. We have previously negotiated an informal agreement with the trustees to submit fees on a timelier basis. Future trust documents will formalize the accelerated process.

2000-11	Compliance Issues
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Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for State Revolving Funds
State Agency: Department of Natural Resources (DNR)

- A. Unused Construction Loan Funds (CLF) are not being used to reduce bond issue debt. We noted thirty-seven completed projects with CLF balances totaling approximately \$26,675,000 at June 30, 2000.

Currently, the bonding agreement does not require the community to apply all unused monies to the reduction of bond principal after the project is completed. Not applying unused CLF monies to reduce the bond principal could result in more monies being on deposit in the SRF in the trustee banks than necessary. As bond principal is reduced, funds are released from the SRF trustee banks and deposited in the state's Water and Wastewater Loan Fund.

- B. The DNR does not adequately monitor subrecipients to ensure that an A-133 audit has been performed when applicable and a comprehensive annual financial report (CAFR) is submitted. Our review noted that DNR did not have an A-133 audit or a CAFR on file for several communities.

OMB Circular A-133 requires grant recipients to ensure that subrecipients receive a single audit when grant expenditures exceed \$300,000 in a fiscal year. In addition, 40CFR Section 35.3135 requires the program to ensure that each community maintains project accounts in accordance with generally accepted government accounting standards which includes a CAFR. Without the audit reports and the CAFR, the DNR has little assurance these monies are expended and accounted for properly.

WE RECOMMEND the DNR:

- A. Revise the bond covenant to require unused CLF monies to be applied to the reduction of bond principal.

- B. Ensure applicable communities submit an A-133 audit and a CAFR.

AUDITEE'S RESPONSE

The department agrees in part. The DNR will review all viable options to encourage communities to spend these funds. The DNR will continue to review with the federal agency whether or not A-133 audits are required for leveraged loan recipients.

2000-12

Reconciliation of Accounting Systems

Federal Agency:	Department of Labor
Federal Program:	17.207 Employment Service
	17.801 Disabled Veterans Outreach Program
	17.804 Local Veterans Employment Representative
	17.246 Employment and Training Assistance - Dislocated Workers
	17.250 Job Training Partnership Act - JTPA Title II
	17.253 Welfare-to-Work Grants to States and Localities
State Agency:	Department of Economic Development (DED) - Division of Workforce Development (DWD)

The DWD did not reconcile its internal accounting systems to the statewide accounting system (SAM II) during fiscal year 2000. The DWD uses two internal accounting systems to track expenditures of its federal programs and to prepare the required reports of federal expenditures to the U.S. Department of Labor (USDOL). These program expenditures are processed through SAM II. We noted several expenditures that had been processed through the SAM II system that had not been recorded in the internal accounting systems. As a result, these expenditures of federal funds were not included in the reports filed with the USDOL as required. For fiscal year 2000, DWD expenditures per SAM II exceeded total expenditures per the internal accounting systems by \$2,121,563. The DWD has not made any attempt to reconcile this difference or to identify potential unrecorded items. Periodic reconciliation of the internal accounting systems would have identified any unrecorded expenditures and would have ensured the accuracy of the required federal reports. These unrecorded expenditures represent expenses incurred by the state agency for which federal funds have not been drawn down.

WE RECOMMEND the DWD review fiscal year 2000 activity to identify any transactions that were not properly reported and reconcile their internal accounting systems to the SAM II system.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 1999, and the findings from the prior audits for the years ended June 30, 1998 and 1997, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

Circular A-133 requires the auditor to follow-up on these prior audit findings, perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings, and report, as a current year finding, when the auditor concludes that the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 1998 is as follows:

Findings numbered 1, 2, 3A, 4, 6, 7, 8, 10, 11, 12, 13, 14, 20, 21, 22, 23, 27B, and 28A were corrected.

Findings numbered 3B, 5, 9, 15, 16, 17, 18, 19, 24, 25, 26, 27A, and 28B are included in the Summary Schedule of Prior Audit Findings.

The disposition of the findings from the year ended June 30, 1997 is as follows:

Findings numbered 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 21 and 23A were corrected.

Findings numbered 4, 19, 20, 22, and 23B, are included in the Summary Schedule of Prior Audit Findings.

SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-1.A. Default Aversion Assistance

Federal Agency: Department of Education (USDE)
State Agency: Department of Higher Education (DHE)

CFDA Number Program Name
84.032 Federal Family Education Loans

The DHE experienced difficulties implementing a revision to its default aversion billing process, which caused some loans to be billed more than once.

Recommendation:

The DHE consult with the USDE and establish procedures to ensure default aversion billings are accurate and complete. In addition, adjustments should be made to correct the duplicate billings.

Status of Finding:

The DHE contracts with a loan servicer to provide default aversion billing information. At the DHE's request, the loan servicer recently completed a systematic review of the default aversion billing process to identify and correct duplicate billings that occurred in previous months. The current monthly billing program has been revised to search for duplicate loans to prevent the problem from occurring in the future. A manual adjustment for amounts overbilled during the previous audit period was made on the February 2000 default aversion billing statement.

Preparer's Signature: Raye Ann Leune Phone number: (513) 751-2361

SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-1.B. Default Aversion Assistance

Federal Agency: Department of Education (USDE)
State Agency: Department of Higher Education (DHE)

CFDA Number Program Name
84.032 Federal Family Education Loans

Although the DHE entered into a contract with an entity other than its loan servicing contractor to perform default aversion activities, as of December 22, 1999, the DHE had not assigned accounts to the new contractor. The DHE's loan servicer provided preclaims assistance until the new contract was implemented, which may have violated regulations prohibiting conflicts.

Recommendation:

The DHE resolve the issue concerning the prohibition against conflicts with the USDE.

Status of Finding:

The DHE began assigning loans to its new default aversion contractor in February, 2000. The prohibition against conflicts was discussed with the U. S. Department of Education auditors during their technical assistance visit in April, 2000. The auditors verbally indicated during their visit that they did not believe any corrective action was necessary but they would follow up with written confirmation. In September, 2000 the DHE received a letter from the U. S. Department of Education stating that corrective action must indeed be taken.

Although the DHE does not agree with the U. S. Department of Education that there was any violation of the regulation prohibiting conflicts, we will begin the process of reviewing defaulted loans that are currently assigned to the loan servicer for collection to identify any loans that were included on a default aversion bill during the period the loan servicer also performed preclaims activities. Any loans meeting this criteria will be reassigned to other collection contractors. The DHE will also revise its criteria for assigning newly defaulted loans to collection contractors to ensure the requirement is met.

Preparer's Signature: Raye Ann Leune Phone number: (513) 751-2361

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-2 In-Home Service Vendors Employing Disqualified Workers

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services (DSS), Division of Aging (DA)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$17,286

The DA maintains an Employee Disqualification Listing (EDL). Persons listed in the EDL have been determined to have abused or neglected DA clients, misappropriated funds of those clients, or defrauded the program by billing for undelivered services. We matched persons on the DA EDL to 1998 employment information records and noted nine instances in which a person listed in the DA EDL worked for an in-home health provider under contract with the DSS. The DSS in-home vendor contracts, as well as state law, prohibit vendors from employing persons listed on the DA EDL. The DA obtained vendor service records related to services performed by these nine persons, and identified estimated total recoverable costs of \$28,695. We questioned the federal share of the costs of services provided by these nine persons, which was \$17,286.

Recommendation:

The DSS resolve the questioned costs with the grantor agency. In addition, the DSS should develop an automated system to identify all disqualified persons working for in-home service vendors and continue to seek recoupment for any services performed by disqualified persons.

Status of Finding:

Corrective action was taken.

Status of Questioned Costs:

Funds were recouped from vendors.

Preparer's Signature:  Phone number: 526-0722

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1999

99-3	PFS Expenditures	
Federal Agency	Department of Health and Human Services	
State Agency	Department of Social Services – Division of Child Support Enforcement (DCSE)	
	Program Name	Questioned Costs
	Parents Fair Share Program	\$734,340

We found that some of the staff within the IV-D agency was performing functions that did not specifically relate to IV-D, and therefore charges for these activities were not allowable under the IV-D program.

Recommendation:

The Federal share (\$734,340) of the \$1,112,636 in PFS cost incorrectly charged to IV-D for the period of January 1998 through March 1999 be reimbursed to the Federal government.

Status of Finding:

DCSE agrees with the auditor's finding. DCSE identified \$734,340 in costs incurred between May 1, 1998 and March 31, 1999.

The Department of Social Services has requested the required decreasing adjustments when it submitted its OCSE-396 Part 1 and 2 for the period ending March 31, 2000, to the Administration for children and Families (ACF). Due to the lengthy approval process, the Division of Child Support Enforcement has not yet received the ACF's approval of the adjustments in writing.

Preparer's Signature



Phone number: 751-4927

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1999

99-3

DOH Expenditures

Federal Agency
State Agency

Department of Health and Human Services
Department of Social Services – Division of Child Support Enforcement
(DCSE)

Program Name
Department of Health

Questioned Costs
\$21,571

We found that some of the staff within the IV-D agency was performing functions that did not specifically relate to IV-D, and therefore charges for these activities were not allowable under the IV-D program.

Recommendation:

Reimburse the Federal government \$21,571 for its share of the \$32,684 that represents general costs of government charges claimed for reimbursement under the contract with DOH.

Status of Finding:

DCSE agrees with the auditor's finding. DCSE identified \$21,571 in costs incurred between January 1, 1998 and March 31, 1999.

The Department of Social Services has requested the required decreasing adjustments when it submitted its OCSE-396 Part 1 and 2 for the period ending March 31, 2000, to the Administration for children and Families (ACF). Due to the lengthy approval process, the Division of Child Support Enforcement has not yet received the ACF's approval of the adjustments in writing.

Preparer's Signature



Phone number: 751-4927

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-4.A. Eligibility-Unreported Income

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$48,606
93.558	Temporary Assistance for Needy Families (TANF)	16,682

We performed a match of computer records of TANF and Food Stamp clients with computer records of DFS paid child day care vendors. This match identified 4,495 TANF and/or Food Stamp clients who also received DFS state paid child day care vendor payments. We reviewed 53 of these cases and noted that 26 (49 percent) clients had not reported their state paid child day care vendor income, nor did the DFS discover its own payments to 24 of those same clients. As a result, these 26 cases received approximately \$48,606 in Food Stamp benefits and approximately \$27,347 in TANF benefits that they may not have been eligible to receive. We questioned the federal portion of the TANF amount which is \$16,682 and \$48,606 in Food Stamp assistance.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. Further, the DFS should ensure caseworkers consider DFS records of state paid child day care income paid to Food Stamp and TANF applicants when making eligibility determinations.


Status of Finding:

Recoupment claims have been effected on 22 of the 26 cases. It was established that claims were not in order for the others.

Staff has been trained in the FAMIS child care vendor system and can access vendor screens to determine if an assistance applicant is a state paid child day care provider. Also, the DFS anticipates that a match against Food Stamp PA applicants/recipients and Child Care vendors will begin in FAMIS sometime in the spring of 2001. We are looking at the viability of setting up a similar match through our Research and Evaluation section for cash programs (i.e. Temporary Assistance, General Relief and so forth).

Status of Questioned Costs:

The DFS has not yet received notification that the above referenced questioned costs have been resolved with the grantor agencies.

Preparer's Signature: 

Phone number: 1-603-57

Date 10-6-80

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-4.B. Eligibility-Unreported Income

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$126,093
93.558	Temporary Assistance for Needy Families (TANF)	40,406

A match of TANF and Food Stamp clients with retirement and disability benefit recipients of the Missouri State Employee Retirement System (MOSERS) identified 128 TANF and/or Food Stamp clients who were also receiving MOSERS retirement or disability payments. Our review indicated that 49 (38 percent) of these clients had not properly reported their retirement or disability benefits to the DFS caseworkers. As a result, these 49 cases received approximately \$126,093 in Food Stamp benefits and approximately \$66,240 in TANF benefits that they may not have been eligible to receive. We questioned the federal portion of the TANF amount which is \$40,406 and \$126,093 in Food Stamp assistance.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. Further, the DFS should establish a periodic match with the MOSERS to help ensure Food Stamp and TANF recipients report all unearned income.

Status of Finding:

As to the (49) above referenced cases, it was determined that claims were not necessary for 14 of them --- those 14 cases constitute almost 29% of the exception cases. Claims have been effected for 12 of the remaining cases. MOSERS verified two of the individuals are deceased. The DFS is following up on the balance of the cases, having recently gotten income verifications from MOSERS.

An arrangement has been entered into for verifying MOSERS benefits when staff is unable to get such verification from clients themselves. The DFS is also still exploring the viability of conducting a (quarterly) match with MOSERS against its client database.

Status of Questioned Costs:

The DFS has not yet received notification that questioned costs have been resolved with granting agencies.

Preparer's Signature: Paul R. Luck

Phone number: 1-0967

Date: 10-26-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-4.C. Eligibility-Unreported Income

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families

We noted various errors made by caseworkers including apparent failure to perform adequate verification of the clients income. In addition, it appeared the DFS did not have adequate procedures in place to properly identify and respond to clients' changing income. As a result, the DFS appeared to have made numerous overpayments to clients.

Recommendation:

The DFS ensure caseworkers verify earned and unearned income and properly consider gross income in determining client eligibility and in setting assistance payment amounts.

Status of Finding:

Issues of exploring sources of income with assistance applicants/recipients and correctly considering said income for eligibility were focal points at the recent Food Stamp Payment Accuracy Conference here in Missouri. Some 300+ staff attended the conference. Routinely, too, this is reviewed with staff who has occasion to visit Central Office for monthly information meetings.

The DFS IM Deputy Director recently sent a memorandum to all Area and County offices instructing management staff to impress upon eligibility and case-maintaining staff the importance of being as thorough as possible in discussing income sources with clients. Staff is specifically instructed to ask if an applicant (or active assistance recipient at the time of a due case reinvestigation) has income from pensions, and/or earnings from sources (such as child care) that may not necessarily be considered to be "bona fide" employment.

Preparer's Signature: 

Phone number: 617-917

Date: 11-8-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-5.A. Independent Living Expenditures and Eligibility

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.674	Independent Living	\$85,407

Section 477 (e) (3) of Title IV-E of the Social Security Act specifies that Independent Living (IL) monies may not be used to provide room and board. In addition, state monies used as matching contribution for the Independent Living Program (ILP) cannot be used to provide room and board. We determined the DFS had expenditures totaling \$115,415 for room and board which were inappropriately paid from the ILP. Therefore, we questioned the federal share of \$85,407 (74 percent).

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should ensure that expenditures of the federal ILP are for allowable cost and in compliance with federal requirements or limitations.

Status of Finding:

This audit finding indicated that room and board expenses had been inappropriately charged to the Title IV-E Independent Living Program. It was discovered that the Division of Budget and Finance had some cost centers/function codes being charged to the wrong reporting category. Steps were taken when we were initially notified of this finding to prevent any further expenditures of this type to be claimed.

Status of Questioned Costs:

The Independent Living claim is being adjusted for the period ending September 2000 to remove these costs

Preparer's Signature: *Spencer J. Jernick* Phone number: 751-8962

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-5.B. Independent Living Expenditures and Eligibility

Federal Agency: Department of Health and Human Services

State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.674	Independent Living	\$1,148

We selected a sample of 40 of the state's 976 clients who received Independent Living Program (ILP) services. Of the 40 cases, we found 8 (20 percent) were not eligible for ILP services. These 8 clients received at least \$1,551 in federal ILP benefits they were not eligible for and we questioned the federal share of \$1,148 (74 percent).

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should ensure it uses effective procedures to determine whether clients have reached the age eligibility limit that would allow them to receive federal ILP services. In addition, the DFS should also consider computer system changes that would help improve coding accuracy.

Status of Finding:

This audit finding discovered that youth who were ineligible for Independent Living funds had been charged to the grant. These were children who were under the age of 16. On August 23, 2000 an automated system edit was placed in the Children's Services Payment System that prevents children under the age of 16 from receiving payments from this funding source.

Status of Questioned Costs:

DFS ensures that corrective actions have been taken to reconcile the inaccurate payments with the federal agency through the use of fund recoupments in the Children's Services Integrated Payment System.

Preparer's Signature: *Janet J. Smith* Phone number: 526-5553

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-6.A. Eligibility – Child Care Services

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.575	Child Care and Development Block Grant	\$2,019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	2,019

Children are eligible to receive Child Care Development Fund (CCDF) services if under age 13 or under age 19 when physically or mentally incapable of caring for themselves or are under court supervision. We selected a sample of 40 of the state's 2,089 clients that were age 13 or older and still received CCDF services during fiscal year 1999. The DFS was unable to locate 8 of the 40 case files requested, in one case the child's birth date was recorded wrong, and we found 8 more cases which the client was not properly identified. Of the 23 cases tested, we determined that 12 of the clients were not eligible for CCDF services. We determined that \$10,355 in CCDF benefits were questionable and questioned the federal portion of the amount which is \$4,038.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should review the case errors noted above and initiate recoupment claims for any inappropriate CCDF benefits.

Status of Finding:

As noted in the corrective action plan, the DFS has ensured that safeguards have been built into the FAMIS Child Care System. One of these safeguards include an edit that will not allow for care payment authorization for children over the age limit unless a special needs indicator has been entered. Moreover, the system will not allow for a care authorization to be entered for children over age 13 unless the special needs indicator is there. Children over age 19 can not even be authorized with the special needs indicator in place. Staff statewide has been trained on the Child Care System in FAMIS. It is expected that conversion of all Child Care cases into the FAMIS system will be completed by April 2001.

The DFS followed up on the exception cases in question. Responses from staff are that claims have been implemented, as appropriate, against either the case household head or the Day Care provider.

Status of Questioned Costs:

The DFS has not yet been notified that questionable costs have

been reconciled with the grantor agency.

Preparer's Signature: Paul R. Gask

Phone number: 6-1417

Date: 10-26-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-6.B. Eligibility – Child Care Services

Federal Agency: Department of Health and Human Services

State Agency: Department of Social Services – Division of Family Services (DFS)

CFDA Number

Program Name

93.575

Child Care and Development Block Grant

93.596

Child Care Mandatory and Matching Funds
of the Child Care and Development Fund

We determined that 8 of 32 cases (25 percent) reviewed were incorrectly entered into the database by the caseworker.

Recommendation:

The DFS improve procedures to ensure client information is correctly entered into the database.

Status of Finding:

The DFS noted, in the "Status" response to 99-6A, that the automated FAMIS system is now taking over the aspect of correctly setting up child care authorizations and vendor payments. It is expected full implementation will be accomplished by late spring of 2001. Staff has been trained on the navigation of the new system.

Preparer's Signature: 

Phone number: 6-091.7

Date: 10-26-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-7.A. Eligibility – Kansas Match

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$ 9,229
93.558	Temporary Assistance for Needy Families	9,638

In accordance with various regulations, no individual may receive Food Stamps, Temporary Assistance for Needy Families (TANF), and/or Medicaid benefits in more than one state at the same time. We performed a match of computer records of TANF and Food Stamp clients during April 1999 against computer records of TANF and Food Stamp clients in Kansas during April 1999. The match identified 23 cases that had received Food Stamp and/or TANF benefits in both Missouri and Kansas at the same time. These 23 cases received \$9,229 in Food Stamp benefits and \$15,805 in TANF benefits from April 1, 1999 through August 31, 1999. We questioned the federal portion of the TANF amount which is \$9,638 and \$9,229 in Food Stamp assistance.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the questioned payments for Food Stamps and TANF and establish recoupment claims where appropriate.

Status of Finding:

36 exception cases/households were identified and made known to the DFS by the SAO as possibly having received dual assistance issuances while being active in both Kansas and Missouri simultaneously. The DFS investigated those cases and concluded the following:

Individuals in 5 of the cases were identified as not having Social Security numbers that matched in both States – the numbers were verified here in Missouri and that information was forwarded on to the Kansas liaison. The auditors did not note any possible case errors.

Six of the cases were determined, in Missouri, to have been correctly screened as "second month" cases (i.e. client received in Kansas for the month, moves to Missouri, and makes application for assistance in Missouri which is approved for subsequent month of residence). No claims were in order.

Six additional cases were determined not to be claim-worthy (due to death, benefits aging out of the EBT system instead of being accessed, Missouri's '10-10-10' eligibility rule, etc.).

Twelve households have had claims effected against them here in Missouri.

The state of Kansas assumed responsibility for establishing claims on five of the households.

The one-month issuance in question for one case was cancelled, and subsequently no over payment exists.

The 36th case on the list is being reviewed again, after having been referred for a claim when the DFS was initially made aware of the possible errors.

Status of Questioned Costs:

The DFS has not yet been notified as to whether questioned costs have been reconciled with grantor agencies. Even though claims have been effected on one-third of the originally questioned cases (as established to have been in error), few recoveries have been made to date.

Preparer's Signature: 

Phone number: 6-0167

Date: 11-8-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-7.B. Eligibility – Kansas Match

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$30,008

Clients who receive Food Stamps or Temporary Assistance for Needy Families (TANF) benefits often also qualify for health care coverage under the Medicaid program. Medicaid coverage can take two different forms, one being based on the traditional direct fee for services paid to the health care provider, and the other being based on the HMO model whereby a monthly fee (or capitation payment) is paid to a care provider who provides all needed services at no additional charge. Through our match of Missouri and Kansas client records, we determined that 31 of the individuals who were listed on a Food Stamp or TANF case also had a capitation payment made on their behalf in both states for the same period. These 31 individuals received approximately \$13,615 in capitation payments on their behalf, which they were not eligible to receive. We questioned the federal share of the Missouri payments which was \$8,202. We also noted two instances where an individual received capitation payments in Kansas and at the same time direct fee for service payments in Missouri. This resulted in Medicaid direct fee for service payments totaling over \$36,200 in Missouri while capitation payments were being paid in Kansas. We questioned the federal share of the Missouri payments which was \$21,806.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the questioned payments for Medicaid and establish recoupment claims where appropriate.

Status of Finding:

The DFS is coordinating with the Division of Medical Services (DMS) in an endeavor to recover premium payments made to contract managed care providers for ineligible clients.

Status of Questioned Costs:

Although the DFS determines eligibility for medical coverage, the DMS makes capitation (health care premium) payments in managed-care areas. The DFS will assist the DMS in whatever manner it can to recoup premiums incorrectly paid.

Preparer's Signature: *James D. Luck*

Phone number: 6-04167

Date: 1-8-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-7.C. Eligibility – Kansas Match

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>
10.551	Food Stamps
93.778	Medical Assistance Program
93.558	Temporary Assistance for Needy Families

The DFS needs to improve procedures to help ensure Missouri clients do not receive Food Stamps or other public assistance benefits in more than one state at the same time. The U.S. Department of Health and Human Services Administration For Children and Families (ACF) encourages states to participate in interstate matches conducted through the Public Assistance Recipient Information System (PARIS).

Recommendation:

The DFS arrange to participate in the PARIS interstate match program, and enhance its procedures to ensure bordering state public assistance information is reviewed during the application process.

Status of Finding:

The DFS has done a number of things to help ensure fewer incidences of dual assistance participation by Missouri clients from more than one state.

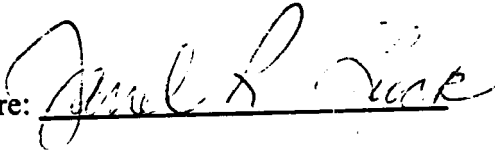
Recently, a memorandum was sent to all of the areas and counties instructing directors to remind staff of the importance of impressing upon assistance applicants/recipients that they should be diligent in notifying the agency of address changes, and especially when relocating to another state. Staff was also reminded that a focus should be placed on getting address changes into the system promptly.

In early spring 1999 the DFS implemented the run of a report entitled "Out-of-State Food Stamp and Temporary Assistance EBT Activity Report". Because now almost half of the states in the union are QUEST states, interstate EBT transactions are possible. Two of the intended objectives of the EBT activity report are identification of recipients who may have moved, or who may be working in another state. This report runs on an every-two-month cycle. For a Missouri Food Stamp recipient, the report discloses electronic benefit account activity occurring outside of Missouri if there are more than three client transactions in a month or if there are transactions for two or more consecutive months. For

Missouri cash programs, the report reveals EBT activity on transactions that occur in another state more than once a month or transactions that occur at least once in two or more consecutive months. Staff is instructed to immediately attempt contact with the client who shows up on the list in the course of exploring circumstances for continued benefit eligibility.

Staff is reminded to access the PADX system, hosted through the state of Iowa, to check for dual benefit receipt by Missouri assistance recipients/applicants in Kansas and Iowa. Those are the only two states, besides Missouri, participating in this cross-matching system currently, thusly limiting the networking range. It is, though, another resource for helping to prevent client public assistance participation in more than one state.

The DFS is still working on participation in the PARIS (Public Assistance Information Systems) match sponsored by the ACF. The designated DFS liaison is coordinating Missouri's involvement with the Department of Social Services Data Processing Division and with the national PARIS Users Group. The target date for Missouri's first data run is February 2001.

Preparer's Signature:  Phone number: 1-671-7

Date: 11-8-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-8. Eligibility – Benefits Provided to Inmates

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS),
Division of Medical Services (DMS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$11,251
93.558	Temporary Assistance for Needy Families	4,976
93.778	Medical Assistance Program	913

State law prohibits public assistance benefit payments to any inmate of a public institution. Similarly, federal law states that residents of an institution which provides them with a majority of their meals are not eligible for participation in the Food Stamp program. In addition, a 1997 amendment to the Food Stamp Act required states to establish a system to ensure no one detained in a federal, state, or local penal, correctional, or other detention facility is participating in the Food Stamp program. To comply with these requirements, the DFS performs a monthly match between its clients and inmates held by the Missouri Department of Corrections (DOC). Each local DFS office is also required by DFS policy to perform a match with the local jail or law enforcement agency once each month. Our match of computer records of TANF and Food Stamp clients for April 1999 against computer records of inmates in the custody of the DOC as of the same date identified 189 current TANF and/or Food Stamp clients who were also incarcerated in the DOC. We selected 60 of those clients and determined that 24 (40 percent) had received two or more months of assistance payments while incarcerated. Therefore, we questioned \$11,251 in Food Stamp benefits, \$4,976 as the federal share (61 percent) of \$8,158 in TANF benefits, and \$913 as the federal share (60.24 percent) in Medicaid benefits received through September 30, 1999. We also contacted 40 of the 114 county jails in Missouri and found that 14 (35 percent) were not providing the local DFS office with inmate information. Personnel in those 14 DFS offices confirmed that inmate information is not requested and that they only worked with the information provided from the state level DOC matches.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. The DFS should also enhance its procedures to ensure all inmates in the custody of the state DOC or local law enforcement facilities are identified and appropriate benefit changes processed in a timely manner.

Status of Finding:

Claims have been effected for 12 of the 24 exception cases referred to above. Eight of the exception cases were determined to not have been in error for claims establishment and the five remaining cases are still in review status.

The DFS responded, in the single-audit corrective action plan, that it had addressed the issue of local jails not working with DFS offices in a joint endeavor to minimize the possibility of inmates receiving public assistance. The IM Deputy Director instructed the 14 offices identified as having an inadequate working relationship with their local jails to develop and implement a plan to routinely get needed information from the jails. All 14 responded accordingly. The IM Deputy Director then sent a memorandum to all the counties informing that this was an audit issue, and noting that should other counties not have in place an information sharing arrangement with their local jails, then they should immediately endeavor to do so.

Insofar as matching with the Department of Corrections to identify state-imprisoned individuals possibly receiving assistance, the IM section has a designated individual in Central Office to track those. Lists of names of incarcerated individuals who might be active public assistance recipients are generated monthly to each Area. The Areas, in turn, disperse copies to both supervisors and to workers. Instructions on the lists direct how to investigate the cases and as to what action(s) should be taken. Results are reported back to Central Office when the case has been acted on. The returned data is compiled into chart format. Routinely, reports are generated with these compiled results to Area Directors and higher level administrative management. If an Area is deficient in addressing the lists, then they are duly notified. Recently, a memo was sent to the Areas with unsatisfactory response rates directing them to present plans to Central Office to improve the number of case investigations from the monthly reports.

The DFS IM section has, for some time now, in place a monitoring system for tracking incarcerated persons

Status of Questioned Costs:

The DFS has not received notification that questioned costs have been reconciled with grantor agencies.

Preparer's Signature: *Janet K. Luck*

Phone number: 60-0917

Date: 10-26-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-9. Eligibility – Personal Property Match

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$29,477
93.558	Temporary Assistance for Needy Families	15,124

There are various state and federal rules that establish limitations on the value of assets a Missouri resident is allowed to own and still be eligible for benefits under the Food Stamp and TANF programs. To comply with these resource limitations, the DFS requires individuals to report all assets on their benefit application and sign a "Notification of Fraud Provisions" statement that states all changes in assets will be reported by the client within ten days. We performed a match of computer records of TANF and Food Stamp clients as of April 1999 against records of registered vehicles as of April 1999 obtained from the Missouri Department of Revenue (DOR). We selected 33 cases, representing 63 of the 1,935 vehicles identified in the match, and determined that 13 of the 33 (39%) had not properly reported their vehicles and similar personal property. Further review of these cases revealed that \$29,477 in Food Stamp benefits and \$24,794 in TANF benefits were paid to recipients whose assets exceeded the eligibility limitations. We questioned the federal portion of these amounts which was \$29,477 for Food Stamps and \$15,124 for TANF.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. Also, the DFS should seriously consider policy and procedure changes to reduce client under reporting of assets.

Status of Finding:

Claims were effected on four of the 13 questioned cases, but nothing has been recouped to date due to them not being active in Missouri currently. It was established that six of the cases were not 'claim worthy'. The remaining three have had no further action taken on them as ownership of the vehicles by the households could not verified, thereby supporting potential claims. These three cases are again being reviewed.

In the course of addressing the issue of clients disclosing ownership of vehicles, the DFS IM Deputy Director recently sent a memo out to areas and counties instructing managers to remind staff to clarify the scope of property ownership (and more specifically vehicles) when exploring circumstances for eligibility purposes.

The DFS had replied in the single audit corrective action plan (for the year ended June 1999) that it had previously been established it would not be cost effective to implement a vehicle match with the Department of Revenue's Division of Motor Vehicles (DMV) - an explanation accompanied. To lend even more support to that position, the Deputy Director's designee obtained access to vehicle registration screens. The DMV supplied two personnel to instruct the designee on navigating the DMV's information system. It was concluded that for IM staff to regularly access the DMV screens in an attempt to ascertain ownership of motor vehicles (including boats) by an assistance applicant/recipient household, the process would not only be highly inefficient time-wise, but it is a "hit-and-miss" search, as well. Some of the problems, besides considerable scrolling through pages, are 1) Vehicles can be (and are) registered under many variant spellings of a name. 2) There are many of the same names (i.e. Joe Smith) on the registry, lending to confusion. 3) If a vehicle is sold out of state, the Missouri DMV would not be aware of that and records would continue to show it as in state.

It is important to note, incidentally, that Food Stamp policy (IM Memo #120 dated August 15, 2000) has been changed to introduce more flexible considerations regarding vehicle ownership, and availability as a resource. To add to this, in early October, the (Federal) House approved a new value consideration for vehicles which excludes the entire value of the primary household vehicle (regardless of equity), and up to \$1500 equity on a second vehicle. These limits are the same as those used in consideration for Temporary Assistance eligibility. The Senate, at the time, was expected to approve the measure, and may well have already done so.

Status of Questioned Costs:

The DFS has not yet been notified that questioned costs have been reconciled with grantor agencies.

Preparer's Signature: 

Phone number: 6-0967

Date: 11-8-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-10. Reporting Compliance

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

CFDA Number Program Name
93.558 Temporary Assistance for Needy Families

We could not perform audit procedures to ensure quarterly reports of Temporary Assistance for Needy Families (TANF) data (ACF-198) were prepared in accordance with federal requirements because supporting documentation and the quarterly reports were not retained by the DFS.

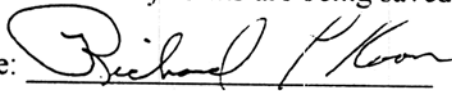
Recommendation

The DFS retain copies of all reports submitted to the federal awarding agencies and all related supporting documentation necessary to allow adequate audit review of the procedures and the accuracy of the ACF-198 quarterly report, in compliance with federal requirements.

Status of Finding:

All copies of reports and survey forms are being saved for a period of five years.

Preparer's Signature:



Phone number:

751-3360
10-2-2000

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-11. Unlocated Case Files

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services – Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

The DFS local offices reported they could not locate 23 of 383 (over 6%) case files that we requested for detailed case review.

Recommendation:

The DFS review case file keeping procedures in the local DFS offices to ensure all case files are appropriately retained and available for DFS case action or audit review.

Status of Finding:

The DFS has proposed a plan to assist the State Auditor's Office in obtaining the case files they request for review in the course of their work. The plan had been discussed with Audit Manager Jim Helton and a formal letter was directed to him reiterating the agreement. The DFS IM Deputy Director issued a memorandum to all Area and County Offices notifying of this arrangement and enlisting the cooperation of the counties to help ensure that this endeavor is a success. The counties are to designate individuals to ensure that requested files be produced. A person from DFS Central Office has been designated to act in a liaison capacity to help coordinate the efforts between the SAO and the counties.

Preparer's Signature: 

Phone number: 6-0917

Date: 10-26-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-12. Surveillance Utilization and Review System (SURS)

Federal Agency: Department of Health and Human Services

State Agency: Department of Social Services – Division of Medical Services (DMS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$3,577

The DMS operates a Surveillance Utilization Review Subsystem (SURS), which is the principal unit responsible for identifying recipient and provider abuse of the Medicaid program. The SURS unit does not perform a post-payment review of a representative sample of Medicaid claims. We selected a sample of 60 of the approximately 27 million fee for service claims paid during fiscal year 1999 and noted various problems with twelve of the claims. The total dollar value of the twelve unsupported or deficient claims noted was \$5,938 (federal share \$3,577).

Recommendation:

The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should establish procedures to comply with the federal regulations.

Status of Finding:

The FY 1999 sample, overpayment letters were sent to providers for the claims that DMS determined needed to be recouped which totaled \$3,062. The letters were sent in August and September 2000.

Status of Questioned Costs:

The FY 2000 sample claims were selected to meet the federal requirement for a review of medical necessity, timeliness of service and quality. This process started on May 1, 2000. SURS review is continuing with a few requests for additional documentation, conclusion of the medical record reviews and determinations if any further action is needed.

Preparer's Signature: Sherry Simon Phone number: 751-3399

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-13. Ineligible Payments

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services – Division of Medical Services (DMS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$8,377

The DMS performs a monthly match of Medicaid recipients with death records provided by the Department of Health – Bureau of Vital Records (BVR). When claims have been paid after a recipient's death, the DMS will take action to recoup the payments. We performed a match of Managed Care Plus (MC+) recipient and mental health services claims paid during the year ended June 30, 1999, with computer records of deaths reported in Missouri since 1990 obtained from the BVR. We identified 15 of 330 MC+ and 35 of 106 mental health recipients by social security number with BVR records of a deceased individual. Of these, we identified 40 recipients who had claims paid for service periods after their date of death but no recoupment had been made. The total amount of claims paid for these recipients was \$13,906 (federal share \$8,377).

Recommendation:

The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from providers for the overpayments and improve procedures to ensure recoupments are made and eligibility codes are updated when a deceased recipient is identified.

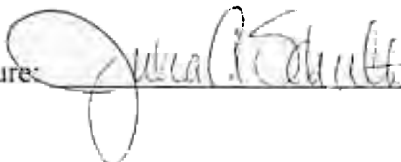
Status of Finding:

No changes have been made to the corrective action plan other than the due date for the enhancement which is the long term corrective action. The due date will be May, 2001, instead of March.

Status of Questioned Costs:

We have recently initiated a mass adjustment (M_1799) which had a net result of \$171,844.25 that has been recouped from providers. Another mass adjustment will be scheduled in the next calendar quarter.

Preparer's Signature:



Phone number: 751-7998

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-14.A

Private Duty Nursing Program

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services – Division of Medical Services (DMS)

CFDA Number Program Name
93.778 Medical Assistance Program

Under the Healthy Children and Youth program (HCY) and Physical Disability Waiver (PDW) programs, the Department of Health (DOH), under interagency agreements with the DMS, is responsible for providing case management, which includes prior authorization for medical necessity. However, the agreements did not specifically assign responsibility for reviewing recipient records at the home health agency for compliance with program guidelines. Thus, there was little assurance that private duty nursing services provided to HCY and PDW recipients and paid for by the Medicaid program were delivered in accordance with the care plan.


Recommendation:

The DMS establish procedures to ensure private duty nursing claims under the HCY and PDW programs are adequately supported and the services delivered.

Status of Finding:

The Private Duty Nursing Assessment Tool has been implemented effective August 1, 2000. In preparation for this implementation, staff from the division of Medical Services and Bureau of Special Health Care Needs conducted informational meetings in Kansas City, St. Louis, Columbia and Springfield. Invitations to attend were sent to all enrolled private duty nursing provider agencies. In addition to information regarding the implementation of the Private Duty Nursing Assessment Tool, providers were advised of the necessity and requirements of the plan of care, the importance of documentation and the post payment review process. A Missouri Medicaid Bulletin conveying the above information was sent to all enrolled private duty nursing providers.

The SURS Unit has been provided with a listing of all individuals who were on the PDW last year. They are in the process of scheduling a review with the waiver service providers for these recipients.

Preparer's Signature:  Phone number: 751-3277

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-14.B.

Private Duty Nursing Program

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services – Division of Medical Services (DMS)

CFDA Number Program Name
93.778 Medical Assistance Program

For the period July 1, 1998 to February 28, 1999, the DMS and the Department of Health (DOH) conducted a joint test covering records for 24 of the 71 AIDS Waiver program recipients. The test focused on case management records and noted significant deficiencies.

Recommendation:

The DMS further review the deficiencies noted in the AIDS Waiver program test performed and recoup the payments for services which were not supported by adequate documentation or for which the recipient was ineligible.

Status of Finding:

Discussion regarding the process for a joint review of provider and case management records are proceeding. A review is scheduled for January of 2001.

Preparer's Signature: Glenda Kremen by Phone number: 751-3277
M. F. Schlegel

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-15. Institutional Reimbursement Unit

Federal Agency: Department of Health and Human Services

State Agency: Department of Social Services – Division of Medical Services (DMS)

CFDA Number

93.778

Program Name

Medical Assistance Program

The Institutional Reimbursement (IR) unit is responsible for determining if the payments to institutional providers are in accordance with state regulations and the state Medicaid plan. The IR unit has not completed reviews of hospital cost reports in a timely manner. During the year ended June 30, 1999, the IR unit completed only 18 final cost settlements.

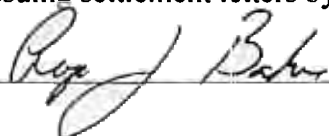
Recommendation:

The DMS complete hospital cost report reviews and final settlements in a timely manner.

Status of Finding:

Division staff is currently working overtime to complete cost report desk reviews. The Department of Social Services-Division of Budget and Finance/Audit Services staff assisted with the final outpatient settlements. DMS IRU staff are in the final stages of reviewing the settlements and will be issuing settlement letters by 12/31/2000.

Preparer's Signature:

 10/27/00

Phone number:

751- 5663

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-3B. Fixed Asset Records and Procedures

Federal Agency: Department of Labor
State Agency: Department of Economic Development - Division of Job Development and Training (DJDT)

<u>CFDA Number</u>	<u>Program Name</u>
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act

The DJDT did not follow up on each of its fifteen Service Delivery Areas (SDAs) physical inventory results on a timely basis. The DJDT Financial Manual indicates that each SDA is responsible for replacing missing items or paying the fair market value of the missing item. Over the two years ended June 30, 1998, SDAs 11 and 13 reported missing items totaling \$4,303 and \$26,258, respectively, which had not been located. Neither SDA was required to replace the missing items or repay the DJDT for the fair market value of the items.

Recommendation:

The DJDT establish procedures to enforce the requirement that SDAs replace missing items or pay DJDT the fair market value of the items.

Status of Finding:

Fully Resolved: The U.S. Department of Labor accepted DWD's resolution of this finding on May 22, 2000.

Preparer's Signature: Harry Struempf Phone number: 526-8210
Harry Struempf, Manager

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-5. Period of Availability of Funds

Federal Agency: Department of Education
State Agency: Department of Elementary and Secondary Education (DESE)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
84.027	Special Education - Grants to States	\$261,149

The DESE obligated grant funds totaling \$76,719 after the date when these funds could be obligated. In addition, \$129,037 in grant funding originally obligated in June 1997 to various school districts was unobligated in October 1997 and reobligated to other school districts after the date the funds could be obligated. Also, payments totaling \$55,393 were made from grant funds during January 1998 through April 1998, which was after the date when obligations could be liquidated.

Recommendation:

The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should ensure funds are obligated within the period of availability and that obligations are liquidated not later than 90 days after the end of the funding period.

Status of Finding:

Partially Resolved. In March 2000, the Department of Education contacted DESE concerning the status of this finding. DESE wrote a letter indicating that internal procedures had been established to ensure that funds are obligated within the period of availability and that obligations are liquidated not later than 90 days after the end of the funding period. No follow-up from the Department of Education was received.

Status of Questioned Costs:

Unknown.

Preparer's Signature: Candis Beebe

Phone number: 751-4681

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-9. Cost Allocation System

Federal Agency: Department of Labor

State Agency: Department of Labor and Industrial Relations (DLIR)

<u>CFDA Number</u>	<u>Program Name</u>
17.207	Employment Service
17.225	Unemployment Insurance
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative Program

The DLIR allocates monthly costs to various grant programs through the use of a computerized Cost Allocation System (CAS). The DLIR did not reconcile monthly reports of costs to be allocated by the CAS to actual allocated expenditures. In addition, the DLIR did not perform periodic tests of the monthly allocations performed by the CAS to ensure expenditures are properly allocated at the project code level.

Recommendation:

The DLIR establish procedures to reconcile monthly reports of costs to be allocated by the CAS to actual allocated expenditures. In addition, the DLIR should periodically test the CAS, to ensure it is allocating costs properly at the project code level.

Status of Finding:

Financial Management employees have performed monthly reconciliations of the Cost Accounting System through the month of April 2000. These reconciliations indicate that costs have been correctly allocated. In addition, the Department's Audit Resolution officer accepted the Department's plan to manually reconcile the allocation reports until automated edit checks are developed.

Preparer's Signature: Brian A. Miller Phone number: (573) 751-1135

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-15.

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.658	Foster Care - Title IV-E	\$16,174
93.778	Medical Assistance Program	5,422

Foster care children over the age of nineteen or over the age of eighteen and not expected to graduate before age nineteen are no longer eligible for assistance under the Title IV-E program. Once a foster child reaches either of these two limitations, the state may continue benefits with state funds. At April 30, 1998, there were 111 open foster care cases for which the child was age eighteen or older and still receiving benefits under the Title IV-E program. We tested twenty-eight of these cases and noted eighteen for which the child was ineligible for \$26,655 (\$16,174 federal share) in Title IV-E benefits and at least \$8,935 (\$5,422 federal share) in Medicaid benefits received based on his or her age or anticipated graduation status. For eleven of those cases and five additional cases, the child was not provided assistance from Title IV-E funds after age nineteen; however, it did not appear reasonable the child could have reasonably been expected to graduate by his or her nineteenth birthday based on the child's birth date. If these children were ineligible for Title IV-E benefits at the age of eighteen, the additional amount of ineligible payments would have been \$112,009 (\$67,967 federal share) for the Title IV-E program and \$8,787 (\$5,332 federal share) for the Medicaid program.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should improve procedures to ensure the high school graduation status for all foster children turning eighteen is obtained, documented in the case file and used to adjust the benefit funding source (including Medicaid benefits) if the child's expected graduation will be after age nineteen. The DFS should also consider computer system changes that would automatically switch to state funding when foster children reach the age of nineteen.

Status of Finding:

At the time that this particular finding was brought to the attention of the Division of Family Services, we already had an automated report that was being generated to notify staff that children were turning age 19 and that their Title IV-E eligibility status needed to be reviewed. This report was being sent to the 32 eligibility specialists located across the state. Beginning in September of 1999, this report has been sent to one central person in State Office for resolution.

Status of Questioned Costs:

Fund recoupments were processed for the questioned costs to repay the Title IV-E funds that had been inappropriately claimed.

Preparer's Signature: Shelia Jarnhill Phone number: 751-8962

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-16. Eligibility - Death Match

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$8,068
93.558	Temporary Assistance for Needy Families	0

The DFS performs a monthly computer match between current benefit recipient and death records provided by the Department of Health - Bureau of Vital Statistics. Local office caseworkers are provided any match results for clients who are active members of a case with other participants to reevaluate the benefit status of that case. We identified at least fourteen clients whose case benefit status had not been reevaluated at least five months after the client's death. Based on the DFS benefit calculation guidelines and the earned income information in the case files, it appears benefits were overpaid \$8,068 on six cases and benefits were underpaid \$3,659 on five cases.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should establish procedures to follow-up on the status of death match reports submitted to local offices for review to ensure action is appropriately taken to reevaluate the benefits the case is receiving.

Status of Finding:

To get information to eligibility staff informing that a death had occurred in a household in their caseload, the DFS had been generating a notice directly to them. This information results from matching (DFS) client data against Bureau of Vital Statistics files.

Only the worker got this notice. Follow-up monitoring/review seemed to be lacking to ensure that the information was acted on insofar as necessary case closing, household benefit adjustments, and so forth due to supervisors not receiving notice that their staff had gotten such an alert. The forms were difficult to read, and the information was cramped - these factors may have served to hinder prompt and correct follow-through by staff in many instances.

The DFS Central Office looked at these considerations and responded by revising the alert generated to eligibility staff notifying of an individual case death (form FIM31420-01) and the alert notifying of the need to investigate a multi-person household where an individual assistance recipient has died. The changes include larger print and better organization of information on the alert page itself. Instructions for worker

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1998 (cont.)

98-16. Eligibility - Death Match

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$8,068
93.558	Temporary Assistance for Needy Families	0

action was also changed to be more thorough and clear in explaining the procedure for staff to follow in acting on the information. Staff is instructed to document action(s) taken and then to remit that to their supervisor.

The DFS devised a supervisor copy of the matches, which includes identical information to that which is on the worker's copy. The supervisor copy alerts that a match has been sent to the individual worker and it contains specific instructions as to getting the case action information back from the worker, and how to process that information accordingly.

The new matches were effected about November 1999, as were the guidelines for addressing them.

Insofar as the exceptions that accompanied the initial finding, the DFS noted in the summary finding response (December 1999) that they had been addressed.

Status of Questioned Costs:

The DFS responded to the USDA, concerning an inquiry about the single audit finding 98-16 (Federal Audit No. 90099-002-Missouri), with a report that included the DFS' proposed corrective action and detailing claims that were implemented against exception households. The DFS has not yet been notified that reconciliation of questioned costs has been effected.

Preparer's Signature: 

Phone number: 6-6967

Date: 10-25-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-17. Eligibility - Benefits to Felons

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$521
93.558	Temporary Assistance for Needy Families	0

We selected a sample of 386 of the state's approximately 234,000 TANF and Food Stamp recipients over age nineteen at April 1998 and asked the Missouri State Highway Patrol to determine if any of them had outstanding felony warrants. We identified two persons with outstanding felony warrants with active Food Stamp cases who had received at least \$521 in ineligible benefits as of October 1998.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should establish a cost-effective procedure to determine whether clients have outstanding felony warrants or have committed other violations that would prevent their eligibility.

Status of Finding:

The Missouri State Highway Patrol has assigned personnel to work on the project to match for receipt of public assistance benefits by fleeing felons. A test file has been forwarded from the DFS to the Highway Patrol to begin working with. It is hoped a trial match can be run by the end of the year.

Status of Questioned Costs:

The DFS responded in the 1999 summary reply that claims had been implemented on the exception households identified by the SAO. Recoupments have been made. The DFS has not yet been notified that questioned costs have been resolved with the grantor agency.

Preparer's Signature: 

Phone number: 6-0967

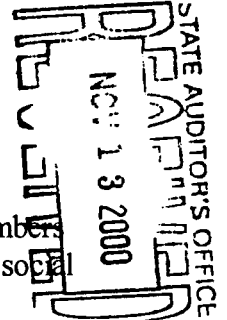
Date: 10-25-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-18. Eligibility - Social Security Number

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families



During the client application process, caseworkers are required to obtain social security numbers for each person included in the case. If the applicant cannot provide documentation of the social security number of all case members, program rules require the case to be opened and the necessary social security number documentation obtained at the client's next re-determination. If the documentation is not provided at re-determination, the client is to be removed from the case. At April 30, 1998, we determined that the DFS client database had 9,266 Food Stamp and TANF clients that had no social security number reported. We tested 48 of these clients and noted eleven of the forty-eight clients reviewed did not have a social security number entered into the database by November 1998. We reviewed the case files for five of these eleven clients and found that each file contained documentation of the client's social security number.

Recommendation:

The DFS improve procedures to ensure client social security numbers obtained after the initial application are entered into the DFS database.

Status of Finding:

The DFS intends to monitor staff entry of verified Social Security numbers (SSNs) into the client database. A Central Office designee will be getting a copy of the quarterly report for unverified numbers (as received back from the Social Security Administration in Baltimore) and will routinely check to see that appropriate changes are effected.

The DFS is currently working with the Division of Data Processing to resume the run of a report that alerts of active assistance recipients without Social Security numbers in the client database. The Central Office designee will also get copies of that to use as a tracking tool.

Recent memos to staff have served to reinforce the importance of securing, verifying and entering Social Security numbers into the system.

A policy memo has recently been issued instructing staff to set time limits for clients to supply verified Social Security numbers that they may not have been able to provide at the point

of application. Previously, there had been no time frame for clients to get back to staff with numbers and this certainly helped lend to the problem of staff not following up for return of the information. With the 15-day time frame, staff will need to implement better tracking measures for ensuring timely client compliance in accord with the new policy edict.

Preparer's Signature: *James K. Lutz*

Phone number: 6-0967

Date: 11-8-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-19.A. Corrective Action on Prior Audit Findings

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families

The DFS responded for audit finding 97-16A in the Summary Schedule of Prior Audit Findings that corrective action had been taken regarding ineligible receipt of TANF benefits by clients due to unreported workers' compensation benefits. Our review indicated that corrective action had been taken for the nine ineligible cases reported; however, a periodic match between the DFS computer records and workers' compensation computer records had not been established to identify workers' compensation benefits unreported by clients.

Recommendation:

The DFS establish an interim match between DFS computer records and workers' compensation computer records until the match planned as part of the FAMIS system is implemented and operating effectively.

Status of Finding:

The DFS and the DOLIR (Department of Labor and Industrial Relations) have determined a way to compare in-common information and are in the process of conducting a test match utilizing a sampling of DFS clients. The results of the trial run are expected to be known shortly. Whether or not the decided upon test program produces the results necessary for the DFS to suitably screen assistance applicants/participants for receipt of Workman's Compensation benefits will determine if the DFS can pursue effecting it.

If so, the DFS then will need to look at the costs of implementing and maintaining the match program after the mode of data conveyance is decided upon (i.e. extract file). There will have to be a decision on how data will be conveyed, formatted and dispersed. A decision on the frequency of data match run will need to be made. A determination as to whether the DSS Division of Data Processing will need to be involved, along with subsequent costs will need to be looked at. Decisions will need to be made as to what agencies will need to be party to contractual agreement(s) for data exchange/use, etc. Contractual agreements will have to be reviewed by participating agencies' legal representatives.

Considering the above, the goal of the DFS is to have addressed the issues by late spring of 2001.

Preparer's Signature:

James R. Guck

Phone number:

6-0967

Date:

11-12-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-19.B. Corrective Action on Prior Audit Findings

Federal Agency: Department of Agriculture and Department of Health and Human Services
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families

The DFS responded for audit finding 97-16C in the Summary Schedule of Prior Audit Findings that corrective action had been taken regarding clients with invalid social security numbers on the DFS computer system. We determined that all the errors from the last audit were corrected; however, we found an additional eight invalid social security numbers in the population of April 1998 TANF and Food Stamp benefit recipients. None of these invalid numbers had been corrected by November 1998. It appears procedures were not improved to correct invalid social security numbers.

Recommendation:

The DFS improve procedures to ensure caseworkers review the quarterly social security number exception report and correct any invalid social security numbers in the DFS computer system.

Status of Finding:

The DFS will be monitoring the quarterly report from Central Office - a copy of the report is being sent to a C. O. designee every time it is run. The DFS also recently sent a memo to the areas and counties instructing directors to remind staff to be conscientious about verifying numbers and getting numbers into the client database.

Preparer's Signature: 

Phone number: 6-2967

Date: 11-8-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-24. Ineligible Payments

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$65,669

We matched Medicaid recipient inpatient and nursing home claims paid during the fiscal year ended June 30, 1998, and managed care claims paid in June 1998, with computer records of deaths reported in Missouri since 1980 obtained from the state's Department of Health - Bureau of Vital Statistics. We identified 52 recipients who had claims paid for service periods after their date of death but no recoupment had been made. The total amount of claims paid for these recipients was \$108,221 (\$65,669 federal share). In addition, for 18 of the 52 recipients, the Missouri Medicaid Information System (MMIS) did not indicate a date of death, and recipient records for five of these 18 recipients still showed the individual as being eligible for Medicaid benefits.

Recommendation:


The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from providers for the overpayments and establish procedures to ensure the MMIS is updated upon a recipient's death.

Status of Finding:

No changes have been made to the corrective action plan other than the due date for the enhancement which is the long term corrective action. The due date will be May, 2001, instead of March.

Status of Questioned Costs:

We have recently initiated a mass adjustment (M-1799) which had a net result of \$171,844.25 that has been recouped from providers. Another mass adjustment will be scheduled in the next calendar quarter.

Preparer's Signature:  Phone number: 751-3752

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-25. Nursing Home and Hospice Claim Overpayments

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$94,473

The DMS pays hospice providers for hospice care furnished to nursing home recipients. The hospice is then responsible for reimbursing the nursing home based on a separate agreement. We noted a total of 1,809 patient days where the nursing home and the hospice provider were paid by the DMS for the same dates of service. These errors resulted in overpayments of \$159,380 (\$94,473 federal share).

Recommendation:

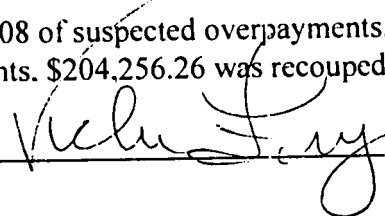
The DMS resolve the questioned costs with the grantor agency. The DMS should also investigate and resolve similar questioned costs from prior years. In addition, the DMS should establish procedures to ensure nursing home and hospice claims are properly processed and paid.

Status of Finding:

System work was completed in November 1999 (S-1539) to eliminate overpayments.

Status of Questioned Costs:

There were \$430,117.08 of suspected overpayments. After a review was performed of these suspected overpayments, \$204,256.26 was recouped as inappropriate payments.

Preparer's Signature:  Phone number: 522-1760

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-26. Drug Rebate Program

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$257,083

As of December 1998, the DMS's Drug Rebate Unit had identified 9,193 claims against pharmacies with estimated overpayments totaling \$423,670 for which recoupments against the pharmacies had not been initiated because the claims were over five years old. The DMS does not initiate recoupment if the claim exceeds five years. Federal law requires that all identified overpayments be returned to the grantor agency. The federal share of these overpayments is \$257,083.

Recommendation:

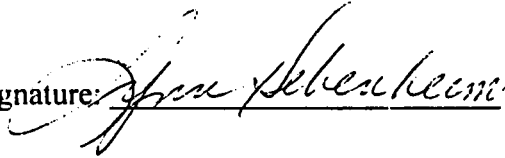
The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should ensure the grantor agency is credited for its share of overpayments when identified, attempt to recover the overpayments, and establish procedures to ensure future recoupments of overpayments are performed in a timely manner.

Status of Finding:

The questioned costs have been closed with the grantor agency. Closed in audit status follow-up report for QE March 31, 2000.

Status of Questioned Costs:

The questioned costs have been closed with the grantor agency. Closed in audit status follow-up report for QE March 31, 2000.

Preparer's Signature:  Phone number: 526-5778

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-27.A. Third Party Liability

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number Program Name
93.778 Medical Assistance Program

The DMS did not maintain an up-to-date Third Party Liability (TPL) action plan and had not submitted any updates to the Health Care Financing Administration (HCFA) since March 1991.

Recommendation:

The DMS ensure that the TPL action plan is maintained on a current basis and updates are submitted to HCFA in accordance with federal regulations.

Status of Finding:

Updates to TPL Action Plan are still in progress. A draft will be completed by December 2000.

Preparer's Signature: Chris Reeter Phone number: 1-2605

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-28.B. Hospital Overpayments

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$183,196

The DMS established new inpatient per diem rates for all 147 hospital providers effective April 1, 1998. We reviewed the per diem rate for 20 hospital providers and noted one provider's per diem rate which was apparently inappropriately increased by \$155 in December 1998. The DMS then retroactively adjusted claims with dates of service after April 1, 1998 and the date of the rate change, resulting in an additional payment of \$301,906 (\$183,196 federal share) to this provider. We question the federal share of the retroactive payment.

Recommendation:

Resolve the questioned costs with the grantor agency. In addition, the DMS should recoup overpayments made to this provider and establish procedures to ensure reimbursement rates comply with state and federal regulations.

Status of Finding:

The questioned costs have been resolved with the grantor agency. HCFA agrees that it was appropriate to use federal match for the retroactive payment.

Status of Questioned Costs:

The grantor agency closed the recommendation that the questioned costs be returned in OIG Clearance Document dated December 10, 1999.

Preparer's Signature: [Signature] Phone number:

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-4. Special Education Consulting Services

Federal Agency: Department of Education
State Agency: Department of Elementary and Secondary Education (DESE)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
84.027	Special Education - Grants to States	\$26,363
84.181	Special Education - Grants for Infants and Families with Disabilities	9,637

Department-wide consulting service expenditures were directly charged to the Special Education program grants resulting in questioned costs of \$36,000.

Recommendation:

The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should ensure only expenditures specifically related to the Special Education program are charged directly to Special Education grants.

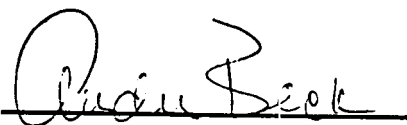
Status of Finding:

Unknown. We believe that this audit finding is no longer valid and does not warrant further action. It has been two years since the audit report in which the finding occurred was submitted to the federal clearinghouse and the federal agency has not followed up with us on the audit finding.

Status of Questioned Costs:

Unknown.

Preparer's Signature:



Phone number: 751-4681

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-19. Fixed Asset Records

Federal Agency: Department of Agriculture
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number Program Name
10.561 State Administrative Matching Grants for
 Food Stamp Program

The DFS fixed asset records were inadequate to ensure compliance with 7 CFR 277.13 regarding transfer or disposal of equipment purchased for the administration of the Food Stamp program.

Recommendation:

The DFS establish procedures to ensure compliance with 7 CFR 277.13

Status of Finding:

A new system was implemented July 1, 1999. Equipment purchased since that date is recorded in the new system. The records in the new system reflect the funding source(s) of the assets.

Equipment purchased prior to July 1, 1999 continues to be maintained in the department's fixed asset system. Conversion to the new system is now anticipated to be complete prior to the end of calendar year 2000. The records of equipment purchased with Food Stamp Funds costing \$1,000 or more are being updated to include the funding sources.

Other policies, which have and continue to be in place to ensure that the federal government would be compensated appropriately for the sale of assets no longer needed in the administration of the Food Stamp Program include:

- a) The statewide policy for Surplus property requires documentation to indicate the funding sources for all assets valued at \$1,000 or more. Sales proceeds greater than \$100 would be returned to the Department.
- b) The Department Receipts Unit identifies all refunds, returns of funds, proceeds of sales and similar receipts to the funding source of payment. We have established separate coding to track receipts applicable to Food Stamps.

Preparer's Signature: Theresa McDonald Phone number: 526-8758

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-20. Claims Accounting Restitution System Units

Federal Agency: Department of Agriculture
State Agency: Department of Social Services - Division of Family Services (DFS)

CFDA Number Program Name
10.551 Food Stamps

The Claims Accounting Restitution System (CARS) Units in the St. Louis County and City of St. Louis DFS offices were not entering claims in the CARS on a timely basis.

Recommendation:

The DFS ensure the local office CARS Units enter claims in the CARS on a timely basis.

Status of Finding:

Plans to reduce the backlog of claim referrals were provided by both the St. Louis City and St. Louis County offices in June 1999. Each office included as a part of its plan a review of pending claim referrals to determine which referrals could be pursued as a claim. This analysis resulted in a reduction of the backlog because necessary information could not be obtained for all pending referrals.

Claim unit staff in both counties has been very successful in processing the remaining backlog of claim referrals. The St. Louis City office had approximately 6,400 claim referrals pending as of February 1999. The September 2000 pending claim referral report for the St. Louis City office shows the total number of pending claim referrals as 1,485. The St. Louis County office had approximately 10,000 claim referrals pending as of June 1999. The August 2000 pending claim referral report for the St. Louis County office shows the total number of pending claim referrals as 1,228.

Staff from the Quality Assurance section continues to monitor the reduction of pending claim referrals in the St. Louis City and St. Louis County offices. When the claim referral backlog is at a one-month level, monitoring will continue as part of the annual Special Initiative review for these two areas.

Preparer's Signature: 

Phone number: 61-09167

Date: 10-25-00

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-22.A. ADP Risk Analysis and Security Review

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number Program Name
93.778 Medical Assistance Program

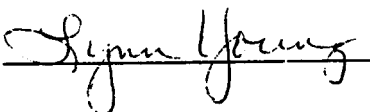
The DMS had not established a security plan for automated data processing (ADP) systems.

Recommendation:

The DMS establish a security plan for the ADP systems in accordance with federal requirements.

Status of Finding:

The Division of Medical Services' ADP Security Program has been developed and will comply with the federal Health Insurance Portability and Accountability Act of 1996 (HIPPA).

Preparer's Signature:  Phone number: 251-3752

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-22.B. ADP Risk Analysis and Security Review

Federal Agency: Department of Health and Human Services

State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number Program Name

93.778 Medical Assistance Program

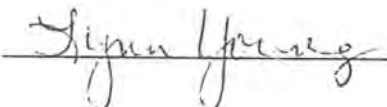
The DMS had not conducted biennial ADP system security reviews.

Recommendation:

The DMS perform biennial ADP system security reviews as required by federal regulations.

Status of Finding:

The Division of Medical Services is currently in the process of conducting ADP system security reviews.

Preparer's Signature:  Phone number: 751-3752

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-23.B. Drug Rebate Program

Federal Agency: Department of Health and Human Services
State Agency: Department of Social Services - Division of Medical Services (DMS)

CFDA Number Program Name
93.778 Medical Assistance Program

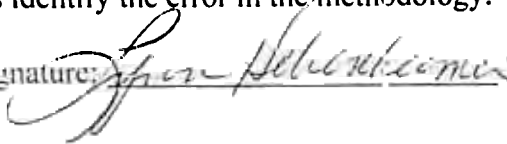
The DMS had not established adequate procedures for calculating, recording, billing, and collecting interest due from drug manufacturers for drug rebate program payments not remitted within thirty days of the invoice date.

Recommendation:

The DMS implement procedures to calculate, record, bill, and collect interest monies due from drug manufacturers.

Status of Finding:

The STR to implement the systematic calculation of interest was placed in production in March 2000. After a review of the initial system generated invoices, additional refinement to the calculation methodology is necessary before becoming fully functional. Interest collection is continuing as a manual process as final dispute resolution is accomplished until the system programmers identify the error in the methodology.

Preparer's Signature:  Phone number: 526-5775

* * * * *



OFFICE OF STATE TREASURER

PERIOD JULY 1, 2000 THROUGH JANUARY 8, 2001

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-16
March 2, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

www.auditor.state.mo.us

On January 13, 1997, Bob Holden was inaugurated for his second term as the forty-second Treasurer of the state of Missouri. Bob Holden's term expired in January 2001. On January 8, 2001, Nancy Farmer was inaugurated as the forty-third Treasurer of the state of Missouri.

The following report of the Office of State Treasurer reflects audited financial statements dating from July 1, 2000, until the electoral transfer of Treasurer authority which occurred on January 8, 2001.

YELLOW SHEET

OFFICE OF STATE TREASURER

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Bob Holden, Governor
and
Honorable Nancy Farmer, Treasurer
Jefferson City, MO 65102

We have audited the accompanying special-purpose financial statements of the various funds of the Office of State Treasurer as of and for the period July 1, 2000 through January 8, 2001, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the financial position, results of operations, and cash flows of the Central Check Mailing Service Revolving Fund; the receipts, disbursements, and changes in cash and investments of the Abandoned Fund Account Fund and the Treasurer's Information Fund; and the appropriations and expenditures of the various funds of the Office of the State Treasurer. These special-purpose financial statements are not intended to be a complete presentation of the financial position and results of operations of the various funds of the office.

In our opinion, the special-purpose financial statements in Exhibits A through C present fairly, in all material respects, the financial position of the Central Check Mailing Service Revolving

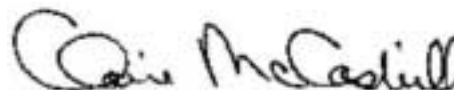
Fund as of January 8, 2001, and the results of its operations and its cash flows for the period July 1, 2000 to January 8, 2001 in conformity with generally accepted accounting principles.

In our opinion, the special-purpose financial statements in Exhibits D and E present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the Abandoned Fund Account Fund and the Treasurer's Information Fund; and the appropriations and expenditures of the various funds of the Office of State Treasurer as of and for the period July 1, 2000 to January 8, 2001, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 30, 2001, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

January 30, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Gayle A. Garrison
Audit Staff:	Stephen M. Garner
	Anissa Falconer



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Bob Holden, Governor
and
Honorable Nancy Farmer, Treasurer
Jefferson City, MO 65102

We have audited the special-purpose financial statements of the Office of State Treasurer as of and for the period July 1, 2000 to January 8, 2001, and have issued our report thereon dated January 30, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

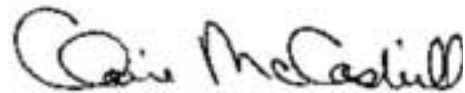
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of State Treasurer are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of State Treasurer, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control

components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Office of State Treasurer and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

January 30, 2001 (fieldwork completion date)

Financial Statements

Exhibit A

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
BALANCE SHEET
JANUARY 8, 2001

ASSETS

Cash and investments	\$	27,193
Accounts receivable		43,265
Prepaid postage		8,204
Equipment		17,300
Accumulated depreciation		(11,245)
Total Assets	\$	<u>84,717</u>

LIABILITIES AND EQUITY

Accounts payable	\$	<u>0</u>
Total Liabilities		<u>0</u>

Equity:

Contributed capital		50,000
Retained earnings - unreserved		<u>34,717</u>
Total Equity		<u>84,717</u>
Total Liabilities and Equity	\$	<u>84,717</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
PERIOD JULY 1, 2000 THROUGH JANUARY 8, 2001

OPERATING REVENUES	
Charges for services	\$ 82,355
Total Operating Revenues	<u>82,355</u>
OPERATING EXPENSES	
Postage	63,467
Office supplies	6,975
Depreciation	<u>865</u>
Total Operating Expenses	<u>71,307</u>
NET INCOME (LOSS)	11,048
RETAINED EARNINGS, JULY 1, 2000	<u>23,669</u>
RETAINED EARNINGS, JANUARY 8, 2001	<u><u>\$ 34,717</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

OFFICE OF STATE TREASURER
CENTRAL CHECK MAILING SERVICE REVOLVING FUND
STATEMENT OF CASH FLOWS
PERIOD JULY 1, 2000 THROUGH JANUARY 8, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$	80,807
Cash paid for operations		<u>(76,975)</u>
NET CASH INCREASED BY OPERATING ACTIVITIES		3,832
CASH, July 1, 2000		<u>23,361</u>
CASH, January 8, 2001	\$	<u><u>27,193</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH INCREASED BY OPERATING ACTIVITIES		
Operating income	\$	11,048
Adjustments to reconcile operating income to net cash increased by operating activities:		
Depreciation		865
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable		(1,548)
Decrease (Increase) in prepaid postage		(1,533)
Increase (Decrease) in accounts payable		<u>(5,000)</u>
Net Cash Increased by Operating Activities	\$	<u><u>3,832</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

OFFICE OF STATE TREASURER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS-
ABANDONED FUND ACCOUNT FUND AND TREASURER'S INFORMATION FUND
PERIOD JULY 1, 2000 THROUGH JANUARY 8, 2001

	Abandoned Fund Account Fund	Treasurer's Information Fund
RECEIPTS		
Unclaimed deposits, dividends, interest , and other	\$ 34,915,693	0
Charges for services	0	2,571
Total Receipts	34,915,693	2,571
DISBURSEMENTS		
Refunds of unclaimed deposits	5,533,648	0
Expense and equipment	80,218	439
Total Disbursements	5,613,866	439
RECEIPTS OVER (UNDER) DISBURSEMENTS	29,301,827	2,132
TRANSFERS		
Transfers from General Revenue		
Fund-State	500,000	0
Transfers (to) General Revenue		
Fund-State	(19,706,871)	0
Net Transfers	(19,206,871)	0
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	10,094,956	2,132
CASH AND INVESTMENTS, JULY 1, 2000	671,421	5,846
CASH AND INVESTMENTS, JANUARY 8, 2001	\$ 10,766,377	7,978

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

OFFICE OF STATE TREASURER
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
PERIOD JULY 1, 2000 TO JANUARY 8, 2001

	Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
GENERAL REVENUE FUND - STATE				
Issuing duplicate checks	\$ 1,018,000	996,307	0	21,693
Services to monitor companies doing business in Northern Ireland	3,000	3,000	0	0
Outlawed checks	53,743	47,519	0	6,224
Lease and utility expense	2,940	303	101	2,536
Personal service	1,507,321	677,293	0	830,028
Expense and equipment	62,610	56,530	0	6,080
Expense and equipment	494,050	191,624	7,715	294,711
Refunds of excess interest from the linked deposit program	4,000	1,650	0	2,350
Total General Revenue Fund - State	3,145,664	1,974,226	7,816	1,163,622
TREASURER'S INFORMATION FUND				
Expense and equipment	8,000	439	0	7,561
CENTRAL CHECK MAILING SERVICE REVOLVING FUND				
Expense and equipment	225,000	71,975	0	153,025
HIGHWAY DEPARTMENT FUND				
Personal service	456,074	198,963	0	257,111
WORKERS' COMPENSATION - SECOND INJURY FUND				
Personal service	36,022	32,240	0	3,782
Expense and equipment	3,280	3,038	0	242
Total Workers' Compensation - Second Injury Fund	39,302	35,278	0	4,024
ABANDONED FUND ACCOUNT				
Expense and equipment	129,701	80,218	0	49,483
Payment of claims for abandoned property	12,000,000	5,281,587	0	6,718,413
Total Abandoned Fund Account	12,129,701	5,361,805	0	6,767,896
Total All Funds	\$ 16,003,741	7,642,686	7,816	8,353,239

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule

OFFICE OF STATE TREASURER
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
PERIOD JULY 1, 2000 THROUGH JANUARY 8, 2001

	Balance July 1, 2000	Additions	Dispositions	Balance January 8, 2001
Equipment	\$ 813,983	2,857	(35,136)	781,704
Motor vehicles	37,453	0	0	37,453
Total General Fixed Assets	\$ 851,436	2,857	(35,136)	819,157

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

OFFICE OF STATE TREASURER

NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the Office of State Treasurer.

The Central Check Mailing Service Revolving Fund, presented in Exhibits A through C, is a separate accounting entity, recording all assets, liabilities, equities, revenues, and expenses related to the fund's activities.

Expenses presented for the fund or any program may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the fund or applicable program.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit D for the Abandoned Fund Account Fund and the Treasurer's Information Fund. Appropriations from these funds are expended by or for the office for restricted purposes.

Appropriations, presented in Exhibit E, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The financial statements for the Central Check Mailing Service Revolving Fund, Exhibits A through C, are prepared in conformity with generally accepted accounting principles. The statements are presented on the accrual basis of accounting which recognizes revenues when earned and expenses when the related liabilities are incurred.

Fixed assets (equipment) of the Central Check Mailing Service Revolving Fund are recorded at cost and depreciated on a straight-line basis with a useful life of ten years and no salvage value.

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit D, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit E, is presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at January 8, 2001.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

Central Check Mailing Service Revolving Fund: The office receives appropriations from this fund and maintains a proprietary interest in the fund. The State Treasurer is administrator and custodian of the fund and receives funds paid or transferred to the office by state agencies for centralized check mailing services. The initial funding for this fund was provided by a transfer of \$50,000 from the General Revenue Fund - State on October 23, 1978. Appropriations from the fund are used for check mailing service expenses.

Abandoned Fund Account Fund: This fund receives monies from banking or financial institutions, business associations, insurance corporations, utilities, courts and other governmental entities, and proceeds from the sale of abandoned property representing abandoned or unclaimed funds.

This fund is established and governed under Section 447.543.2, RSMo 2000. Under Sections 447.500 through 447.595, RSMo, various financial, business, and governmental entities, unless otherwise exempted, are to remit to the State Treasurer all funds which have been presumed abandoned or unclaimed for the required dormancy period, less any reasonable costs of complying with the law incurred during the required notification or report process. The State Treasurer is to deposit these funds in the Abandoned Fund Account Fund. Claims may be filed at any time and are paid upon proof of an approved claim. At any time when the balance of the

fund exceeds one-twelfth of the previous fiscal year's total disbursement from the Abandoned Fund Account Fund, the State Treasurer may, and at least once every fiscal year shall, transfer to the state's General Revenue Fund the balance of the Abandoned Fund Account Fund which exceeds one-twelfth of the previous fiscal year's total disbursement from the Abandoned Fund Account Fund. If any claim or refund reduces the balance of the fund to less than one-twenty-fourth of the previous fiscal year's total disbursement from the Abandoned Fund Account Fund, the State Treasurer shall transfer from the state's General Revenue Fund an amount which is sufficient to restore the balance to one-twelfth of the previous fiscal year's total disbursement from the Abandoned Fund Account Fund. Appropriations from this fund authorize disbursements for the payment of claims of abandoned funds.

Treasurer's Information Fund: The office receives appropriations from this fund and maintains a proprietary interest in the fund. This fund, established by Section 30.610, RSMo 2000, may receive monies from governmental entities or the general public for the preparation, reproduction, or dissemination of information or publications of the State Treasurer. Appropriations from this fund shall be used to pay for personal service, equipment and other expenses of the office necessary for the preparation, reproduction or dissemination of information or publications of the State Treasurer.

General Revenue Fund-State: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

Highway Department Fund: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for that portion of the basic operation of the office which relates to the administration of highway department funds.

Worker's Compensation - Second Injury Fund: The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for that portion of the basic operation of the office which relates to the administration of Second Injury Fund claims.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit E.

2. Cash and Investments

The balances of the Central Check Mailing Service Revolving Fund, Abandoned Fund Account Fund, and Treasurer's Information Fund are pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit D reconcile to appropriated expenditures on Exhibit E as follows:

	Abandoned Fund Account Fund	Treasurer's Information Fund
DISBURSEMENTS PER EXHIBIT D	\$ 5,613,866	439
Lapsed period expenditures:		
2000	(117,648)	0
Accounts payable:		
January 8, 2001	78,597	0
June 30, 2000	(213,010)	0
EXPENDITURES PER EXHIBIT E	\$ <u>5,361,805</u>	<u>439</u>

4. Uncommitted Appropriations-Fiscal Year 2001

The amounts presented as uncommitted appropriations represent appropriations not yet spent or committed at January 8, 2001.

Note to the Supplementary Data:

5. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

MANAGEMENT ADVISORY REPORT SECTION

Follow-Up on State Auditor's Prior Recommendations

OFFICE OF STATE TREASURER

FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

The Management Advisory Report included in the report of the State Auditor for the year ended June 30, 1999, will be followed up on in the report of the State Auditor for the year ended June 30, 2000, when completed. The results of that audit do not modify our report dated January 30, 2001, on the financial statements for the period July 1, 2000 to January 8, 2001.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF STATE TREASURER HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state monies not needed for current operating expenses; and to invest such monies in interest bearing time deposits, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor or in short-term U. S. government securities, or in certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas: 1) accounting and banking services; 2) disbursements and records; 3) investments and deposit programs; and 4) unclaimed property.

The accounting and banking services area: 1) maintains a fund accounting system for the purpose of allocating investment interest to funds; 2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances; 3) controls receipt of state monies collected by fee agents and state agencies and deposited in local banks throughout the state; 4) reconciles bank activity to receipt and disbursement activity reflected on the state books; 5) determines the amount of state monies not needed for current operating expenses; and 6) confirms daily disbursements with the bank as certified by the Office of Administration.

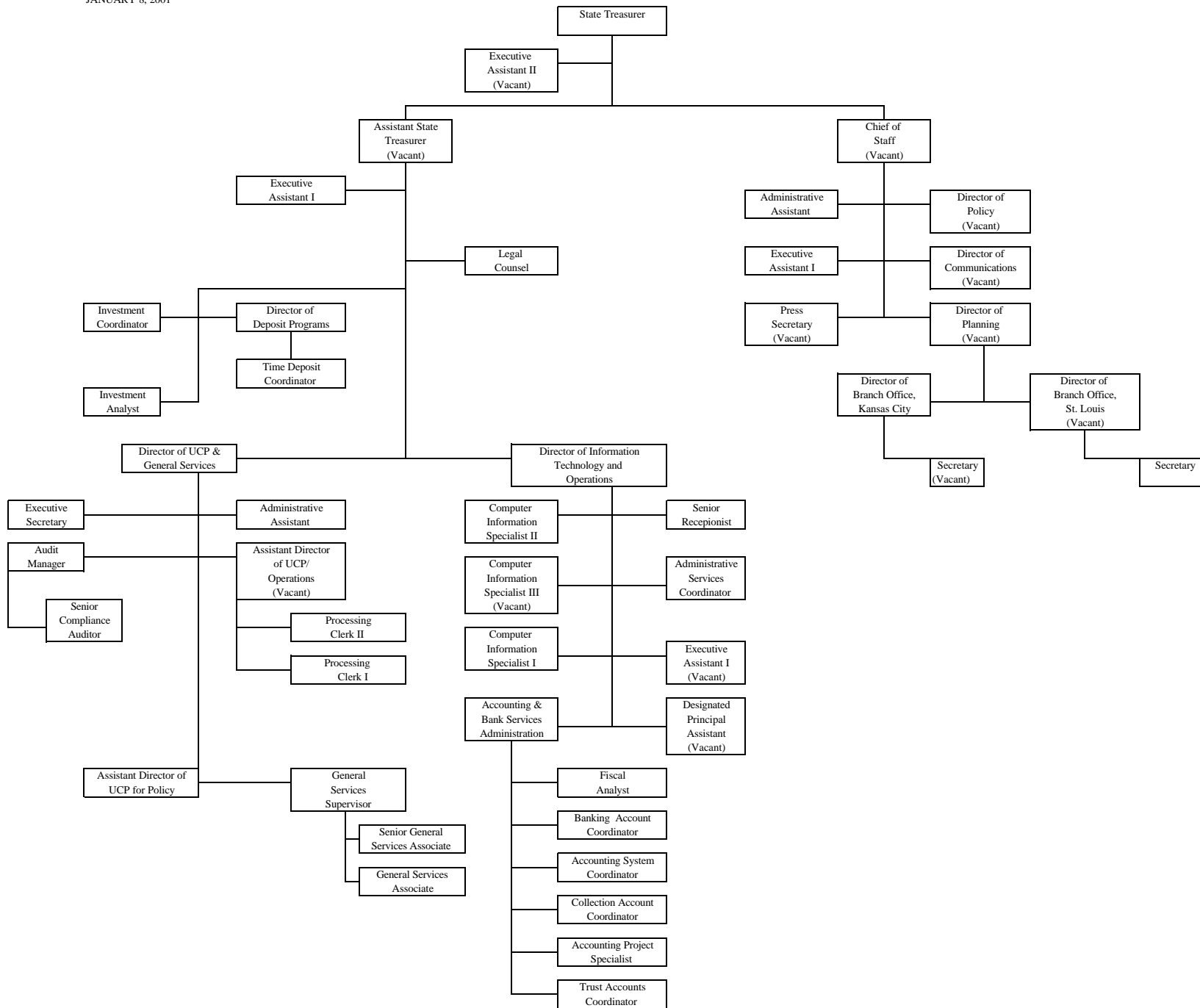
The disbursements and records area provides processing support to other departments of the State Treasurer's office, as follows: 1) provides storage and retrieval of state checks; and 2) controls and processes outlawed checks and processes and verifies claims for replacement checks.

The investments area places state monies not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Section administers Missouri's Unclaimed Property Act (Chapter 447 RSMo). The Unclaimed Property Section is responsible for: 1) ensuring unclaimed property is reported; 2) receiving and recording reports of unclaimed property; 3) depositing unclaimed funds to the Abandoned Fund Account Fund; 4) maintaining custody and safekeeping of abandoned or unclaimed physical property; and 5) processing owner claims for abandoned funds or physical property.

On January 13, 1997, Bob Holden was inaugurated for his second term as the forty-second Treasurer of the state of Missouri. Bob Holden's term expired in January 2001. On January 8, 2001, Nancy Farmer was inaugurated as the forty-third Treasurer of the state of Missouri.

As of January 8, 2001, the office had forty-two full-time and five part-time employees. An organization chart follows.





OFFICE OF GOVERNOR

PERIOD JULY 1, 2000 TO JANUARY 8, 2001

AND THE TWO YEARS ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-15
March 2, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

On January 11, 1993, Mel Carnahan was inaugurated as the state's fifty-first Governor, and in November 1996 was re-elected to the Governor's Office. On January 13, 1997, he was inaugurated for a second term. His untimely death in a plane crash on October 16, 2000, prevented him from finishing his second term.

Lt. Governor Roger Wilson became Acting Governor on October 17, 2000, and was sworn in as Missouri's fifty-second Governor on October 18, 2000. Governor Wilson's term expired January 8, 2001. On that date, Bob Holden was inaugurated as the state's fifty-third Governor.

The following report of the Office of the Governor reflects audited financial statements dating from July 1, 1998 until the electoral transfer of gubernatorial authority which occurred on January 8, 2001.

YELLOW SHEET

OFFICE OF GOVERNOR

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Financial Statements:	7-10
<u>Exhibit</u>	<u>Description</u>
A-1	Statement of Appropriations and Expenditures, Period July 1, 2000 to January 8, 20018
A-2	Year Ended June 30, 20009
A-3	Year Ended June 30, 199910
Supplementary Data:	11-12
Schedule	Statement of Changes in General Fixed Assets, Period July 1, 2000 to January 8, 2001, and Two Years Ended June 30, 200012
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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENT**

Honorable Roger B. Wilson
and
Honorable Bob Holden, Governor
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the General Revenue Fund-State of the Office of Governor for the period July 1, 2000 to January 8, 2001, and the years ended June 30, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

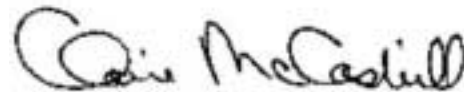
The accompanying special-purpose financial statements were prepared for the purpose of presenting the appropriations and expenditures of the General Revenue Fund-State of the Office of Governor and are not intended to be a complete presentation of the financial position and results of operations of the General Revenue Fund-State of the office.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the appropriations and expenditures of the General Revenue Fund-State of the Office of Governor for the period July 1, 2000 to January 8, 2001, and the years ended June 30, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 12, 2001, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

January 12, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Cheryl Colter, CPA
Audit Staff:	Martin Beck
	Kimberly Fowler
	Ayanna Merchant



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Roger B. Wilson
and
Honorable Bob Holden, Governor
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the Office of Governor for the period July 1, 1998 to January 8, 2001, and the years ended June 30, 2000 and 1999, and have issued our report thereon dated January 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

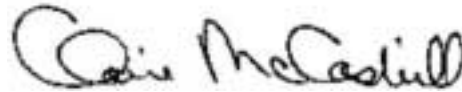
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of Governor are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of Governor, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in

the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Office of Governor and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

January 12, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
PERIOD JULY 1, 2000 TO JANUARY 8, 2001

	Appropriations	Expenditures	Encumbrances	Uncommitted Appropriations
GENERAL REVENUE FUND-STATE				
National Guard emergency	\$ 85,001	12,545	0	72,456
Mansion Preservation Advisory				
Commission	3,000	0	0	3,000
Government Emergency Fund	1	0	0	1
Special audits	100,000	8,980	0	91,020
Mansion operating expenses	196,612	95,329	1,350	99,933
Governor's office	1,998,275	992,342	44,457	961,476
Association dues	139,450	139,450	0	0
Total General Revenue Fund-State	\$ 2,522,339	1,248,646	45,807	1,227,886

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>
GENERAL REVENUE FUND-STATE			
Expenses incident to emergency duties performed by the National Guard when ordered out by the Governor	\$ 25,001	14,265	10,736
Personal service and operations expenditures for the Governor's Mansion Preservation Advisory Commission	3,000	0	3,000
Allocation by the committee to state agencies which qualify for emergency or supplemental funds under the provisions of Section 33.720, RSMo	1	0	1
Conducting special audits	100,000	51,225	48,775
Personal service and/or expense and equipment for the mansion	191,015	189,096	1,919
Personal service and/or expense and equipment for the Governor's Office	1,935,691	1,864,965	70,726
Association dues	133,250	133,250	0
Total General Revenue Fund-State	\$ <u>2,387,958</u>	<u>2,252,801</u>	<u>135,157</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

OFFICE OF GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

		Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND-STATE				
Salary for the Governor	\$	112,755	112,755	0
Expenses incident to emergency duties performed by the National Guard when ordered out by the Governor		1	0	1
Personal service and operations expenditures for the Governor's Mansion Preservation Advisory Commission		3,000	0	3,000
Allocation by the committee to state agencies which qualify for emergency or supplemental funds under the provisions of Section 33.720 RSMo		1	0	1
Conducting special audits		100,000	0	100,000
Personal service and/or expense and equipment for the mansion		185,790	179,963	5,827
Personal service and/or expense and equipment for the Governor's Office		1,745,241	1,617,229	128,012
Association dues		129,624	129,624	0
Total General Revenue Fund - State	\$	2,276,412	2,039,571	236,841

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule

OFFICE OF GOVERNOR
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

	Office Equipment	Office Furniture	Motor Vehicles	Total
Office:				
Balance, July 1, 1998	\$ 347,490	188,116	5,150	540,756
Additions	41,620	4,658	0	46,278
Dispositions	(35,909)	(300)	0	(36,209)
Balance, June 30, 1999	353,201	192,474	5,150	550,825
Additions	18,969	481	1,500	20,950
Dispositions	(39,916)	(299)	(5,150)	(45,365)
Balance, June 30, 2000	332,254	192,656	1,500	526,410
Additions	0	1,138	0	1,138
Dispositions	(5,702)	0	0	(5,702)
Balance, January 8, 2001	326,552	193,794	1,500	521,846
Mansion:				
Balance, July 1, 1998	27,489	115,132	2,925	145,546
Additions	14,909	8,255	0	23,164
Dispositions	0	0	0	0
Balance, June 30, 1999	42,398	123,387	2,925	168,710
Additions	0	12,534	0	12,534
Dispositions	0	0	0	0
Balance, June 30, 2000	42,398	135,921	2,925	181,244
Additions	2,176	0	0	2,176
Dispositions	(3,960)	0	0	(3,960)
Balance, January 8, 2001	40,614	135,921	2,925	179,460
Total General Fixed Assets \$	367,166	329,715	4,425	701,306

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

OFFICE OF GOVERNOR
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the General Revenue Fund-State of the Office of Governor.

Appropriations, presented in the Exhibits, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Appropriations and Expenditures, Exhibit A, are presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period. For the period ended January 8, 2001, expenditures include amounts payable at January 8, 2001, and encumbered amounts are reported as encumbrances.

For years ended on or before June 30, 1999, the lapse period ended August 31 for regular appropriations and December 31 for capital improvement appropriations. For years ended on or after June 30, 2000, the lapse period ends August 31 for both regular and capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The budgetary basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the General Revenue Fund-State. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office and mansion, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit A.

2. Program Specific

The Office of Governor is appropriated funds to pay for Missouri's share in various national and regional programs. The office makes a lump-sum payment annually to the National Governor's Association and the Southern Governor's Association. These payments are for Missouri's share of the expense of program operations.

3. Uncommitted Appropriations—Fiscal Year 2001

The amounts presented as uncommitted appropriations represent appropriations not yet spent or committed at January 8, 2001.

Note to the Supplementary Data:

4. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

MANAGEMENT ADVISORY REPORT SECTION

Follow-Up on Prior Audit Findings

OFFICE OF GOVERNOR
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of Governor on findings in the Management Advisory Report (MAR) of our prior audit report issued for the four years ended June 30, 1998.

Although unimplemented recommendations are not repeated, the office should consider implementing those recommendations.

1. Personal Service Costs

- A. Three employees were paid from appropriations of the Office of Administration (OA) for the year ended June 30, 1998.
- B. Salaries for six individuals were paid partially by other state agencies, with the remainder being paid by the Office of Governor. No documentation was provided to support how the allocations were established.

Recommendation:

The Office of Governor maintain documentation to support the allocation of personal service costs to other state agencies or discontinue the practice of using other state agencies' appropriations to pay personal service costs of that office. This may require the Office of Governor to request additional funding sufficient to pay all operating costs of the office from its own appropriations.

Status:

Not implemented. However, improvement was noted. The Executive Secretary to the Chief Counsel is still paid by OA. The other two positions previously paid by OA were eliminated. The Director of Legislative Affairs and Assistant Legal Counsel for Extraditions are still paid partially by other state agencies. Documentation was not maintained to support how the allocations were established. Three of the positions previously paid by other state agencies were eliminated and one position is paid entirely by the Office of Governor. Although not repeated as a current MAR, our recommendation remains as stated above.

2. Fixed Assets

- A. A physical inventory of the fixed assets in the Governor's office was not performed annually.
- B. Neither the Governor's office nor the Mansion prepared a complete annual statement of changes in fixed assets.

- C. The property records for the Mansion did not indicate the acquisition date for the fixed assets. In addition, the Mansion records did not indicate the date and method of disposition, if applicable.
- D. A set of china cups purchased for the Mansion, costing \$5,165, was not included in the property records.

Recommendation:

The Office of Governor:

- A. Conduct an annual physical inventory for the office and reconcile the physical inventory to the fixed asset records. Documentation of the physical inventories should be retained to show compliance with state regulations.
- B. Prepare a complete statement of changes in fixed assets annually.
- C. Ensure the acquisition dates and disposition dates, if applicable, of property items is recorded on the Mansion property records.
- D. Ensure all property items are recorded on the Mansion fixed asset records.

Status:

- A. Partially implemented. According to office personnel, an annual physical inventory of fixed assets was performed and reconciled to the fixed asset records; however, no documentation of this procedure was retained. Although not repeated as a current MAR, our recommendation remains as stated above.
- B. Partially implemented. A complete annual statement of changes in fixed assets was prepared for the Office of Governor. However, an annual statement of changes in fixed assets was not prepared for Mansion fixed assets. Although not repeated as a current MAR, our recommendation remains as stated above.
- C. Not implemented. Although not repeated as a current MAR, our recommendation remains as stated above.
- D. Implemented in December 2000.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF GOVERNOR HISTORY AND ORGANIZATION

The supreme executive power of the state is vested in the governor. Unless otherwise provided by the law, he appoints members of all boards, commissions, and state government department heads as well as those of several other entities in the state and all vacancies in public offices. He commissions all officers of the state unless otherwise provided by law. Through his capacity as commander-in-chief of the militia, he is the conservator of peace throughout the state.

Providing the state's principal financial administration, the governor presents to the General Assembly a proposed budget for each appropriation period, passes approval on appropriation bills presented to him by the General Assembly, and subsequent to the passage of such bills, may control the rate at which appropriations are expended. He may reduce the appropriations when actual revenues are below the estimated revenues upon which the appropriations were based.

All bills passed by both houses are presented to and considered by the governor where they are signed into law or disapproved and returned to the originating house.

In addition to the duties which are specifically assigned to the governor in the constitution, he has many other duties assigned to him by statute and by custom. The governor is also a member of the Board of Public Buildings and the State Board of Fund Commissioners.

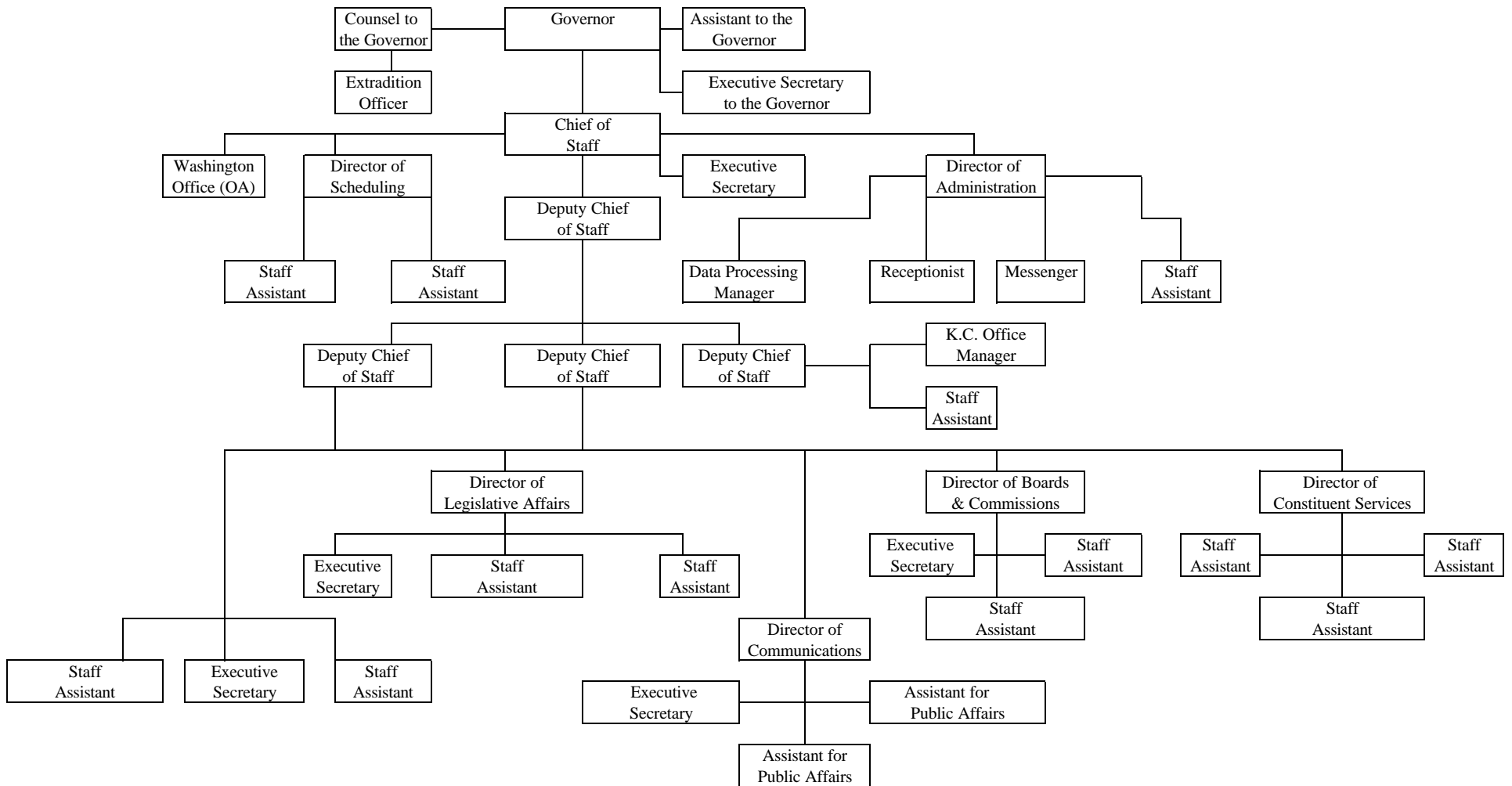
The governor is required to be at least thirty years of age and must have been a citizen of the United States for at least fifteen years and a resident of this state at least ten years prior to election. The governor is elected at the presidential election for a four-year term and is subject to re-election. No person may hold the officer for more than two terms.

On January 11, 1993, Mel Carnahan was inaugurated as the state's fifty-first Governor. His term expired in January, 1997, but he was re-elected to the Governor's Office. On January 13, 1997, he was inaugurated for a second term. His untimely death in a plane crash October 16, 2000, prevented him from finishing his second term.

Lt. Governor Roger Wilson became Acting Governor on October 17, 2000, and was sworn in as Missouri's fifty-second Governor on October 18, 2000. Governor Wilson's term expired January 8, 2001. On that date, Bob Holden was inaugurated as the state's fifty-third Governor.

At January 8, 2001, the office employed thirty-seven personnel. An organization chart for the office follows.

OFFICE OF GOVERNOR
ORGANIZATION CHART
JANUARY 8, 2001



* * * * *



OFFICE OF LIEUTENANT GOVERNOR
PERIOD JULY 1, 2000 TO NOVEMBER 15, 2000
AND THE TWO YEARS ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-14
March 2, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2001

www.auditor.state.mo.us

On January 11, 1993, Roger B. Wilson was inaugurated as the forty-fourth Lieutenant Governor of the state of Missouri. He was re-elected Lieutenant Governor in November 1996, and served in this role until October 18, 2000, when he was sworn in as Missouri's fifty-second Governor. His term as Lieutenant Governor was to expire January 2001. Governor Wilson appointed Joe Maxwell as Lieutenant Governor and he was sworn in on November 15, 2000.

The following report of the Office of the Lieutenant Governor reflects audited financial statements dating from July 1, 1998 until the appointment of Lieutenant Governor Maxwell, which occurred on November 15, 2000.

YELLOW SHEET

OFFICE OF LIEUTENANT GOVERNOR

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<u>Exhibit</u>	<u>Description</u>
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A-2	Year Ended June 30, 20009
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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

Honorable Roger B. Wilson
and
Honorable Joe Maxwell, Lieutenant Governor
Jefferson City, MO 65101

We have audited the accompanying special-purpose financial statements of the General Revenue Fund-State of the Office of Lieutenant Governor for the period July 1, 2000 to November 15, 2000, and the years ended June 30, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the office's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the appropriations and expenditures of the General Revenue Fund-State of the Office of Lieutenant Governor and are not intended to be a complete presentation of the financial position and results of operations of the General Revenue Fund-State of the office.

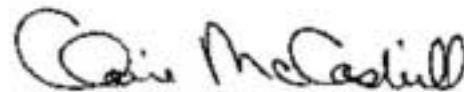
In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the appropriations and expenditures of the General Revenue Fund-State of the Office of Lieutenant Governor for the period July 1, 2000 to November 15, 2000, and the years ended June 30, 2000 and 1999, in conformity with the

comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 12, 2001, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

January 12, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Cheryl L. Colter, CPA
Audit Staff:	George Atkinson



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Honorable Roger B. Wilson
and
Honorable Joe Maxwell, Lieutenant Governor
Jefferson City, MO 65101

We have audited the special-purpose financial statements of the Office of Lieutenant Governor for the period July 1, 2000 to November 15, 2000, and the years ended June 30, 2000 and 1999, and have issued our report thereon dated January 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

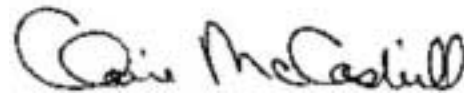
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the Office of Lieutenant Governor are free of material misstatement, we performed tests of the office's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the Office of Lieutenant Governor, we considered the office's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one

or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the Office of Lieutenant Governor and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

January 12, 2001 (fieldwork completion date)

Financial Statements

Exhibit A-1

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
PERIOD JULY 1, 2000 TO NOVEMBER 15, 2000

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Uncommitted Appropriations</u>
GENERAL REVENUE FUND-STATE			
Lieutenant Governor	\$ 417,897	109,735	308,162
Total General Revenue Fund-State	<u>\$ 417,897</u>	<u>109,735</u>	<u>308,162</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

		<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed Balances</u>
GENERAL REVENUE FUND-STATE				
Personal service and/or expense and equipment	\$	329,707	254,662	75,045
Salary of the Lieutenant Governor		75,915	75,915	0
Total General Revenue Fund-State	\$	<u>405,622</u>	<u>330,577</u>	<u>75,045</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-3

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

		Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND-STATE				
Personal service and/or expense and equipment	\$	386,056	300,513	85,543
Total General Revenue Fund - State	\$	386,056	300,513	85,543

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule

OFFICE OF LIEUTENANT GOVERNOR
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

	Office Equipment	Office Furniture	Total
Balance, July 1, 1998	\$ 100,961	11,295	112,256
Additions	5,402	81	5,483
Dispositions	(2,635)	0	(2,635)
Balance, June 30, 1999	103,728	11,376	115,104
Additions	1,884	370	2,254
Dispositions	(5,782)	(268)	(6,050)
Balance, June 30, 2000	99,830	11,478	111,308
Additions	346	690	1,036
Dispositions	(680)	(81)	(761)
Balance, November 15, 2000	\$ 99,496	12,087	111,583

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

OFFICE OF LIEUTENANT GOVERNOR
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for the General Revenue Fund-State of the Office of Lieutenant Governor.

Appropriations, presented in the Exhibits, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the office's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the office and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statements of Appropriations and Expenditures, Exhibit A, are presented on the state's legal budgetary basis of accounting which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period. For years ended on or before June 30, 1999, the lapse period ended August 31 for regular appropriations and December 31 for capital improvement appropriations. For years ended on or after June 30, 2000, the lapse period ends August 31 for both regular and capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The budgetary basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The office administers transactions in the General Revenue Fund-State. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

The office receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the office, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statements at Exhibit A.

2. Uncommitted Appropriations - Fiscal Year 2001

The amounts presented as uncommitted appropriations represent appropriations not yet spent or committed at November 15, 2000.

Note to the Supplementary Data:

3. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

MANAGEMENT ADVISORY REPORT SECTION

Follow-Up on Prior Audit Findings

OFFICE OF LIEUTENANT GOVERNOR
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the Office of Lieutenant Governor on findings in the Management Advisory Report (MAR) of our prior audit report issued for the four years ended June 30, 1998.

Although unimplemented recommendations are not repeated, the office should consider implementing those recommendations.

Fixed Assets

- A. According to office personnel, an annual physical inventory of fixed assets was performed; however, no documentation of this procedure was retained.
- B. The fixed asset records did not always include complete and accurate information. The historical cost, acquisition date, model and serial number, if applicable, were not always identified.
- C. An annual schedule of additions and dispositions of fixed assets was not prepared.

Recommendation:

The Office of Lieutenant Governor:

- A. Conduct an annual physical inventory of the general fixed assets and reconcile the physical inventory to the fixed asset records. Documentation of the physical inventory should be retained to show compliance with state regulations.
- B. Ensure complete and accurate fixed asset records are maintained.
- C. Prepare an annual schedule of fixed asset additions and dispositions, and prepare a statement of changes in fixed assets annually in accordance with state regulations.

Status:

- A. Implemented.
- B. Partially implemented. Although the completeness and accuracy of the fixed asset records has improved since the prior audit, costs are still not documented for several pieces of old furniture. Although not repeated as a current MAR, our recommendation remains as stated above.
- C. Partially implemented. Annual schedules of fixed asset dispositions are maintained. Annual schedules of fixed asset additions are not maintained; however, additions are identified on the fixed asset records. An annual statement of changes in fixed assets was

prepared which included office equipment, but did not include furniture. Although not repeated as a current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

OFFICE OF LIEUTENANT GOVERNOR HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The lieutenant governor is required to meet the same qualifications as the governor. The lieutenant governor is elected for a four-year term.

Under the constitution, the lieutenant governor serves as the ex officio president of the Missouri Senate. In addition, upon the governor's death, conviction, impeachment, resignation, absence from the state or other disabilities of the Governor, the powers, duties and emolument of the governor devolve upon the lieutenant governor until the end of the term or until the disability of the governor is removed.

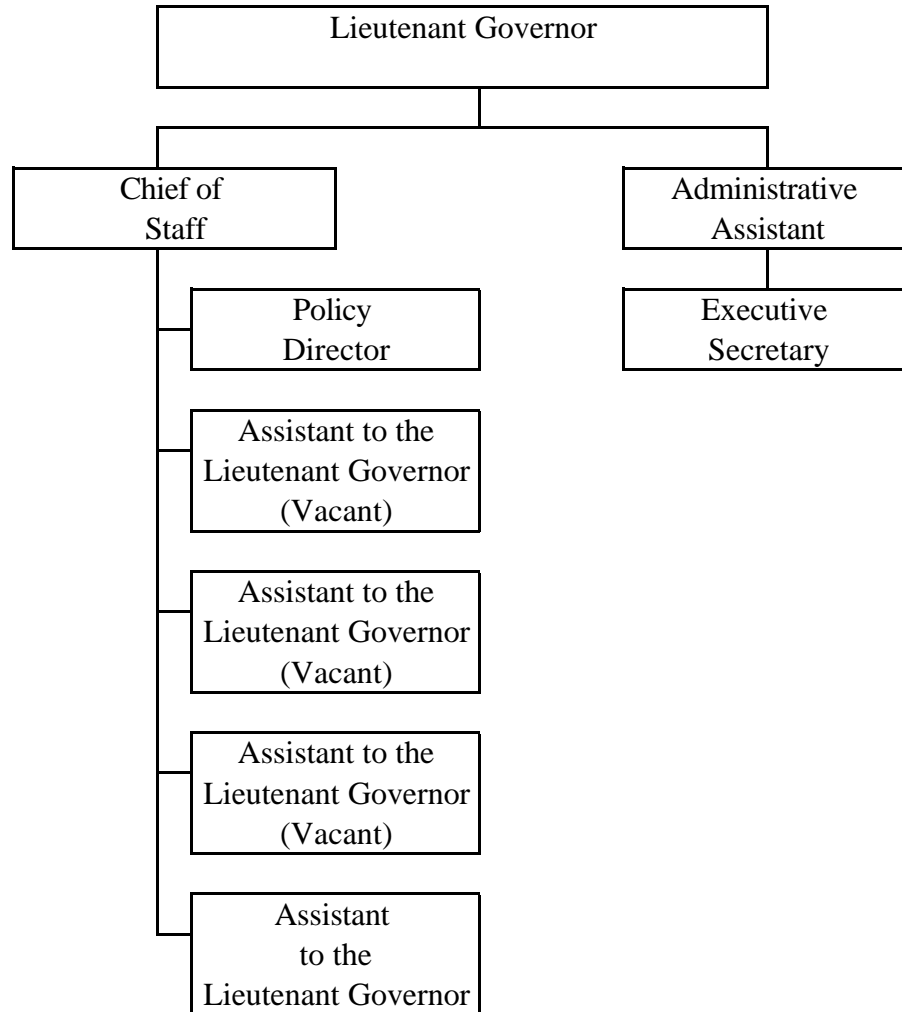
By law, the lieutenant governor serves as a member of the Board of Public Buildings, the Board of Fund Commissioners, the Missouri Development Finance Board, the Missouri Housing Development Commission, the Missouri Rural Economic Development Council, and the Missouri Tourism Commission.

The lieutenant governor chairs the Governor's Council on Efficient Operations and serves as an advisor to the Missouri Community Service Commission. He also serves as an advisor to the Department of Elementary and Secondary Education on early childhood education and the Parents-as-Teachers program. The lieutenant governor also serves as the formal governmental advocate for Missouri's senior citizens and acts in the role of the official ombudsman for all Missouri's citizens.

On January 11, 1993, Roger B. Wilson was inaugurated as the forty-fourth Lieutenant Governor of the state of Missouri. He was reelected Lieutenant Governor in November 1996, and served in this role until October 18, 2000, when he was sworn in as Missouri's fifty-second governor. His term as Lieutenant Governor was to expire January 2001. Governor Wilson appointed Joe Maxwell as Lieutenant Governor and he was sworn in on November 15, 2000.

As of November 15, 2000, the office had four full-time employees and one part-time employee. An organization chart follows.

OFFICE OF THE LIEUTENANT GOVERNOR
ORGANIZATION CHART
NOVEMBER 15, 2000



* * * * *



**REVIEW OF STATE TAX CREDITS ADMINISTERED BY THE
DEPARTMENT OF ECONOMIC DEVELOPMENT**

From The Office Of State Auditor
Claire McCaskill

Report No. 2001-13
February 23, 2001

The state of Missouri should develop a performance measurement system to allow for an effective evaluation of state tax credit programs

www.auditor.state.mo.us

PERFORMANCE AUDIT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2001

www.auditor.state.mo.us

Insufficient data and no set goals for state tax credit programs make a cost-benefit analysis nearly impossible, despite the demand for such a review.

Our audit set out to conduct an impact analysis of the 33 state tax credit programs so policymakers can evaluate each program's effectiveness. But we found a thorough review difficult due to the lack of data and clearly defined goals of each credit. This audit makes nine recommendations that need to be addressed before an adequate review is possible. (See page 11)

In addition, we gathered the necessary data to perform limited impact analyses on four small tax credits.

More data needed

No data is maintained on 16 of the 33 tax credit programs. The limited data maintained on the remaining 17 credits often does not include key information such as the number of jobs created per project, average wages, total investment, affected industry sectors, or even project street addresses. (See page 7)

Data is not reconciled

Major discrepancies exist on the tax credit data maintained by both the Economic Development and Revenue departments, an issue noted in previous reviews. These two departments showed a \$19.4 million difference in what each considered as the total redeemed tax credits for fiscal year 1999. As a result, the simple task of reporting dollar amounts for approved, claimed and outstanding tax credits is not verifiable. (See page 9 and Appendix VIII, page 49)

Consensus necessary on program benchmarks

Although Missouri is already cited as an innovative leader in using tax credits, the state lacks clear goals to measure a program's effectiveness. Our report notes Ohio's performance-measurement system that could work in Missouri. The model guide manages, evaluates and monitors tax credit programs on an ongoing basis. (See page 5)

YELLOW SHEET

Inaccurate tax credit marketing

Our review showed several instances in which information on brochures marketing the tax credits did not match the state statute authorizing the program. For example, the summary for the Neighborhood Assistance Program states an annual cap different than the state statute. The summary for the Brownfield “Job/Investment” tax credit sets a maximum refund, but the statute mentions no such limit. (See page 10)

Small tax credit programs analyzed

Despite the lack of data and defined goals, our audit conducted an impact analysis of four small tax credits: film production, wine and grape growers, rebuilding communities and small business incubator. Because of the previously noted insufficient data, we surveyed these programs to gather the necessary information. (See survey and results on page 48) We explain the methodology used and the economic assumptions made. Each review includes the tax credit’s purpose, impact on state taxes, direct economic impact, total economic impact and data issues that hindered the analysis. (See page 15 and Appendix X, page 55)

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Governor Bob Holden

And

Joseph L. Driskill, Director of the Department of Economic Development

And

Members of the General Assembly

The State Auditor reviewed the 33 tax credit programs administered by the Department of Economic Development (DED). The objective of the review was to obtain information and data necessary to perform a cost-benefit analysis as mandated by Missouri Revised Statutes (RSMo) 2000. While we comment on internal control issues that are incidental to the objective of obtaining the necessary data to perform a cost-benefit analysis, our review was not intended to be an internal control audit and we therefore do not express an opinion on the internal controls for any of the state agencies referred to in this report.

We concluded that certain policy and data issues must be addressed before an adequate study can be done on the effectiveness of each tax credit program. A collaborative effort is needed between the responsible state agencies, the legislature and the administration to develop a performance measurement system that results in clear policy goals and improved data collection to assess progress towards accomplishing these goals. While Missouri is not that much different than most states in its inability to analyze the cost-benefit of its state tax credit programs, it should also be recognized that if Missouri is going to be a leader in using state tax credits to promote public policy it should be at the forefront in assuring Missouri taxpayers that using state revenue to promote a particular activity is cost-effective and supports a valid public purpose.

A handwritten signature in black ink, reading "Claire McCaskill".

Claire McCaskill
State Auditor

December 22, 2000 (fieldwork completion date)

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RESULTS AND RECOMMENDATIONS

1. The State of Missouri Should Develop A Performance Measurement System to Allow for An Effective Evaluation of Tax Credit Programs

Clear policy goals or data systems do not exist to allow for an effective cost-benefit analysis of tax credit programs. Key data such as number of actual jobs created per project, average wages, total investment, industry sectors affected, street addresses for the projects and other relevant information are not captured in a centralized management information system and in some cases are not captured at all. Furthermore, the tax credit programs do not have clearly defined public policy goals to serve as benchmarks for measuring program performance. While Missouri is not unique in its inability to provide adequate data for an analysis of its economic development tax credit programs, Missouri has already been cited as an innovative leader¹ in the use of tax credit programs to promote public policy. Therefore, Missouri should be a leader in developing a performance measurement system to ensure the use of tax credits to promote community economic development is both cost-effective and achieving the intended policy goals.

Before an adequate cost-benefit analysis can be completed the following issues must be addressed:

- Lack of a centralized management information system to maintain and monitor key data on all economic development projects issued state tax credits.
- Failure of the Department of Economic Development and the Department of Revenue to periodically reconcile the approved, claimed and outstanding tax credit projects each agency maintains on its current tracking systems (this issue was noted in reviews conducted in 1992 and 1998.)
- Department of Economic Development policy to only maintain and monitor data on discretionary tax credit projects and not formula-based tax projects.
- Methodologies that should be employed to perform cost-benefit analyses of each state tax credit program have not been developed.
- Lack of clear policy goals established for each tax credit program so that performance may be measured against the policy benchmark.

¹ According to an article titled “Using Tax Credits to Implement Public Policy: The Missouri Experiment” (Journal of Affordable Housing and Community Development Law, Summer 1999) written by Janette Lohman and Paul N. Tice.

Focus of audit

The State Auditor's Office reviewed data on the 33 tax credit programs administered by the Department of Economic Development (*see Appendix I, page 30, for list of programs*). The purpose of the review was to obtain the data necessary to perform a cost-benefit analysis that would provide policymakers with sufficient information to evaluate the effectiveness of these state tax credit programs. This review is the first of an overall cost-benefit analysis of the economic development incentive programs administered by the Department of Economic Development, as mandated by Section 620.1300, RSMo. Supp. 1999.

The review focused on obtaining information to determine the

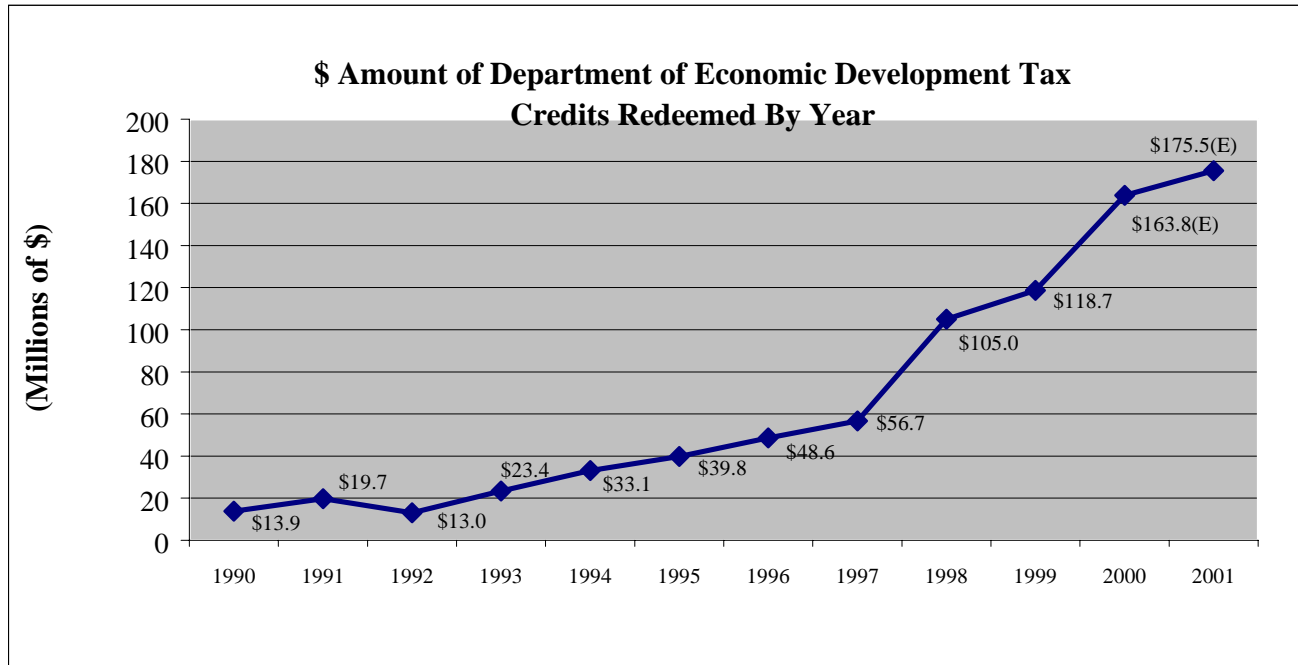
- cost for each program,
- direct state and indirect state benefits associated with each program,
- direct local and indirect local benefits associated with each program,
- safeguards to protect noneconomic influences in the award of programs administered by the Department of Economic Development, and
- likelihood of the economic activity taking place without the program.

Use of state tax credit programs is increasing in Missouri

Tax credit programs are instruments used by states to attract businesses and enterprises to the state. They grant businesses and enterprises relief from paying state taxes or portions of state taxes in order to entice the business to locate in the state. Tax credit programs vary in structure by industry and incentives. In some programs, the firm that is granted the credit may use the credit or sell it to another firm or individual. The competition for business is keen and businesses will play one state against another in order to get the best deal.

The need for an evaluation of state tax credits becomes evident as tax credits increasingly become a tool to promote public policy. Figure 1 illustrates the increasing use of tax credits indicated by the amount of tax credits redeemed by taxpayers each year.

Figure 1



Source: Tax Expenditure Report (years 1990 – 98);
DED Form 14 (year 1999– 01)
(E) = Estimate

Because of the increase in state economic development incentives, many state legislatures and taxpayers nationwide are demanding a cost-benefit analysis of the various community and economic development incentive programs the state provides. Until recently, most analysis of state economic development incentives performed in various states focused on the single large projects receiving multiple incentives and having large economic impacts on the state and local economies. Now it is widely understood that community and economic tax credit programs are tax expenditures and should be analyzed to determine if the program is a wise use of state resources. Recent audits in many states have been critical of the way tax credit programs have been handled by the state agency charged with administering the program. (*See Appendix VIII, page 49, for a summary of other state audits critical of the state agencies oversight of economic development tax credit programs*).

Department of Economic Development attempts to analyze cost benefit of tax credits

In a meeting with Department of Economic Development personnel, the general consensus by department staff was that a cost-benefit analysis of tax credits is difficult due to timing issues, data collection issues, and the inability to accurately link the economic activity to the tax credit. A former economist for the Department of Economic Development, who was the former Manager and Senior Economist for Office of Research and Policy Analysis, said that he has read a lot of the economic literature and attended numerous national conferences and has come to the conclusion that no one knows how to perform a useful cost-benefit analysis of tax credit

programs. The economist also said it is difficult to determine what role a tax credit plays in the decision of a business to relocate or expand into Missouri. Department of Economic Development personnel stressed the importance of not looking at the tax credit incentives in a vacuum, but as only one component of an economic development incentive package.

According to Department of Economic Development personnel, over the last several years the agency has tried to develop a workable economic model to ensure a positive impact from the economic development tax incentive programs. They focused on determining what motivates a business to expand or relocate. From this analysis they determined that incentive packages should be used to address two situations: 1.) gap-financing, and 2.) competitiveness. Missouri has a competitive advantage over many states because of its lower overall taxes; and tax credits combined with other economic incentives, increase the competitiveness of Missouri.

After reviewing various tax credit programs studies, it is easy to conclude that any type of cost-benefit analysis, even one using the most sophisticated economic theory, falls short of truly measuring the tax credits' economic impact. *(See Appendix IV, page 40, for critique of economic analysis techniques)*. One reason cost-benefit analysis of tax credit programs is often not considered credible is because economic assumptions must be made and reasonable people can easily debate these assumptions. This is why consensus is needed in how the tax credits should be measured. Clearly articulated policy goals are the first step in building a benchmark from which a cost-benefit analysis can be measured. However, an overwhelming problem cited by researchers attempting to analyze state tax credits is the lack of key data.

A Performance Measurement System is Needed

Before an effective cost-benefit analysis can be performed on Missouri state tax credit programs, a performance measurement system must be developed so that monitoring and evaluation efforts are productive. We noted a performance measurement system that was recommended by a State of Ohio study that could serve Missouri well.

A study was commissioned by an Ohio State Senator and performed by Cleveland State University researchers and various subcontractors to perform an economic impact analysis of Ohio's economic development programs. In reference to cost-benefit analysis of economic development programs, the study stated that

Performance
system
recommended
for Ohio could
help Missouri

“Given the state of knowledge and skill in this area, our study team concludes that performance measurement and improvement is not as easy as it may sound. While Ohio officials may insist that state economic development program monitoring and evaluation activities be increased in the immediate future, substantial progress in this area will take some time. Clarifying goals and broader expectations that guide these programs must be given equal attention, otherwise monitoring and evaluation efforts will produce little benefit”.

The Ohio study team proposed a comprehensive performance measurement system called the State Incentive Management System model. The model is a performance measurement system developed by the university team to guide, design, manage, evaluate and monitor economic

development programs on an ongoing basis. The university team identified three components of this model in the study as follows:

- 1) The Planning Component: involves setting strategic goals and objectives; defining components of the model for the program; selecting performance measures to chart progress; setting budget levels; devising annual investment strategy with preferred investment targets for the program; and creating computer system requirements to support program planning, management, and evaluation.
- 2) The Management Component: involves training staff; administrative structure for the program; selecting the appropriate local and regional financial affiliates for the program; devising an appropriate portfolio management strategy for the program; devising appropriate legal agreements and negotiation strategies to use with companies; devising appropriate marketing and communications strategies to inform companies and others about the program, its requirements, and benefits.
- 3) The Monitoring and Evaluation Component: involves selecting computer modeling tools to facilitate the evaluation process; devising specific management performance measures under the five-layer performance measurement system; organizing an evaluation team spanning Ohio Department of Development, Office of Budget and Management, Taxation, and Legislative Budget Office; and training staff and local officials in using the new evaluation system.

The five-layer performance measurement system is a system that allows for an assessment of the individual and combined impact of Ohio's economic development programs by:

- Major industry sectors
- Urban and rural regions and communities
- Major population groups and labor market segments
- Major natural resources
- State and local government finances.

Policy goals are needed to establish benchmarks for analysis

In the Ohio Study cited above, the researchers call Ohio a “doer” state, not a “planner” state. Ohio has been aggressive and effective in helping businesses locate and grow in the state, but not very good at planning and strategizing, making it difficult to evaluate the effectiveness of the public assistance. The same could be said about Missouri's tax credit programs. The state has been an innovative leader in the use of various tax credit programs to promote public policy, however currently the Department of Economic Development has developed only limited performance-based expectations for how the state tax credit programs should perform.

A cost-benefit analysis is only as good as the underlying data used to perform the analysis. The Department of Economic Development maintains the information needed to administer the tax credit program; however, a change in policy is needed so that all of the data necessary to perform

a cost-benefit analysis on each tax credit program is maintained and monitored by the department. There are major omissions in data needed for cost benefit analyses.

Data on formula-based tax credits should be gathered and maintained

Data is not maintained or monitored for 16 of 33 tax credit programs. These 16 programs are formula-based tax credits, which are granted if the project meets the eligibility requirements set out in the authorizing statute. Department of Economic Development management stated that it is not the responsibility of the agency to monitor the economic impact that formula-based tax credits have on the state because they have no discretion over whether projects qualifying for the tax credit receive the tax credit. Sixteen of the 33 tax credit programs are formula based, and therefore the department does not maintain or monitor any data on these tax credit programs.

Department
excludes some
tax credits
from data
collection

For large discretionary tax credit programs, the department obtains the necessary data from the company or individual applying for the tax credit program to complete the economic impact analysis worksheet. The department uses this data to perform a cost-benefit analysis to determine if the project resulted in a positive return on investment to the state. The department officials award or deny the tax credit based on this analysis.

The economic impact analysis is an effective way to gather data needed to perform an analysis of a particular tax credit project. The Department of Economic Development should consider using the economic impact analysis as a tool for gathering data on all tax credit projects regardless of whether the tax credit program is discretionary or formula-based. Without project level data, it is difficult to perform an effective cost-benefit analysis of a tax credit program which is usually comprised of several projects. (*See Appendix VII, page 47, for listing of type of tax credit program.*)

Data Maintained on Project Logs Should be Improved

Department tax credit project logs did not contain enough information to conduct an analysis. Project logs only contained the amount of approved tax credits, but did not contain the amounts of claimed and outstanding tax credits. Department managers said they do not keep records of redeemed credits because the Department of Revenue is responsible for tracking redeemed tax credits. Reviews of the project logs showed that program managers use their discretion on the information retained, and there is no consistency among any of the project logs. The data included in the project logs was not adequate for an effective evaluation of the tax credit program.

Record
keeping was
not adequate

Recommended Data Required For An Effective Analysis

To perform an effective analysis of each of Missouri's tax credit programs it is necessary to look at the beneficiaries of the tax credit, i.e., those who do the required activity and benefit economically from the tax credit. Because several of the tax credit programs allow for the tax credit to be transferred or sold, the ultimate taxpayer who claims the tax credit may have no relationship to the original project receiving the incentive. To assess the overall impact of the tax credit project, at a minimum, the following data is needed, as applicable to each credit:

Standard data elements should be collected

1. Description of project
2. Street address of project
3. Standard Industry Classification (SIC) Code for project
4. Approved amount
5. Claimed amount
6. Outstanding amount
7. Number of Jobs created, both direct and indirect
8. Payroll amount
9. Average Wage
10. Dollar amount of investment
11. Percentage discount on sale of tax credit
12. Name of party that redeems credit
13. Street address of party that redeems credit

The department should use the existing economic impact analysis worksheet to capture and maintain all relevant data necessary to perform a cost-benefit analysis of state tax credit programs. The data from this worksheet should be housed on a centralized management information system, where data could be extracted and reports generated, as needed.

The centralized management information system was not effectively used

The Financial Assistance System is the centralized management information system for all of the community and economic development programs administered by the department. The Department of Revenue and the Department of Insurance do not have access to this system, and the system is not designed for reconciling tax credits. Also, the system is not complete because individual project managers who were maintaining their own databases did not transfer all tax credits to the financial assistance system.

State Agencies critical to effective analysis do not coordinate

In response to our inquiries, technology personnel advised that the financial assistance system is going to be replaced by a new system and that no agency will have access to this system. If not this system then some system will be needed to track and reconcile tax credits. And, better management of databases in the Departments of Economic Development and Revenue will be needed to effect reconciliation of tax credits.

Department of Economic Development & Revenue Data Could Not Be Reconciled

Even a task as simple as reporting the dollar amounts for approved, claimed and outstanding tax credits for a given year can become confusing and unverifiable due to timing issues and the lack of reconciliation of the data by the Departments of Economic Development, Insurance, and Revenue.

There were numerous discrepancies that raise substantial data integrity issues.

- Approved, claimed and outstanding tax credit amounts reported by both agencies could not be reconciled. Department of Economic Development staff admitted to calculation errors in several of the discrepancies noted, however, they did not provide documentation to determine if the amounts reconciled with Department of Revenue amounts. *(See Appendix VIII, page 49, for discrepancies by tax credit program).*
- A tax credit project was in the Department of Revenue system twice, resulting in an approved tax credit amount on the system for twice the amount actually certified by the Department of Economic Development. This was a case where both the original recipient of the tax credit (transferor) and the transferee were on the system with the same credit amount resulting in the double counting of the certified tax credit amount.
- The same Department of Revenue tracking code was being used for more than one tax credit causing the reported program totals to be overstated.
- The Department of Revenue does not have an automated system that allows for tracing transferred tax credits to the original approved tax credit. While revenue staff was able to provide data on claimed tax credits, it was impossible for this claimed amount to be traced to the original project performing the economic activity, thus limiting any project level analysis.

Data integrity and data system need to be improved

Economic Impact Statement Required By Law Was Not Maintained

The authorizing statute for the Film Production Tax Credit, Section 135.750, RSMo, states in part that:

“...the application shall include an economic impact statement, showing the economic impact from the activities of the film production project. Such economic impact statement shall indicate the impact on the region of the state in which the film production or production-related activities are located and on the state as a whole.”

Department of Economic Development ignored the law

A review of the only application for this tax credit and the file containing the application disclosed that an economic impact statement was not prepared. Department of Economic Development staff stated that an economic impact statement was not needed because the film

production tax credit program was a discretionary program. This explanation does not coincide with the law that clearly states that an economic impact statement is required.

Department of Economic Development Tax Credit Summaries and Marketing Brochures Contain Errors

A review of tax credit summaries, marketing brochures and Statements of Benefits and Costs²(Form 14) disclosed several discrepancies between the information prepared by the Department of Economic Development and the authorizing statute. While recognizing that the department has the ability through its rule-making authority to limit some aspects of the tax credit program, there were several occasions where information prepared about the tax credit could not be reconciled under the statute or the department's rule-making authority.

Tax credit
marketing
information
did not match
statute

- Small Business Investment Tax Credit (135.400 RSMo)

The Tax Credit Summary states the program does not allow carry-back of the tax credit, however the statute allows a 3-year carry-back if the business is in a distressed area.

- Brownfield "Job/Investment" Tax Credit (447.708.1 RSMo)

The Summary states the credit has a maximum refund of unused credits of \$75,000. The statute does not allow for any refund of the tax credit.

- Youth Opportunity and Violence Prevention Program (620.1100 RSMo)

The Summary states the credit is not sellable/transferable nor can it be carried forward. The Form 14 states the credit is sellable/transferable and can be carried forward. The statute, however only allows a 5-year carry forward and does not allow for the credit to be sold or transferred.

- Family Development Account (208.755 RSMo)

The Summary states the project limit is \$60,000 per organization per year or \$120,000 for two years. The statute allows \$50,000 per program not to exceed 50% of the contribution amount.

² The Statement of Benefits and Costs is prepared for each tax credit program and submitted to a budget analyst in the Office of Administration. The budget analyst makes sure there is one for each tax credit program. She then forwards them to the Director of Budget & Planning's office for review with the state's economist. They review the cost and benefits of each credit. The forms are then forwarded to the Senate Appropriations and House Budget committees.

- Transportation Development Tax Credit (135.545 RSMo)

The Summary states the credit allows a 5-year carry forward. The statute allows a 10-year carry forward.

- Winery/Grape Growers Tax Credit (135.700 RSMo)

The Summary states the credit cannot be carried forward while the Form 14 states that it can be carried forward. The authorizing statute does not allow a carry forward. The Summary also does not put a limit on the number of times the credit can be claimed while the statute limits the time period to 5 tax periods.

- Individual Training Account Tax Credits (620.1400 RSMo)

The Summary allows a 3-year carry back. The statute does not allow a carry back (see 620.1440 paragraph (2)).

- Mature Worker Child Care Tax Credit (620.1560 RSMo)

The Summary states there is a project limit of 50% of training up to \$1,500 per employee. The statute states in paragraph (5) the limit is 25% of the eligible salaries up to \$10,000 per program participant each taxable year are eligible for the credit which shall not exceed 25% of the eligible salary amount.

There was no evidence that any party detrimentally relied on the incorrect information found on the Department of Economic Development documents. Since the incorrect information is being disseminated to the Office of Administration, the legislature and the public, it is essential that it be accurate.

The Department of Economic Development is in the best position to capture key data on tax credit programs

The department is clearly in the best position to collect data because they interface with applicants for the projects applying for the state tax credits. Department staff stated they did not have the resources to continually maintain and monitor data on each individual tax credit project for every tax credit program. Collaborating with other state agencies such as the Department of Labor and Industrial Relations to develop a system for capturing job creation and retention information and wage data may alleviate some of the resource concerns.

Recommendations

We recommend that the Director, Department of Economic Development

- 1-1. Develop a comprehensive performance measurement system similar to what the Ohio study recommended. This system should include clearly articulated policy goals and data

collection procedures and systems necessary for an effective evaluation of the state tax credit programs and other economic development incentive programs in the state.

- 1-2. Collaborate with state agencies, the legislature and the administration on developing a set of performance-based benchmarks from which the effectiveness of the tax credit programs can be measured.
- 1-3. Use the existing economic impact statement worksheet to capture and maintain all relevant data necessary to perform a cost-benefit analysis of applicable state tax credit programs.
- 1-4. When designing the new management information system, take into consideration the state of Missouri's need for a performance measurement system to maintain and monitor data on each of the economic development incentive programs the department administers.
- 1-5. Maintain sufficient documentation so that reconciliation can be performed with the Department of Revenue and the Department of Insurance records.
- 1-6. Assign each tax credit program a separate DOR tracking code so that program activity can be traced and verified.
- 1-7. Coordinate with the Department of Revenue and develop an automated system using a key identifier that allows tax credits sold or transferred to be traced back to the project performing the economic activity encouraged by the tax credit.
- 1-8. Maintain all the documentation required by the authorizing statute for each tax credit program such as economic impact statements.
- 1-9. Ensure documents describing tax credits contain accurate information on each tax credit program and that such documents coincide with the law.

Department of Economic Development Comments

- 1-1. *Because of time constraints, DED was unable to review the Ohio State Incentive Management System model. Therefore, the Department does not currently have an opinion on whether or not this system would be appropriate for tax credits programs administered by DED. The Department will review the Ohio system and also review other best practices used in other states in relation to performance measurement systems. Through the department's strategic planning process, DED does collect, track and develop targets regarding various performance data related to incentives that the Department administers. The Department has been utilizing this results measurement planning system since 1996. While these measures are not strictly related to tax credits, we do understand measurement, results and operations. We are interested in examining all programs, which might enable us to continue providing quality services for Missourians.*

- 1-2. *The Department agrees that this type of collaboration would be helpful in establishing benchmarks and is willing to participate. It is vitally important that all agencies that administer tax credit programs participate in order to fully realize the benefits of the tax credit programs in total.*
- 1-3. *It should be noted that only four DED tax credit programs (Brownfield, BUILD, Historic, and Film) require by statute that a cost benefit test be performed. DED will attempt to gather this data on all tax credit programs. However, it must be noted that for some tax credits, statutes do not compel the tax credit recipients to disclose all thirteen types of data recommended for collection. In addition, as noted in the audit report, the collection of this data would not be applicable to each credit. Without a complete universe of data for each tax credit issued this data may not be reliable in conducting a cost benefit analysis.*
- 1-4. *The Department agrees to take this into consideration when designing the new information system.*
- 1-5. *The Department initiated meetings with officials from the Department of Revenue (DOR) to develop a system that will interface for the reconciliation of tax credits. Upon implementing a workable system with the Department of Revenue, we will encourage the Department of Insurance (DOI) to adopt the same system.*
- 1-6. *DED agrees that this should be done and we have already held discussions with the DOR to accomplish this task. DED and DOR are currently assessing the format that is needed that will work with both of the systems.*
- 1-7. *This clearly a shared responsibility and should include agreement by all agencies that administer transferable tax credits. It is DED's intent that on the programs we administer this information would be electronically submitted to the Department of Revenue in the new information system. We will actively encourage the other agencies involved, including DOR, to implement such an automated system.*
- 1-8. *DED concurs that the economic impact statement for the Film Production Tax Credit was not maintained in the files. Action has been taken to ensure staff of the Film Office are informed of the requirement to collect this information. In addition, DED has created an internal audit staff by reclassifying two positions to auditors. It is the intent that these positions will provide additional verification that appropriate tax credit documentation is maintained. However, these positions are not solely dedicated to reviewing tax credit information and it is their responsibility to review all of DED's operations. Without staff specifically dedicated to reviewing tax credit documentation reviews can only be done on a periodic basis.*
- 1-9. *DED agrees with the State Auditor's statement in the body of the report that "there was not evidence that any party detrimentally relied on the incorrect information found on the Department of Economic documents." The Department will review tax credit summaries,*

marketing brochures and other related documents for accuracy and make corrections as necessary (also see response 1-8).

2. Impact Analysis of Four Small Tax Credit

Even absent a performance measurement system, we attempted to perform an analysis of four tax credits as required by Section 620.1300, RSMo. Supp. 1999. We used the Regional Economic Models, Inc., Policy Insight Model for the state of Missouri, to analyze the total economic impact of each credit. We had to make some assumptions to use the economic model because of the limited data available on these credits and because the use of economic theory is necessary to link the tax credit to the economic activity it produced. This methodology is discussed in the detailed discussion that follows for each tax credit. In general, the fiscal impact is negative in the first year as the credit reduces revenue more than the revenue generated from the increased economic activity. In the remaining nine years of the ten-year time period used for the projection, the revenue generated was greater than the redeemed credits. There would be a slight increase in employment during the period. The credits have a slightly negative impact on wage rates, which could be occurring because the firms are using the reduction in capital or production costs to make additional capital expenditures rather than employ highly trained workers. The credits have a positive impact on Gross State Product which is an economic output measure of overall compensation and profits.

In search of a methodology in which to perform an effective cost-benefit analysis we asked the Department of Economic Development officials to provide some small tax credit programs that we could look at in some depth. They provided files on four tax credit programs:

1. Film Production Tax Credit
2. Wine & Grape Growers Tax Credit
3. Rebuilding Communities Tax Credit
4. Small Business Incubator Tax Credit

A. Film Production Tax Credit Program

The film production tax credit is authorized by RSMo , Section 135.750 and became effective in 1999. The statute authorizes a tax credit for up to 50 percent of the amount of investment in production or production-related activities in a qualified film production project. The statute also requires both a \$500,000 per project cap and \$1,000,000 annual cap for the tax credit. By rule, the Department of Economic Development limits the tax credit to 25 percent of the amount of investment and has reduced the project cap to \$250,000.

The film production tax credit is a discretionary program, meaning that the Department of Economic Development has discretion on whether or not a particular project should be awarded the tax credit. A taxpayer may carry forward unused tax credits for up to five tax periods, provided the credits are claimed within ten tax periods of the date the tax credits were certified for the qualifying project. The tax credits may be transferred or sold.

Because of the cap on the amount of the tax credits available, the department has established procedures requiring a film production company to prepare a pre-application which, if approved, will result in the department reserving a portion of that year's tax credits for the specific project.

Actual authorization of the tax credit does not occur until after the project is completed and the department has verified and approved the eligible expenses.

A key requirement for approval of the film production tax credit is that the film production company must not have selected Missouri as the site of its project prior to pre-applying for the tax credit. The department rules say the existence of a film production office in the region is evidence that Missouri has been already selected as a location for the project.

Purpose

The purpose of the film production tax credit is not explicitly stated in the authorizing statute. The statute requires a project to have at least \$300,000 in Missouri expenditures to qualify for the tax credit. The department has interpreted the purpose of the tax credit to be an incentive program for attracting film production projects to Missouri. Based on eligibility requirements and the department officials' interpretation of the program, the public policy to be implemented by the tax credit is to provide an incentive for film production companies to choose Missouri for their project, while at the same time creating direct economic benefit to the state by requiring that a \$300,000 minimum amount of expenditures be made in the state.

State Taxes Impacted

The authorizing statute for the film production tax credit allows for the credit to be used by the taxpayer to "offset the tax liabilities otherwise imposed by chapter 143, RSMo, excluding withholding tax imposed by sections 143.191 to 143.261, RSMo, or chapter 148, RSMo." Chapter 143 is the state individual and corporate income tax and Chapter 148 is the financial institution tax.

Information and Data Issues

The Department of Economic Development and the Department of Revenue records do not agree on the number of projects and the dollar amount of the film production tax credit approved and claimed. The Department of Revenue Tax Credit Tracking System showed two approved tax credits in the amount of \$160,000 for 1999. The Department of Economic Development records showed that only one tax credit for \$80,000 was approved in 1999. A review of the underlying data records and verification from the Department of Economic Development disclosed the Department of Revenue Tracking System showed the same \$80,000 tax credit project twice. The reason for this error appears to be because the tax credit was transferred and both the transferor and the transferee were reflected on the system as having the tax credit.

A periodic reconciliation of tax credits approved, claimed and outstanding by the two agencies is recommended to ensure that records by both agencies are accurate. The Department of Revenue is dependent on the Department of Economic Development to provide certification that a taxpayer is eligible to claim the tax credit and the Department of Economic Development is dependent on the Department of Revenue to maintain its records so that only approved taxpayers claim the tax credit. Without a periodic reconciliation between the two agencies the risk of loss to the state treasury is increased. The problem of discrepancies between these two agencies'

records were cited in a 1992 audit by our office and a 1998 program evaluation and expenditure review by the Committee on Legislative Research Oversight Division.

Direct Economic Impact

If measured strictly on the amount of lost revenues to the state the direct cost of the film production tax credit has been \$4,540 (the amount claimed of the approved \$80,000 tax credit as of June 30, 2000). The future cost to the state would be the \$75,460 remaining under the \$80,000 credit, assuming the remainder of the approved amount will be redeemed.

The film production tax credit did not produce any direct new jobs or investment. There is a requirement of a minimum expenditure of \$300,000 dollars on Missouri based labor, products and services. The one project under the tax credit program met this requirement by spending a \$394,470 on Missouri labor, products and services. The expenditures are categorized as follows:

<i>Missouri Labor Wages/Salaries</i>	\$159,171
<i>Missouri Contracted Services</i>	\$ 36,500
<i>Missouri Equipment Rental/Purchase</i>	\$173,369
<i>Printing</i>	\$22,879
<i>Photography</i>	\$ 2,550

From a purely economic impact standpoint the expenditure amount, and the tax credit issued, would have negligible impact on both the Missouri economy and the state treasury because of the small dollar amounts involved. However, the small dollar amounts involved does not negate the need to evaluate whether or not the public policy of using a film production tax credit is beneficial to the state.

Total Economic Impact

We used the Regional Economic Models, Inc., Policy Insight Model for the state of Missouri to analyze the total economic impact of the film production tax credit on the Missouri economy. The model compares the baseline forecast of the Missouri economy with an alternative forecast that takes into account the film production tax credit. The outputs from the model used to evaluate the impact of the tax credit on the Missouri economy are as follows:

1. Growth in total employment
2. Growth in Gross State Product
3. Growth in personal income
4. Growth in real disposable income
5. Growth in industry output
6. Growth in wage rate
7. Fiscal impact

Two variables on the model were changed to create the alternative forecast: 1.) production costs for the motion picture industry and 2.) government spending. To analyze the economic impact of a particular public policy (i.e., a tax credit program) the analyst must determine what data inputs

to use and which variables to adjust to reflect the direct inputs. The two variables we used (production costs and government spending) are two of thousands of variables in the model. An economist familiar with the model recommended using these two variables. The data inputs we used for the Film Production Tax Credit were the \$80,000 benefit the project received and the \$4,540 redeemed by the taxpayer. The “production costs” variable was decreased by \$80,000 times the average 10 year growth rate for the motion picture industry over a 10 year period. Because only \$4,540 of the \$80,000 was redeemed by the taxpayer we used this amount in projecting how much “government spending” would be reduced during the 10-year period. The same growth rate was applied to the \$4,540. Our goal was to use real numbers where possible and therefore we used the \$4,540 redeemed instead of assuming the total \$80,000 amount would eventually be redeemed, which may or may not eventually happen.

In 1999, the inception year for the film production tax credit, only one project used the credit. The methodology we used to show the total economic impact of the tax credit on the Missouri economy was dependent on this one project. The one Film Production project in 1999 may be somewhat unique because it was a nonprofit that could not use the credit, because it had no tax liability, and therefore transferred the tax credit to a for-profit business that could use the tax credit. The transfer was at 100% of the total value of the tax credit.

As a result of the transfer, the film project received the full \$80,000 value of the tax credit in cash. To measure the total impact of the film production tax credit program we took the \$80,000 in cash the film project received and increased this amount at the industry growth rate over a ten-year time period (1999-2008). We did the same for the \$4,540 redeemed (it is possible that redeemed amounts may be much higher in future years, however to remain consistent throughout the analysis we used the 1999 redeemed amount and did not try to estimate future redemption amounts). The assumptions we have employed are that the usage of the tax credit will increase at the growth rate of the motion picture industry over a ten-year time period and the tax credit program will end after this arbitrary ten-year period.

Using the aforementioned inputs and assumptions, the total economic impact results are as follows (*See Appendix X, page 55, for a graphic of the results*):

- Total employment in Missouri would increase by approximately three to five jobs from the years 1999 to 2008. For the five years following the sunset year of the tax credit program, new jobs created declines steadily, but remain positive.
- Gross State Product would steadily increase by approximately \$100,000 in 1999 to a peak increase of approximately \$214,000 in years 2006 and 2007. After 2007 the increase in Gross State Product is at a declining rate until about 2012 when it appears to return to equilibrium.
- Growth in personal income is basically the same as Gross State Product gradually increasing starting in 1999 peaking at \$214,000 in 2007 and increasing at a decreasing rate until 2011 when it returns to equilibrium.

- Growth in industry output also follows the same general trend of increasing from 1999 and peaking in 2007, but once the tax credit program ends, the growth rate decreases rapidly until it returns to equilibrium in about 2009.
- The structure of the film production tax credit does not lend itself to having much of an impact at all on wage rates in the state because the credit did not produce any new permanent jobs. The model predicts a small increase in wage rates in Missouri in the first year of the tax credit, no impact in the years 2000 through 2003, and a negative impact during the years 2004 through 2008.
- The model predicts the fiscal impact on the state will be positive during the ten-year time period. However, this analysis is somewhat skewed by how the credit was used by the one project. Because the nonprofit film production company immediately received the full benefit of the tax credit by transferring the tax credit, and the transferee redeemed only a fraction of the credit, the cost to the state was minimal compared to the benefit the film production company received. However, because the film production tax credit has a carry forward feature, there is the probability the transferee will fully redeem the credit resulting in much greater cost to the state than is reflected in this analysis.

Survey Response

A key issue in determining the cost-benefit of the film production tax credit program is whether the activity would have occurred without the tax credit. If the film production project would have been done in the state without the tax credit incentive, the state has spent \$80,000 (or more if indirect costs are included) for economic activity it could have had at no cost to the state treasury. The Department of Economic Development explicitly states in its brochure that to qualify for the tax credit the film production company cannot have already selected the state for the project. The question that must be answered is whether the entity would have gone to another state to do the project.

To know with absolute certainty whether or not the economic activity would have occurred without the tax credit we would have to know the subjective thoughts of the manager(s) of the business performing the activity. This is not possible. The best we could do was send a questionnaire to the business benefiting from the tax credit and ask what affect the tax credit had on their decision-making.

The response from the one project that had utilized the film production tax credit in 1999 indicated the tax credit was a factor in the decision-making process. The respondent indicated that without the tax credit they could show that their costs would have been lower in other states. *(See Appendix IX, page 51, for full survey results).*

Noneconomic Influence

A response from a recipient of the film production tax credit said “the state film [production] tax credit helps the fledgling arts community in our state and helps illuminate our state's resources

through a positive portrayal in film & television”. Film production is seen not only as an economic activity but also as a cultural activity. The film production tax credit promotes culture in the state. Also, the Department of Economic Development states the film production tax credit will increase tourism in the state. While tourism clearly has an economic impact on the state, quantifying this impact is difficult and therefore many analysts treat tourism as a noneconomic factor.

An argument could be made that state tax credit programs should be designed to assist as many of its citizens as possible and the economic development incentives should be particularly geared towards improving areas in need. While these two issues have economic aspects to them, the economic impact to the state may not necessarily be affected by the dispersion or the location of the beneficiary of the tax credit. Therefore, we treat these issues as noneconomic influences in the award of the tax credit.

The lone project for this credit was located in St. Louis. It may take a few years for more companies to take advantage of the film production tax credit. Film productions are usually planned months, maybe even a year, in advance. Once out-of-state productions learn of this credit, then they may begin to plan to film here. For the immediate future, local small-budget productions and commercials may be the only projects to apply for this credit. *(See Appendix III, page 34, for a distribution of projects by geography and census-tract income level).*

B. Wine & Grape Production Tax Credit Program

The wine and grape production tax credit program is authorized by Missouri Revised Statutes, Section 135.700 and became effective in 1999. Eligible wine and grape producers are entitled to a tax credit in an amount equal to 25% of the purchase price of all-new equipment and materials used directly in the growing of grapes or the production of wine in Missouri. The wine and grape production tax credit is a formula-based tax credit. Wine and grape producers must complete an application and provide invoices to the Department of Economic Development specifying the total amount of new equipment and materials purchased during the calendar year. A project manager reviews the application and the accompanying invoices to ensure the tax credit amount is based on only qualified expenditures.

The tax credit program has no annual or cumulative caps. The tax credit cannot be carried forward or backward, must be used during the year received and can only be applied for and received by a taxpayer for five tax periods. The credit is not sellable or transferable. No pre-application is required. The tax credit is distributed when eligible expenditures are made.

Purpose

The purpose of the winery and grape growers tax credit is not explicitly stated in the authorizing statute. The statute provides a tax credit of 25% of new equipment and materials purchased by wine producers and grape growers. The Department of Economic Development has interpreted the purpose as facilitating the growth of wineries and grape growers in Missouri.

State Taxes Impacted

The authorizing statute for the wine and grape production tax credit allows for the credit to be used by the taxpayer to offset the tax liabilities otherwise imposed by chapter 143, RSMo, excluding withholding tax imposed by sections 143.191 to 143.261, RSMo. Chapter 143 is the state individual and corporate income tax.

Information and Data Issues

Files maintained by the Department of Economic Development contained copies of tax credit certificates, applications and accompanying invoices for expenditures by each project approved in 1999. However, the files did not contain employment or wage data. Employment, wage and other economic data should be maintained within a management information system that would allow for a cost-benefit analysis of the tax credit program.

Direct Economic Impact

In 1999, the first year of the program, 27 applicants applied for projects a total of 31 times. Tax credits approved during this period totaled \$824,158 based on eligible expenditures of \$3,296,629. According to Department of Revenue records for tax year 1999, \$290,759 in wine and grape production tax credits were claimed. While we cannot verify these numbers due to our inability to reconcile records, if Department of Economic Development and Department of Revenue data are consistent, only 47 percent of the total tax credits approved were redeemed and 53 percent of the tax credits are lost because they were not used in the year they were approved.

Total Economic Impact

We used the model to analyze the total economic impact of the wine and grape production tax credit on the Missouri economy. The model compares the baseline forecast of the Missouri economy with an alternative forecast that takes into account the wine and grape production tax credit.

Two variables on the model were changed to create the alternative forecast: 1.) capital costs for the eating and drinking industry and 2.) government spending.

To measure the total impact of the wine and grape production tax credit program, we took the \$290,759 redeemed in 1999 and projected the usage over a 10 year time period by taking the 1999 actual amount approved and multiplying this amount by the growth rate of the industry over the 10 year period (we acknowledge that usage of the tax credit may be much higher in future years, however to remain consistent throughout the analysis we used the 1999 redeemed amount). The two variables were then reduced by the dollar amount projected for each year over the ten-year period.

Using the aforementioned inputs and assumptions, the total economic impact results are as follows (*See Appendix X, page 57, for a graphic of the results*):

- As a result of the tax credit, the model forecasts an increase of approximately four jobs for the years 1999 through 2003, an increase of five jobs for the years 2004 and 2005 and an increase of four jobs for the years 2006 through 2008. Since the tax credit program had a time horizon of ten years (1999-08), after year 2008 the tax credit program is no longer in effect and employment declines by approximately one worker in 2009, and gradually declines back to an equilibrium.
- Growth in Gross State Product is positive from 1999 to its peak of just over \$300,000 in 2007. Once the tax credit program expires in 2008 the growth in Gross State Product rapidly declines.
- Growth trends for personal income, real disposable income and industry output all have similar trends to that of Gross State Product.
- The structure of the wine and grape production tax credit does not lend itself to having a positive impact on wage rates in the state of Missouri. Because the tax credit is geared towards reducing the cost of purchasing new equipment this increases the attractiveness of outlays for new equipment versus outlays for labor.
- The fiscal impact of the wine and grape production tax credit is negative in the first year, as the credit redeemed reduces revenue more than the revenue generated from the increase in economic activity. However, beginning in the year 2000, the economic activity promoted by the wine and grape production tax credit begins to generate more state revenue than the cost of the redeemed credit and there is positive impact to state revenues. This positive impact continues until 2008 when the tax credit ends and state revenues rapidly moves towards equilibrium.

Survey Response

Twenty out of 23 surveys mailed to the project applicants were returned. When asked if the tax credit had an effect on their decision-making, 4 applicants said no while 16 said yes. If the four that answered “no” meant they would have done the economic activity without the tax credit, the tax credit was wasted as a tax incentive. Approved tax credits for the four projects totaled \$13,971.

All but one respondent said that the tax credit is an effective way to promote economic and community development in their community. Fifteen applicants claimed the tax credit was a form of gap-financing, one said they could show that without the tax credit their costs would have been lower in another state, and four did not respond to the question. (*See Appendix IX, page 53, for full survey results*).

Noneconomic Influence

A 1994 analysis found Missouri to be the third largest producer of wine in the United States. Prior to prohibition, Missouri was the second largest producer. While wine and grape production clearly have an economic impact on the state of Missouri, becoming a leader in this industry will increase tourism to Missouri wineries.

An argument could be made that state tax credit programs should be designed to benefit as many of its citizens as possible and the economic development incentives should be particularly geared towards improving areas in need. While these two issues have economic aspects to them, the economic impact to the state may not necessarily be affected by the dispersion or the location of the beneficiary of the tax credit. Therefore, we treat these issues as noneconomic influences in the award of the tax credit.

This tax credit has benefited projects statewide. The projects are located across the central portion of the state and in the southwest. For many of the credits, it seems they are concentrated near the large cities. It does appear that rural areas of the state are also benefiting from this tax credit, as evidenced by projects located in Barry, Gasconade, Webster, and Wright counties. (*see Appendix III, page 35, for a distribution of projects by geography and census-tract income level*).

C. Rebuilding Communities Tax Credit Program

The rebuilding communities tax credit is authorized by RSMo, Section 135.535 and became effective in 1999. The program is divided into two categories: 1.) new or relocating businesses and 2.) existing businesses. New or relocating businesses are eligible for either a tax credit equal to 40 percent of the value of specialized equipment purchased during the first four years of eligibility, or for a tax credit equal to 40 percent of the income tax owed during the first three years of eligibility. Employees for businesses eligible for one of the 40 percent tax credits are eligible for a 1.5 percent withholding tax credit based on the gross salary of the employee during the first three years of eligibility. Existing businesses are eligible for a credit of 25 percent of the increase in their spending on equipment based on the average amount of spending for the previous two years. The annual cap on the program for new or relocating businesses is \$10 million, with a project cap of \$75,000 a year for four years for the tax credit based on specialized equipment purchases, or \$125,000 a year for three years for the tax credit based on the business's income tax. There is no limit on the 1.5 percent employee credit. The annual cap for existing businesses is \$750,000 and the limit per project for existing businesses is \$75,000 a year.

For both new and relocating businesses and existing businesses, the credit is sellable and transferable and can be carried forward for five years and carried back for three years.

Purpose

The purpose of the rebuilding communities tax credit for new or relocating businesses is not explicitly stated in the authorizing statute. The statute allows a tax credit of 40 percent of either specialized equipment for four years or income tax liability for three years. Also, the employees

of the company would receive a tax credit of 1.5 percent of their salary for three years. The Department of Economic Development has interpreted the purpose to be to economically stimulate business activity in the state's "Rebuilding Areas".

State Tax

The rebuilding communities equipment tax credit may be applied against the following state taxes:

- I. Individual and corporate income taxes (excluding withholding taxes) imposed by Chapter 143, RSMo
- II. Corporate franchise taxes, imposed by Chapter 147, RSMo
- III. Financial institution tax imposed by Chapter 148, RSMo

Information and Data Issues

The annual cap for this credit is \$10 million. Early estimates by Department of Economic Development had Fiscal Year (FY) 2000 redeemed credits at \$4 million. A revised estimate for 2000 has redeemed credits at \$973,750. The FY 2001 estimate for redeemed credits was revised downward from \$5 million to \$2.9 million. Department of Economic Development estimates of the usage of the tax credit appears to have been somewhat optimistic and have steadily been revised downward.

The files we reviewed did not always have jobs, wages or other economic data available for the projects utilizing the rebuilding communities tax credit. Employment, wage and other economic data should be maintained within a management information system that would allow for a cost-benefit analysis of the tax credit program.

Direct Economic Impact

Since its inception in 1999, the program has resulted in 16 projects. Ten projects are existing businesses that expanded in a distressed area, five projects are new businesses starting out in a distressed area and one project is a business that relocated its business from a non-distressed area to a distressed area. Among Missouri's counties, St. Louis City has the most projects with ten, accounting for 61 percent of the total projects. The number of projects by business sector is as follows:

- Manufacturing - six projects
- Professional, scientific, and technical services - five projects
- Information - four projects, and
- Health care and social assistance - one project

In 1999, a total dollar amount of \$402,245 in rebuilding communities tax credits were approved. The 25 percent specialized equipment credit totaled \$293,510. The 40 percent specialized equipment credit equaled \$105,188 and the 1.5 percent employment credit equaled \$3,547. According to records provided by the Department of Revenue Division of Taxation and Collection, rebuilding communities tax credits redeemed for tax year 1999 totaled \$ 214,376.

Total Economic Impact

We used the model to analyze the total economic impact of the rebuilding communities tax credit program on the Missouri economy. The model compares the baseline forecast of the Missouri economy with an alternative forecast that takes into account the rebuilding communities tax credit.

Two variables on the model were changed to create the alternative forecast: 1.) production costs for the rebuilding communities tax credit qualified industries and 2.) government spending. We lowered the production costs and the government spending variables by the same dollar amount. In this case, we took the approved amount of tax credits (\$398,698) and apportioned it by the industry receiving the tax credit (this was determined by using the SIC code for each business that received the tax credit). We then forecasted this approved amount over a 10 year time period using the 10 year average growth rate for each specific industry impacted by the rebuilding communities tax credit. We then decreased the production costs (for each industry) and government spending variables by the approved amount projected for each of the 10 years (1999-08).

To measure the total impact of the rebuilding communities tax credit program we took the \$398,698 approved in 1999 and projected the usage over a 10 year time period by taking the 1999 actual amount approved and multiplying this amount by the growth rate of the industry over the 10 year period. While it is preferred to use the redeemed amount of the credit instead of the approved amount, since the redeemed amount is an actual cost to the state, neither the Department of Economic Development nor the Department of Revenue were able to provide redeemed amounts at the project level. The approved amount was apportioned by the industry of the project using the credit. The growth rate used was dependent on the growth rate for the particular industry. The two variables were then reduced by the dollar amount projected for each year over the ten-year period. Both the production costs variable and the government spending variable were decreased by the amount of the approved credit (excluding the employee withholding tax credit) as forecasted for each of the 10 years. The dollar amount of the decrease was the same for both variables.

Using the aforementioned inputs and assumptions, the total economic impact results are as follows (*See Appendix X, page 59, for graphs of the results*):

- The model predicts a decrease in employment of four jobs in the first year of the rebuilding communities tax credit program. In 2002, employment growth begins to turn positive and peaks in 2009 with an increase of seven jobs.
- Like the trend in employment growth, Gross State Product and personal income both have negative growth in the first year of the rebuilding communities tax credit program, but turn positive a year or two later and remain positive throughout the ten year time horizon for the rebuilding communities tax credit program and the remaining six years of the measurement period.

- Real disposable income and industry output both demonstrate positive growth from the inception year of the rebuilding communities tax credit program. The increase in real disposable income peaks in 2005 at approximately \$259,000. The increase in industry output peaks in 2007 at approximately \$946,000.
- The rebuilding communities tax credit has a negative impact on the wage rates. This possibly could be occurring because the firms are using their reduction in capital or production costs to make additional capital expenditures rather than employ highly trained workers.
- The fiscal impact of the rebuilding communities tax credit is negative in the beginning as the credit redeemed reduces revenue more than the revenue generated from the increase in economic activity. Positive fiscal impact does not begin until year 2003 when the economic activity promoted by the rebuilding communities tax credit begins to generate more state revenue than the cost of the redeemed credit. This positive impact continues until 2008 when the tax credit ends and state revenue gradually moves towards equilibrium.

Survey Response

Eight out of 16 surveys mailed to the applicants for projects were returned. When asked if the tax credit had an effect on their decision-making, one applicant said no while seven said yes. If the one that answered “no” meant the economic activity would have occurred without the tax credit, then the tax credit was a wasted tax incentive.

All eight respondents said that the tax credit is an effective way to promote economic and community development in their community. Six projects claimed the tax credit was a form of gap-financing, two said they could show that without the tax credit their costs would have been lower in another state. *(See Appendix IX, page 53, for full survey results).*

Noneconomic Influence

While new and expanding business clearly has economic impact on a distressed community, the establishment of new and thriving businesses in a once vacant building breaks down psychological barriers that exist in many of these neighborhoods and if the business is successful will help towards possibly bringing more businesses to the area. *(See Appendix III, page 36, for a distribution of projects by geography and census-tract income level).*

D. Small Business Incubator Tax Credit Program

The small business incubator tax credit is authorized by, Section 620.495 RSMo and became effective in 1990. The small business incubator tax credit is a discretionary program with both project and annual caps of \$500,000 each. The tax credit can be carried forward 5 years and it may be sold or assigned.

Purpose

The purpose of the small business incubator tax credit is to assist in the growth of small businesses during their start-up periods. The statute allows a tax credit of fifty percent of any amount contributed by a taxpayer to the incubator fund or to the sponsor of an eligible small business incubator. The Department of Economic Development has interpreted the purpose of the tax credit as a means to generate private funds to create a “protective business environment”, where a number of small businesses can grow and develop during their start-up period.

State Tax

The small business incubator tax credit may be applied against the following state taxes:

- I. Individual and corporate income taxes (excluding withholding taxes) imposed by Chapter 143, RSMo
- II. Corporate franchise taxes, imposed by Chapter 147, RSMo
- III. Financial institution tax imposed by Chapter 148, RSMo

Direct Economic Impact

According to the Department of Economic Development project log, tax credits approved in 1999 totaled \$115,125 based on contributions of \$230,250. Tax credits claimed in 1999 totaled \$84,103. Based on this data the direct impacts on the Missouri economy state treasury are minimal because of the small dollar amounts involved, however the small dollar amount does not negate the need to evaluate whether or not the public policy of using a small business incubator tax credit is beneficial to the state.

Total Economic Impact

We used the model to analyze the total economic impact of the Small Business Incubator Tax Credit Program (SBITC) on the Missouri economy. The model compares the baseline forecast of the Missouri economy with an alternative forecast that takes into account the SBITC.

Two variables on the model were changed to create the alternative forecast: 1.) production costs for growth industries in Missouri and 2.) government spending.

Since we were unable to obtain information on the small businesses benefiting from the SBITC, several assumptions were necessary to create input data for the model. The SBITC is intended to give assistance to small businesses during their start-up phase. We assumed the SBITC primarily benefits growth industries, as most start-up businesses would tend to be in an industry with growth potential. Growth potential was assumed if the industry experienced job growth during the 1998-99 period. Using this methodology there were a total of thirty-three industries identified as growth industries in Missouri. We then calculated the share of employment growth of each industry in relation to the total employment growth in Missouri. To measure the total impact of the SBITC program we took the \$84,103 in tax credits redeemed in 1999, apportioned

it by the share of employment growth for each industry, and projected the usage over a 10-year time period by taking the 1999 amount redeemed per industry and multiplying this amount by the growth rate of the industry over the 10-year period. The growth rate used was dependent on the growth rate for the particular industry.

The two variables were then reduced by the dollar amount projected for each year over the ten-year period. Both the production costs variable and the government spending variable were decreased by the amount of the redeemed credit as forecasted for each of the 10 years. The dollar amount of the decrease was the same for both variables.

Using the aforementioned inputs and assumptions, the total economic impact results are as follows (*See Appendix X, page 61, for graphs of the results*):

- The model predicts no change in employment related to the SBITC program in 1999, the first year of the measurement period. For the years subsequent to 1999, the model projects growth in employment of between one to three jobs, with the exception of year 2012 where there is no change in employment.
- Like the trend in employment growth, the SBITC program does not impact Gross State Product until the second year of the measurement period. For the subsequent years the impact on Gross State Product is positive with a peak positive change of \$122,100 in 2003. The level of positive change tends to fluctuate in each year. This may be due to the tax credit having different effects on the significantly different industries assumed to benefit from the SBITC.
- There is a positive increase in personal income in 1999. The model projects no change in personal income in 2000 and then a positive change in all subsequent years. The model projects a peak increase of \$106,800 in year 2011. As with Gross State Product, the level of positive change to personal income tends to fluctuate from year to year. This may be due to the tax credit having different effects on the significantly different industries assumed to benefit from the SBITC.
- The SBITC is projected to have an immediate effect on real disposable income with an increase of \$83,920 in 1999. The peak increase in real disposable income is \$122,100 which is projected to occur in 2004. Similar to other projections, the increase in real disposable income fluctuates from year to year.
- The model projects that industry output will increase from \$91,550 in 1999 to a peak increase of \$244,100 in years 2005-07 and then steadily increase at a declining rate through 2014.
- The model projects the SBITC will have a very minimal negative impact on wage rates during the measurement period.

- The fiscal impact of the SBITC is negative in the 1999 as the credits redeemed reduce revenue more than the revenue generated from the increase in economic activity. There is a positive impact on state revenues in year 2000, but in year 2001 the model projects a negative impact on state revenues. For the years 2002-08 the model projects positive effects on state revenue. After 2008, the model projects a negative impact on state revenues, presumably this occurs because 2008 is the year the tax credit ends and the model inherently projects a return to an equilibrium.

Survey Response

Two small incubators responded, but for tax credits other than the small business incubator. Therefore, there were no valid responses recorded for this tax credit program.

Noneconomic Influences

The state should use its resources to benefit as many of its citizens as possible and the economic development incentives should be particularly geared towards improving areas in need. While these two issues have economic aspects to them, the economic impact to the state may not necessarily be affected by the dispersion or the location of the beneficiary of the tax credit. Therefore, we treat these issues as noneconomic influences in the award of the tax credit.

The benefits of this tax credit were spread evenly across the state. The two incubators located in the St. Louis metropolitan area that benefited from the program were located in St. Charles County and the City of St. Louis. One incubator was located in the Kansas City area. The three remaining incubators were located in the rural areas of Columbia, Rolla and Macon, Missouri. *(See Appendix III, page 37, for a distribution of projects by geography and census-tract income level).*

APPENDIX I

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

To gather and review information and data needed to perform a cost-benefit analysis that would provide policymakers with sufficient information to evaluate the effectiveness of all Missouri tax credit programs administered by the Department of Economic Development.

Scope and Methodology

Information and data was reviewed for all 33 tax credit programs administered by the Department of Economic Development. A more in-depth analysis was performed on four tax credits: film production, wine and grape production, rebuilding communities, and small business incubator.

The 33 tax credit programs administered by the Department of Economic Development and the authorizing state statute for each program are as follows:

<i>TAX CREDIT PROGRAM</i>	<i>AUTHORIZING RSMO</i>
<i>Affordable Housing</i>	<i>\$ 32.111</i>
<i>Brownfield Investment</i>	<i>\$ 447.700</i>
<i>Brownfield Remediation</i>	<i>\$ 447.700</i>
<i>BUILD Missouri Bonds</i>	<i>\$ 100.700</i>
<i>Business Facility</i>	<i>\$ 135.100</i>
<i>(Capital) Small Business Investment</i>	<i>\$ 135.400</i>
<i>Certified Capital Companies (CapCo)</i>	<i>\$ 135.500</i>
<i>Community Bank</i>	<i>\$ 135.400</i>
<i>Community College New Jobs</i>	<i>\$ 178.894</i>
<i>Development</i>	<i>\$ 32.105</i>
<i>Dry Fire Hydrant</i>	<i>\$ 320.093</i>
<i>Enterprise Zone</i>	<i>\$ 135.200</i>
<i>Family Development Account</i>	<i>\$ 208.755</i>
<i>Film Production</i>	<i>\$ 135.750</i>
<i>Guarantee Fee</i>	<i>\$ 135.766</i>
<i>Historic Preservation</i>	<i>\$ 253.545</i>
<i>Individual Training Account (Skills Development)</i>	<i>\$ 620.1400</i>
<i>Mature Worker Child Care</i>	<i>\$ 620.156</i>
<i>MDFB Development and Reserve</i>	<i>\$ 100.250</i>

APPENDIX I

<i>Missouri Development Finance Board Export Finance</i>	<i>\$ 100.250</i>
<i>Missouri Development Finance Board Guarantee</i>	<i>\$ 100.286</i>
<i>Missouri Development Finance Board Infrastructure</i>	<i>\$ 100.250</i>
<i>Missouri Low Income Housing</i>	<i>\$ 135.350</i>
<i>Neighborhood Assistance</i>	<i>\$ 32.100</i>
<i>Neighborhood Preservation</i>	<i>\$ 135.535</i>
<i>New Enterprise Creation</i>	<i>\$ 620.635</i>
<i>Rebuilding Communities</i>	<i>\$ 135.535</i>
<i>Research Expense</i>	<i>\$ 620.1039</i>
<i>Seed Capital</i>	<i>\$ 348.300</i>
<i>Small Business Incubator</i>	<i>\$ 620.495</i>
<i>Transportation Development</i>	<i>\$ 135.545</i>
<i>Winery and Grape Growers</i>	<i>\$ 135.700</i>
<i>Youth Opportunity</i>	<i>\$ 620.1100</i>

Our review involved two interrelated parts. First, we examined the economic literature to determine how a cost-benefit analysis might be performed on state tax credit programs. We also reviewed information and data that was available on each state tax credit program administered by the Department of Economic Development. As the review progressed we realized the analysis was dependent on the information and data available, so we attempted to obtain information that would allow us to perform the cost-benefit analysis we thought appropriate. At the conclusion of our review we determined that key data needed for an effective cost-benefit analysis was not available and we were unable to satisfactorily verify some of the key data that was available, in effect decreasing the usefulness of that data.

While there is some literature on economic development tax incentives in general, and on big tax incentive packages for large companies in particular, there is very little written on the effectiveness of state tax credit programs. There is also some literature on the cost-benefit of state tax incentives from a national perspective. Since we are only concerned with Missouri we limited our scope to the economic impact of the state tax credits on the state of Missouri and did not consider the effects from a national perspective.

In the economic literature we found three ways to perform a cost-benefit analysis on tax credits:

1. A cost benefit analysis may require a determination of the "efficiency" of the tax credit. A tax credit is efficient if it encourages activity that would not have occurred "but for" the tax credit. A tax credit is inefficient if the activity would have occurred without the tax credit.
2. A cost benefit analysis may require determining if the state's economic benefit resulting from the private sector's contribution or investment is greater than the tax revenue decrease that results from the private sector's utilization of the tax credit.

APPENDIX I

3. Finally, a cost benefit analysis may be performed to determine if a tax credit is more efficient than an equivalent direct spending program because such a subsidy uses the pre-existing tax system to communicate state policy at a relatively low marginal cost. In some cases direct government outlays will be preferable to comparable tax expenditures; in other cases, a tax subsidy through the state revenue code will be the preferred means of implementing state policy.

The cost benefit analysis mandated by Section 620.1300, RSMo is based on the first two types of cost benefit analysis, therefore no attempt was made to review whether or not the tax credit was more or less efficient than a direct subsidy.

To measure the economic impact of the tax credit on the Missouri economy we purchased a secondary user license to allow us to use the Regional Economic Models, Inc., Policy Insight Model for the state of Missouri already owned by the Missouri Development Finance Board.

Additionally, pursuant to Section 620.1300, RSMo, we reviewed the noneconomic influences of the tax credit programs if possible.

APPENDIX II

BACKGROUND

The review of state of Missouri tax credit programs was performed under the mandate of Section 620.1300, RSMo.

Section 620.1300 prescribes that a cost-benefit analysis shall be prepared to evaluate the effectiveness of all programs operated by the department of economic development for which the department approves tax credits, loans, loan guarantees, or grants. Each analysis shall be conducted by the state auditor, and shall include, but not be limited to, the costs for each program, the direct state and indirect state benefits and the direct local and indirect local benefits associated with each program, the safeguards to protect noneconomic influences in the award of programs administered by the department, and the likelihood of the economic activity taking place without the program. The result of each analysis shall be published and distributed, by January 1, 2001, and every two years thereafter, to the governor, the speaker of the house of representatives, the president pro tem of the senate, the chairman of the house budget committee, the chairman of the senate appropriations committee and the joint committee on economic development policy and planning.

APPENDIX III

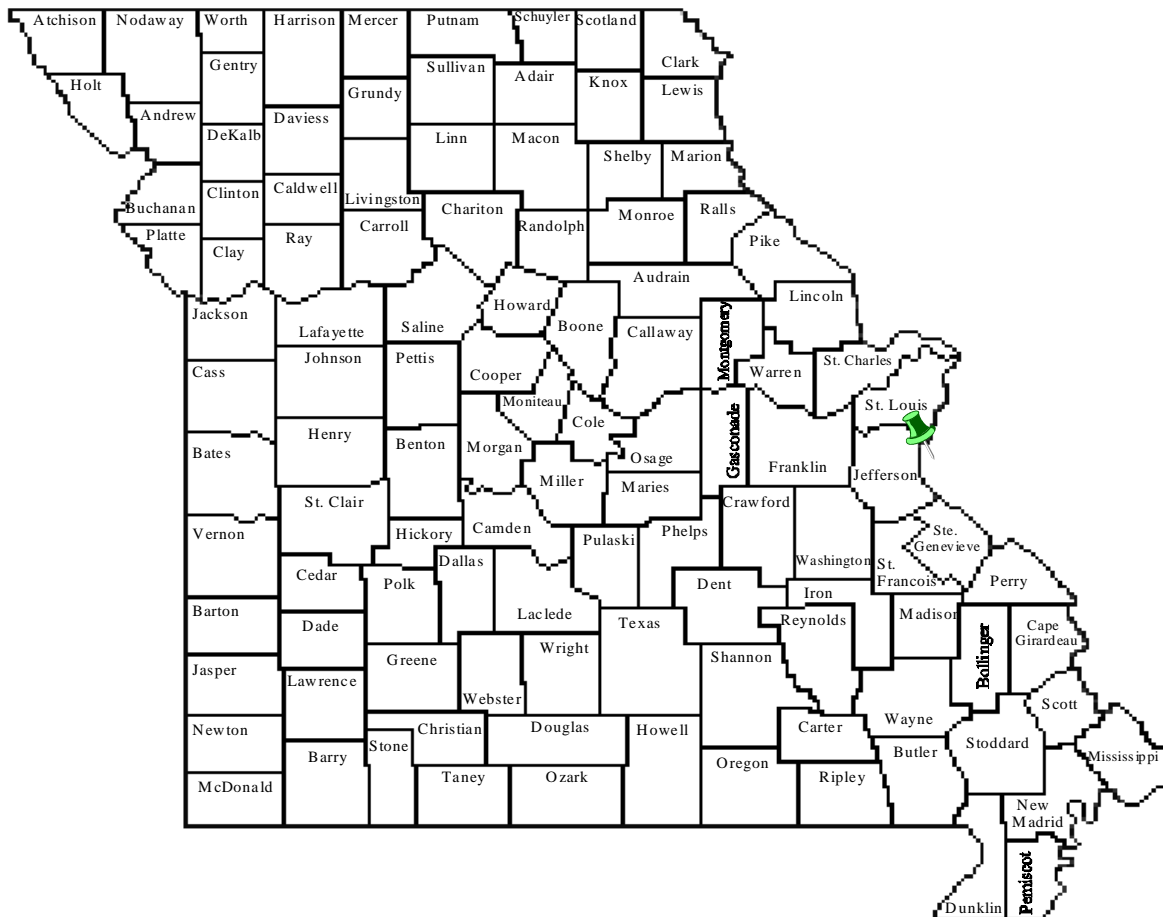
Distribution Of Tax Credit Projects By Geography And Census-Tract Income

Maps of tax credit projects by geography

The maps in this Appendix show the geographic location of where tax credits were taken.

Film Production Tax Credit

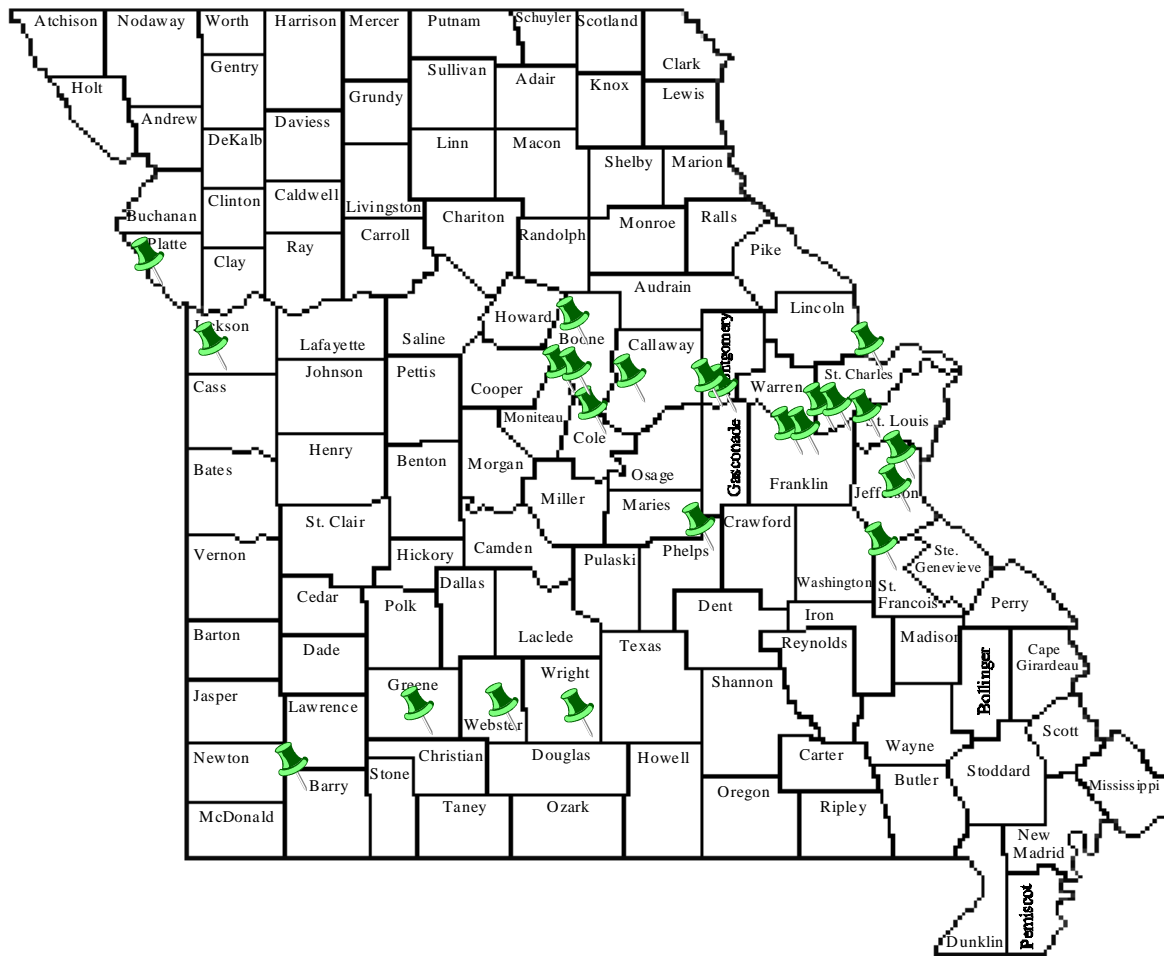
The lone project for this credit was located in St. Louis. It may take a few years for more companies to take advantage of the film production tax credit. Film productions are usually planned months, maybe even a year, in advance. Once out-of-state productions learn of this credit, then they may begin to plan to film here. For the immediate future, local small-budget productions and commercials may be the only projects to apply for this credit.



APPENDIX III

Winery and Grape Growers Tax Credit

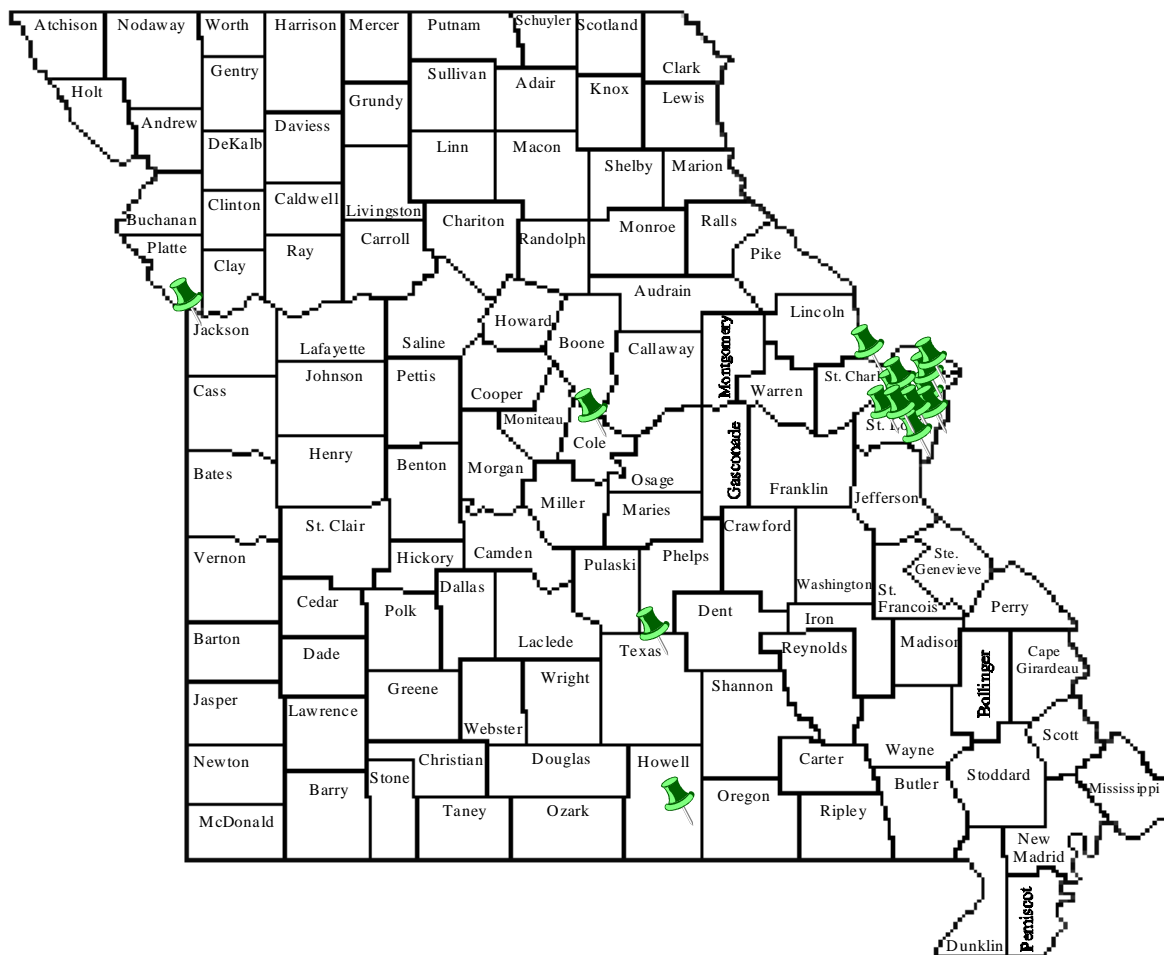
This tax credit has benefited projects statewide. The projects are located across the central portion of the state and in the southwest. For many of the credits, it seems they are concentrated near the large cities. It does appear that rural areas of the state are also benefiting from this tax credit.



APPENDIX III

Rebuilding Communities

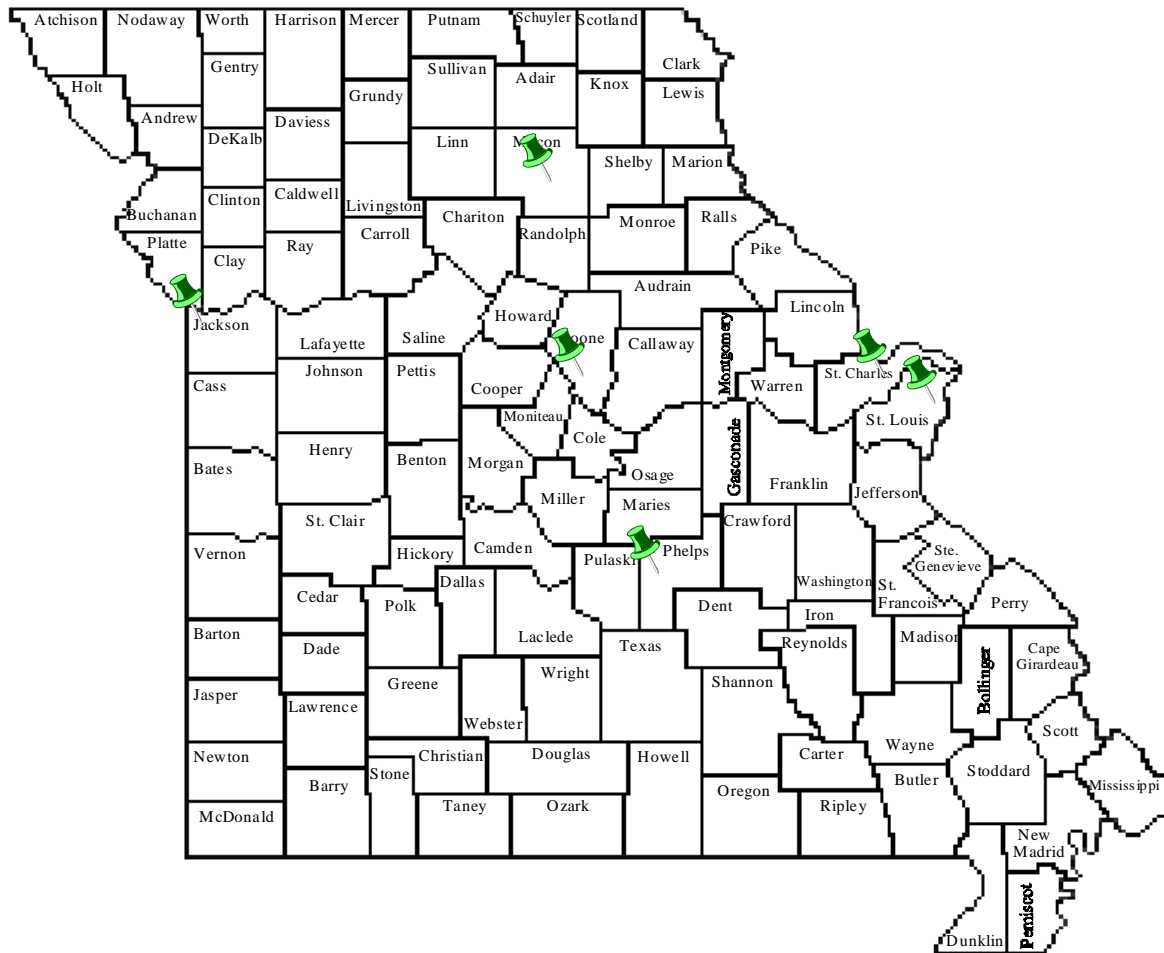
Twelve out of sixteen of the projects were located in the St. Louis metropolitan area and ten of the twelve were in the City of St. Louis. There were two small manufacturing firms located in the rural areas of West Plains and Licking which also used the credit. The remaining two projects were in Jefferson City and Kansas City.



APPENDIX III

Small Business Incubator

The benefits of this tax credit were spread evenly across the state. The two incubators located in the St. Louis metropolitan area, which benefited from the program were located in St. Charles County and the City of St. Louis. One incubator was located in the Kansas City area. The three remaining incubators were located in the rural areas of Columbia, Rolla and Macon, Missouri.



APPENDIX III

Distribution Of Tax Credit Projects By Census-Tract Income Level

Census-tract income is measured as follows:

- Low** Median Family Income % is < 50%
- Moderate** Median Family Income % is > = 50% and < 80%
- Middle** Median Family Income % is > = 80% and < 120%
- Upper** Median Family Income % is > = 120%

Winery and Grape Growers:

There are a total of 23 projects that used the wine and grape production tax credit. Nine percent of the projects were in moderate income census-tracts. Sixty-one percent of the projects were within middle income census-tracts and 22 percent were in upper income census-tracts. However, there were two projects making up 9 percent of the winery and grape growers tax credit projects, whose census-tract could not be determined.

Small Business Incubator:

Six projects used the small business incubator tax credit. Thirty-three percent of the projects were in low income census-tracts. Fifty percent of the projects were in middle income census-tracts and 17 percent were within upper income census-tracts.

Film Production:

Only one project used the film production tax credit and it was located in a low income census-tracts.

Rebuilding Communities (Expanding):

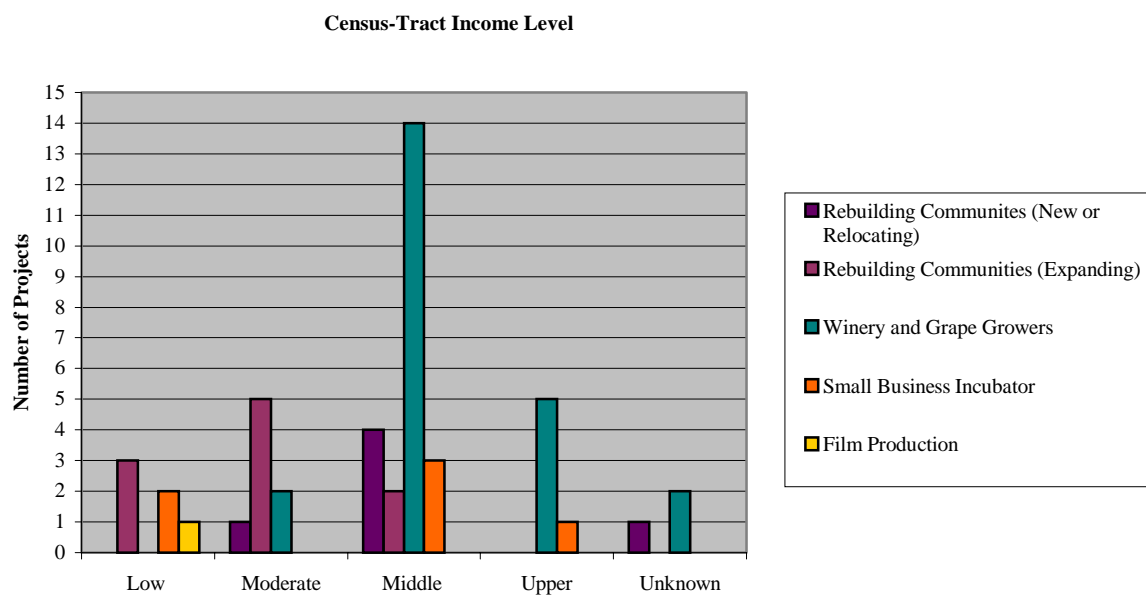
Ten projects used the Rebuilding Communities (Expanding) tax credit. Thirty percent of the projects were in low income census-tracts. Fifty percent were in moderate income census-tracts, and 20 percent of the projects were located in middle income census-tracts.

Rebuilding Communities (New or Relocating):

Six projects utilized the Rebuilding Communities (New or Relocating) tax credits. Of the six projects, 17 percent of the projects were in moderate income census-tracts. The majority of the projects, 67 percent, were considered within middle income census-tracts. There was one project whose census-tract income level could not be determined because we could not determine the street address.

APPENDIX III

The following chart illustrates the dispersion of the four tax credit programs by census-tract income level (note: to allow for a view of new business to the community versus existing business, the rebuilding communities tax credit Program is shown by both its “new or relocating” and “expanding” components) :



TECHNIQUES USED FOR A COST-BENEFIT ANALYSIS OF TAX CREDIT PROGRAMS

In our review we found the following critique of four techniques for conducting an evaluation of economic development incentive programs:

Source: The Federal Reserve Bank of Boston issued "Tax and Spending Incentives and Enterprise Zones," a paper by Peter S. Fisher and Alan H. Peters, focusing on the various incentives being offered to businesses in economic development zones.

I. The Econometric Method

"The econometric literature is very large indeed, but nearly all published models concern taxes. Moreover, of the tax models, very few have included data on local abatements or the various tax credits commonly in use at either the state or local levels. With a few notable exceptions, most models merely use effective tax rates (ETRs) as the exogenous tax variable within the location equation. Effective tax rates are calculated by dividing gross receipts (say, corporate income and franchise tax receipts) by some base (employment or population). Econometric models have been developed for various spatial scales and for a number of different state and local taxes. "Aggregate" or "macro" models have used state and local growth measures such as "levels of" or "changes in" employment, Gross State Product, per capita personal income, new plant openings, birth rates of small firms, and so on. "Micro" models, often using conditional linear analysis techniques, focus on the decision to locate a new plant. The models also range widely in their technical sophistication -- from simple regressions with poorly specified locality growth variables, no treatment of time lags in the growth variable, or fixed-effects controls or endogeneity in the explanatory variables, to considerably more complex models which address most, if not all, of these issues. Almost all develop equations that use local labor costs, transportation costs, energy costs, infrastructure provision, tax costs and so on -- in other words, the traditional location factors -- to explain local growth."

II. The Survey Technique

"In a number of studies, researchers have surveyed executives to determine what role taxes and development incentives play in the firm's relocation and expansion decisions. The surveys often distinguish between "must have" location factors and merely "desirable" factors. Since the evidence shows that large manufacturing firms tend to make their final location choice based on a sequential evaluation of factors at successively narrower spatial scales, deciding first on a broad geographic region, then a state, a metropolitan area (or county), a city, and finally, a plant site, some surveys have attempted to distinguish the impact of incentives (and other locational factors) at various spatial scales.

APPENDIX IV

The advantages and disadvantages of the survey technique are well known. At their best, surveys provide direct information about the actual siting decisions made by executives. Moreover, the more complex statistical assumptions that beset econometric analyses can be avoided. Unfortunately, survey researchers often have difficulty finding the cohort of individuals within a corporation who were responsible for a particular location decision. Moreover, executives may have a direct interest in saying that incentives are important even if they were not (admitting that an incentive had little effect on one's location decision might cause later political problems), although, given the findings of the literature, this problem may have been exaggerated. Finally, while surveys may rank the importance of various locational factors, they do not provide a precise measure of the impact of each locational factor on local growth.

The results from the survey-based tax literature are unclear, with some research indicating that incentives are indeed important to location decisions and other studies indicating the opposite. Part of the confusion may have to do with research methodology. But it is also possible that some development incentives are important while others are not, and the confusion in the literature merely reflects this fact. Work by researchers, who attempted a comprehensive survey assessment of the various classes of incentives, appears to support this conclusion. Their research covered everything from tax incentives, capital assistance, property development, and zoning flexibility to labor force development assistance. The study focused on Wichita-Sedgewick County, Kansas. They find that property tax abatements and regulatory flexibility are widely considered important by firms. Direct low-interest loans were the only capital-related incentive to enjoy broad-based support from most business types. More esoteric capital assistance, such as venture capital and incubator funds, was not valued highly by business.”

III. The Case Study Technique

“Some researchers have used variations on the case study method to evaluate the impact of specific economic development programs. The advantage of this method is that the work has covered a variety of different incentive instruments, from enterprise zones, research parks, and property tax abatements to export promotion schemes. Unfortunately, this approach also has major problems. In the first place, incentive programs are often very small relative to the local economy in which they operate. Thus, even where subsidies are effective, measuring their impact on a local economy is rendered difficult by economic white noise -- the other local factors that influence growth. Moreover, impact evaluations need to establish some sort of comparative control economy in order to measure the effect of incentives precisely. But choosing a control -- in the best of all worlds, the control economy would be identical to the economy receiving the incentive, except that the control would not receive the incentive -- is itself fraught with practical methodological and political difficulties.

APPENDIX IV

Not surprisingly, given the range of programs covered, the published research using the single program approach is as contradictory -- in terms of both detailed method and results -- as the survey-based literature. Moreover, much of the research concerns issues of fiscal impact or cost-benefit ratios of programs. Apart from the topic of enterprise zones, little work has considered the impact of incentives on location and investment decisions. However, even work focusing on broadly similar types of programs shows discrepant results. For instance, in a recent, widely quoted volume on enterprise zones, one paper found clear evidence of impact success (M. Rubin 1991), while two other papers found little or none (Elling and Sheldon 1991; Grasso and Crosse 1991)."

IV. The Hypothetical Firm Technique

"Given the difficulty of drawing any firm conclusions based on the existing literature, a few researchers have opted for an entirely different approach to the problem of taxes, incentives, and growth. This solution involves looking at the impact local taxes and incentives have on a firm's actual income. In order to accomplish this, researchers build models that replicate the operating ratios, balance sheets, and income and tax statements of real, or at least "potentially" real, firms. This allows researchers to calculate exactly what impact a state's or city's taxes have on a firm's income. Almost all the work in this tradition has looked at comparative tax burdens and has ignored incentives. In a few cases, the results of hypothetical firm studies have been included in econometric analyses of the relationship between taxes and growth (or, at least, taxes and investment). Industry-specific measures of the burden of taxes deriving from the hypothetical firm model replace effective tax rates (ETRs) as one of the independent variables in the econometric equation."

In addition to using the model to analyze the economic impact of the tax credit program, we also decided the survey technique would probably be more reliable in gauging the "effectiveness" of a tax credit program in advancing the desired public policy than an analysis based solely on the econometric method. The case study technique was ruled out because we wanted to look at the entire tax credit program and not solely at individual projects and the hypothetical firm technique was not used due to the amount of data, time and training involved to perform this type of analysis.

APPENDIX V

STRENGTHS AND WEAKNESSES OF THE REGIONAL ECONOMIC MODELS, INC., POLICY INSIGHT MODEL FOR THE STATE OF MISSOURI

The model was obtained as an econometric model to measure the economic impact of the tax credit programs on the state of Missouri economy. Eventually the analysis may be done at the local regional level, as well.

The model is a useful tool but is only a rough approximation of possible scenarios. Other factors must be included in any analysis and undue weight should not be given to the model results. The model does use theoretical soundness and established economic theory.

Some strengths and weaknesses of the model are outlined below:

Strengths:

- Integrated population and demographic forecasts, which helps to keep projected population growth and economic growth internally consistent;
- Top-down approach should ensure that the projections for states and sub-state areas are not inconsistent with overall regional and national growth patterns;
- Theoretical soundness, with logical and consistent relationships with established economic theory;
- The level of economic detail, which facilitates the understanding of future emissions; and
- Flexibility in specifying exogenous variables.

Weaknesses:

- The top-down approach means that forecasts are likely to be most accurate at the national level and successively poorer at the regional and sub-regional level;
- Projections are based on past historical relationships and will not necessarily reflect events or trends which might be foreseen by local experts;
- The large number of variables and the complex linkages among them mean that the accuracy and reliability of the interrelationships cannot be determined readily;

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- Some issues of special importance in this project are of concern, specifically, the fact that tourism activity must be specified as an exogenous variable, and that the model does not account for fuel switching by electric utilities.
- While the model overcomes many of the shortfalls typically associated with input-output modeling, it still limits the scope of potential economic relationships. Moreover, the econometric processes by which many relationships are identified necessarily contain some amount of unexplained-variation. Ultimately this model, like any model, provides rough approximations.

Sources: The Projected Economic Impacts of West Virginia's Agenda for Fair Taxation, by Mark L. Burton, Ph.D. at the Center for Business and Economic Research Lewis College of Business, Marshall University, Huntington, West Virginia November, 1998 Prepared for The Governor's Commission on Fair Taxation. (Website: www.wvscpa.org/TaxReform/Nov.1998.htm)

Economic and Demographic Projects, prepared by the Grand Canyon Visibility Transport Commission (website: www.nmia.com/gvvc/ecdem.html)

Econometric Issues:

- Most studies done in the 1980's indicated that tax incentives have no effect on where a business decides to locate or whether it expanded or not. (i.e., tax incentives did not increase jobs or new investment). Sophisticated and, not so sophisticated, econometric modeling in the 1990's began to allow researchers to show that tax incentives did have an effect.
- Econometric models draw attention away from opportunity costs (i.e., when tax law modifications change relative prices, resources are diverted from the use to which they should have been put absent the change). Models tend to disregard or assume away facts that cannot be measured or quantified in any way and about which only imprecise or general knowledge is available.
- When Congress enacts an incentive, econometric models are used to provide estimates of the overall revenue effect of the incentive. This estimate will provide an indication of the extent to which the incentive is expected to attract resources to the targeted activity given the underlying assumptions used in the model. This estimate, which will look like a concrete amount, is in reality an estimate of objective costs. However, it will not be possible to know exactly from where the resources will be drawn. Therefore the opportunity costs are unknown, but are crucial to the overall revenue impact of the tax legislation and its effect on the economy.

APPENDIX V

- As increasing reliance has been placed on “econometric models”, the frequency of tax legislation has also increased.
- In the Congressional Budget Act of 1974, Congress imposed a requirement that all new tax legislation had to include an estimate of revenue gains and losses projected over five years.

Source: Smoke and Mirrors: Tax Legislation, Uncertainty and Entrepreneurship, Linda A. Schwartzstein, Professor of Law, George Mason University. Published in Cornell Journal of Law and Public Policy, Fall, 1996.

APPENDIX VI

LIST OF HOW TAX CREDITS ARE TO BE AWARDED

Below is a listing of how state law requires DED to approve each tax credit:

<i>TAX CREDIT PROGRAM</i>	<i>TYPE</i>
<i>1</i> Youth Opportunity and Violence	Competitive
<i>2</i> Neighborhood Assistance Program	Competitive selection by DED
<i>3</i> Affordable Housing Assistance	Competitive selection by MDFB ³
<i>4</i> BUILD Missouri Bonds	Discretion based on other state competition
<i>5</i> Brownfield Remediation	DED discretion
<i>6</i> Community Bank	DED discretion
<i>7</i> Community College New Jobs Training Bonds	DED discretion
<i>8</i> Development Tax Credit	DED discretion
<i>9</i> Film Production Tax Credit	DED discretion
<i>10</i> Small Business Incubator	DED discretion
<i>11</i> MDFB Bond Guarantee Credit	MDFB discretion
<i>12</i> MDFB Development & Reserve	MDFB discretion
<i>13</i> MDFB Export	MDFB discretion
<i>14</i> MDFB Infrastructure	MDFB discretion
<i>15</i> Certified Capital Companies	CapCo's discretion
<i>16</i> New Enterprise Creation	Fund Manager discretion
<i>17</i> Seed Capital Tax Credit	Innovation Centers discretion
<i>18</i> Brownfield Jobs/Investment	Formula;DED discretion
<i>19</i> Missouri Low Income Housing	Formula
<i>20</i> Business Facility Tax Credit	Formula
<i>21</i> Enterprise Zone Tax Credit	Formula
<i>22</i> Guarantee Fee	Formula
<i>23</i> Historic Preservation	Formula
<i>24</i> Winery/Grape Growers Tax Credit	Formula
<i>25</i> Capital (Small Business Investment)	Formula;first come
<i>26</i> Dry Fire Hydrant	Formula;first come
<i>27</i> Individual Training Account Tax Credit	Formula;first come
<i>28</i> Mature Worker Child Care Tax Credit	Formula;first come
<i>29</i> Rebuilding Community	Formula;first come
<i>30</i> Research Expense	Formula;first come
<i>31</i> Transportation Development	Formula;first come
<i>32</i> Family Development Account	First come
<i>33</i> Neighborhood Preservation	First come

³ Missouri Development Finance Board

APPENDIX VII

SUMMARY OF STATE AUDIT FINDINGS ON ECONOMIC DEVELOPMENT PROGRAMS

Five states, including Missouri, have looked at the tax credit programs within their respective states. In each of the states, lack of key data to evaluate the program is cited as an issue.

Source: Minding the Candy Store:
State Audits of Economic Development
by Good Jobs First
A project of the Institute on Taxation and Economic Policy.
www.goodjobsfirst.org

<u>State/Agency</u>	<u>Auditing Agency</u>	<u>Date (Type)</u>
Colorado Economic Development Commission and Department of Local Affairs	State Auditor	2/98

Enterprise Zone Program

Findings: difficult to determine whether economic improvements are related to the program; significant data-related problems and ambiguous goals limit the auditor's ability to make thorough comparisons or draw conclusions about effectiveness; and investment tax credit does not have strong impact on job creation. Recommendations: better program oversight for stronger participant accountability, particularly monitoring program eligibility and criteria; increase efforts to ensure that incentives are better tied to economic conditions and are better coordinated with the state's overall strategy.

Connecticut Department of Economic and Community Development Committee	Legislative Program Review and Investigations	12/97
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Enterprise Zones

Finding: inadequate performance monitoring. Recommendations: renew commitment to accountability and collaboration; and develop and maintain a database including job retention and creation numbers, other tax credits, grants, and loans received by participating businesses, and current status of businesses.

APPENDIX VII

Kansas

Kansas, Inc.

Kansas, Inc.

1/00

Sales Tax Exemption and Economic Development Income Tax Credits Report

Assesses impact of incentives based on a survey of businesses that used them. Evaluation is made more difficult by the questionnaire system currently in place to get information from users of the credits. Only 14 percent of businesses using the credits have filled out the survey.

Missouri

Department of Economic Development

Committee on Legislative
Research, Oversight Division

12/98

Department of Economic Development: Evaluation of Tax Credit Programs

Findings: tax credit programs lack fiscal accountability; weak financial control and accounting procedures; many discrepancies in information reported in tax expenditure reports, Department of Revenue records, and Department of Economic Development records; weak monitoring of job creation and utilization of investments; inadequate retention of financial and compliance records for projects; insufficient audits; inadequate system for tracking amounts of credits approved, claimed, and outstanding; and noncompliance with statutory cost-benefit analysis. Recommendation: separate duties of authorization and monitoring within the Department.

Vermont

Vermont Economic Progress Council

State Auditor

6/00

State Auditor's Review of the Vermont Economic Progress Council's Implementation of Act 71 of 1998

Findings: questionable use of the cost-benefit model and the frequent practice of granting maximum credits; questionable use of the "but for" provision for approving credits; there is little to no verification of data; tax credits were committed before the program existed; tax credits were given to companies that threatened job loss instead of to job creation projects; no formal policies and procedures regarding applicant evaluation and disposition; and inconsistent program administration.

APPENDIX VIII TABLE OF DISCREPANCIES BETWEEN AGENCY RECORDS

The chart below shows the discrepancies between Department of Revenue (DOR) and Department of Economic Development (DED) claimed tax credits for state fiscal year-end June 30, 1999:

<i>Tax Credit</i>	<i>Code</i>	<i>DOR Amount Claimed</i>	<i>DED Amount Claimed</i>	<i>Difference</i>
<i>Affordable Housing</i>	AHC	1,866,929	1,866,929	0
<i>Brownfield Jobs/Investments</i>	BJI		12,336	-12,336 ¹
<i>Brownfield Remediation</i>	RTC		50,654	-50,654 ²
<i>BUILD Missouri Bonds</i>	BUC	0	583,000	-583,000 ³
<i>Business Facility</i>	BFC	6,560,648	6,560,648	0
<i>Capital (Small Business Investment)</i>	ISB	1,325,372	1,325,372	0
<i>Certified Capital Company (CapCo)</i>	CPC	0	5,000,000	-5,000,000 ⁴
<i>Community Bank</i>	CBC	63,857	63,857	0
<i>Community College New Jobs Training</i>	JTC	9,190,424	9,190,424	0
<i>Development</i>	DVC	75,875		75,875 ⁵
<i>Dry Fire Hydrant</i>	DFH			0
<i>Enterprise Zone</i>	EZC	15,039,155	19,944,431	-4,905,276 ⁶
<i>Family Development Account</i>	FDA			0
<i>Film Production</i>	FPC		0	0
<i>Guarantee Fee</i>	SBG			0
<i>Historic Preservation</i>	HPC	2,559,713	2,559,713	0
<i>Individual Job Training Account</i>	ITC			0
<i>Low Income Housing</i>	LHC	3,609,593	3,609,593	0
<i>MDFB Development and Reserve</i>	DRC	0		0
<i>MDFB Export</i>	EFC	0		0
<i>MDFB Infrastructure Development</i>	IDC	8,532,781	17,482,172	-8,949,391 ⁷
<i>MDFB Bond Guarantee</i>				
<i>Neighborhood Assistance</i>	NAC	7,958,526	7,958,526	0
<i>New Enterprise Creation</i>	NEC			0
<i>Rebuilding Communities</i>	RCC		0	0
<i>Research</i>	REC	10,891,633	10,891,612	21
<i>Seed Capital</i>	SCC	90,954	90,954	0
<i>Small Business Incubator</i>	SBI	30,920	30,920	0
<i>Winery/Grape Growers</i>	WGC			0
<i>Youth Opportunity</i>	YOC	888,628	888,628	0
<i>Mature Worker Child Care</i>				0
<i>Transportation Development</i>				0
<i>Neighborhood Preservation</i>				0
<i>Totals</i>		68,685,010	88,109,769.00	-19,424,757

APPENDIX VIII

DED responses to the discrepancies were as follows:

1. DED stated the DOR record was correct and the DED record was incorrect. DED further stated that procedures have been developed to reduce the likelihood of a similar error occurring in the future.
2. DED stated the DOR record as of 08/27/99 reflected the same amount DED included in the budget book. The DOR record we received on this tax credit program was as of 06/30/99 and therefore it did not include this DOR revision.
3. DED stated the DOR record was correct and the DED record was incorrect. DED further stated that procedures have been developed to reduce the likelihood of a similar error occurring in the future.
4. DED stated that a formula error resulted in DED reporting the incorrect amount of the credit redeemed. DED further stated that procedures have been developed to reduce the likelihood of a similar error occurring in the future.
5. DED stated that DOR reports combine the Development Tax Credit into the Neighborhood Assistance Tax Credit. DED stated it will indicate this fact on the budget forms in the future.
6. DED stated that it includes income modifications and/or refunds for the Enterprise Zone Tax Credit and the DOR Tracking System only reflects the amount redeemed. DED stated the Office of Budget and Planning prefer that income modification and/or refunds be included on the budget form.
7. DED stated its budget form incorrectly reported credits authorized instead of credits redeemed and the DOR record is correct. DED further stated that procedures have been developed to reduce the likelihood of a similar error in the future.

SURVEY RESULTS

As part of the audit, a survey was sent to recipients of tax credits. A schedule of response rates and responses to the questions follows:

Response Rates for Questionnaires:

1. In total, the response rate for the questionnaires was 72% (29 out of 40 responded)
2. The response rate per tax credit program was as follows:

<u>Film Production Tax Credit</u> -	100% (1 out of 1 responded)
<u>Wine & Grape Growers Tax Credit</u> -	87% (20 out of 23 responded)
<u>Rebuilding Communities Tax Credit</u> -	50% (8 out of 16 responded)
<u>Small Business Incubator</u> -	0% (0 out of 6 responded; 2 of the incubators responded, however the response was for a tax credit other than the Small Business Incubator tax credit)

The following survey questions were posed to recipients of the Film Production Tax Credit, the Wine and Grape Production Tax Credit, the Rebuilding communities tax credit, and the Small Business Incubator Tax Credit:

1. Please state the name, address, and phone number of your firm or organization

Result: all respondents gave their name and address of the project.

2. Has your business or community group ever used (and/or benefited from) a state tax credit program? Please circle: Yes or No If yes , please name the program(s):

Result: all 29 participants responded “yes” with, 2 respondents claiming more than 1 credit.

3. If the answer to question #2 is yes, did the tax credit have an effect on your decision-making (i.e., was the tax credit an incentive to relocate, expand or start your business or activity)? Please circle: Yes or No

Result: 24 responded yes and 5e participants responded no.

APPENDIX IX

4. If the answer to question #2 is yes, please list below how much new investment dollars and/or new jobs you would say resulted from the use of the state tax credit:

a. New investment: \$ _____

b. New jobs # _____

Result: the total dollar amount invested in Missouri was \$14,938,434 with total jobs created of 96 full time positions and 2 part-time positions.

5. Other than the tax credit, please list the factors which influence your decision-making and rank them in the order of importance:

Result: 10 responses were received for Earnings/Profits and Return on Investment; 5 responses were for Market Demand; 4 responses for Location and 3 for Capital Resources Available; 3 responses for Cash Flow; 2 for Tax Incentives; 2 for Economic Climate. Other responses include: Job Security, Low Costs, Labor Resources Available, Telecommunications Infrastructure, Industry Niche, Maintain Business Relationships, Maintain Viability of Company, Fruit Research, Retirement Planning, Supplier Demand, State and Federal Cooperation, Financial Stability, Adherence to Mission, and Quality of Production, Simplicity of the programs for support, Need to diversify, Ability to self-manage (home based business).

6. Do you consider the state tax credit program(s) as an effective way to promote economic and community development in your community? Please circle: Yes or No

Result: 28 responded “yes” and 1 participant responded “no”.

7. If a tax credit has been utilized by your firm or organization, please circle below the best answer that applies:

- The tax credit was a form of gap financing that allowed our firm or organization to do the activity.
- Our firm or organization was offered tax incentives from other states.
- Without the tax credit we can show that our costs would have been lower in other states.

Result: 21 responded to “a”, 0 responded to “b”, 4 responded to “c”, 3 responded “n/a”; and 1 responded "incentive to purchase".

8. Please provide any additional comments on how the state tax credit program(s) have, or have not, benefited your business and/or community

APPENDIX IX

Result: Film Production Tax Credit-

“The state film commission tax credit helps the fledgling arts community in our state and helps illuminate our state's resources through a positive portrayal in film & television.”

Wine and Grape Production Tax Credit –

1. “Would not have had adequate capital to get the business up and operating in 5-6 yrs. This will provide 35 acres of vineyard devoted to wine making which will increase MO tax revenue and eventually provide 2 full-time and 2-4 part-time jobs.”
2. “Last year we applied ‘personally’ for the tax credit for expenses to plant and grow grapes. It was a great incentive to continue a very expensive industry. It helped us afford the personal investment required to start our corporation... and we plan to re-apply under our corporation this year for the grape & wine tax credit.”
3. “It provides incentive to pursue a long term commitment with no return for several years.”
4. “The production of grapes for wine involves a huge up-front expenditure with limited returns starting 3 years after planting. Without the tax credits, the small grower probably would not even attempt to start the business.”
5. “I think tax credits & incentives can increase grape production and tourism for a small dollar amount spent in support of Missouri's grape & wine industry.”
6. “Application process was prompt and responsive.”
7. “Individuals who are making large capital outlays with start up expenses cannot fully take advantage of the tax credit because they are paying very low or no state taxes because of losses incurred in their start up years. Grape growers layout large amounts of cash for root stock and arbor equipment with no expectation of any appreciable income for at least 4 to 5 years.”
8. “Definite benefit, and has allowed us to expand business faster than we would have without it.”
9. “The state tax credit program did give my small business a small financial help. I do believe this type if economic program will always help those Missouri businesses that are worthy of help.”
10. “The tax credit we use fosters the grape and wine industry and the overall economy of the state of Missouri.”
11. “Helped provide additional funds needed for a new business. Created four times the amount of credit in purchases of new equipment from local merchants.”
12. “The tax credit has allowed me to put my land into production more quickly and will allow me to absorb extensive initial costs of installing a vineyard.”

APPENDIX IX

Rebuilding communities tax credit

1. “We received positive press for being part of the tax credit program... articles, speaking engagements, etc.”
2. “We have worked with several companies and investors launching several new companies. The tax credit programs are a great asset and value in attracting investors and new technology companies to Missouri.”
3. “In 1999 the 25% tax credit program "pushed" us into a position to think more aggressively about buying equipment that would increase our productivity. This piece of equipment also made it possible to hire one person. Already this year we have increased our computer system along with our manufacturing equipment. We are now looking to hire one person and then one more before the year is over. These are purchases that we eventually would have made and new employees we would have hired. But I do not believe that we would have moved as quickly without the incentives.”
4. “Typically we find that tax credits are too much trouble for the results you get. However, the Rebuilding Communities program worked well and really was the first and only help Missouri has ever given us, it took a long time since this business was founded in 1850. Also, this program allowed us to update our factory from 1960's type production, to computer advanced machinery. I thank Pat Bannister of the Economic Development Department in St. Louis and the state of Missouri for this help.”
5. “The tax credit enabled us to financially justify the purchase of additional manufacturing capacity which in turn enabled us to meet our customer's needs, improve our profitability and cash position, and hire additional workers.”

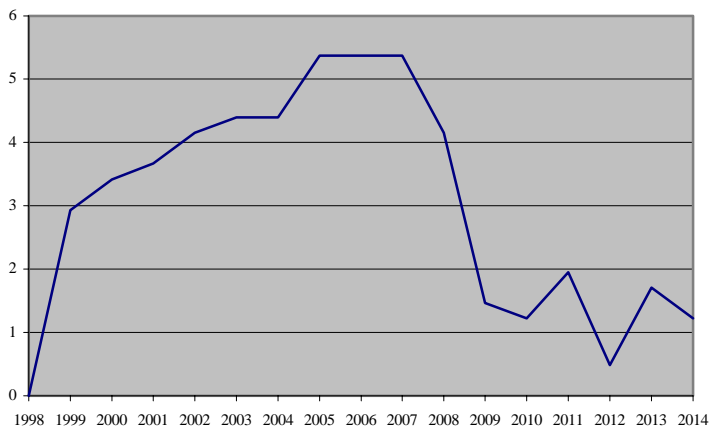
“The tax credits provided an added incentive and economic [sic] to starting up a new business in what is considered a depressed area. The program could be simplified and expanded to cover more start-up costs, but it is helpful as it currently exists. Thanks.”

APPENDIX X

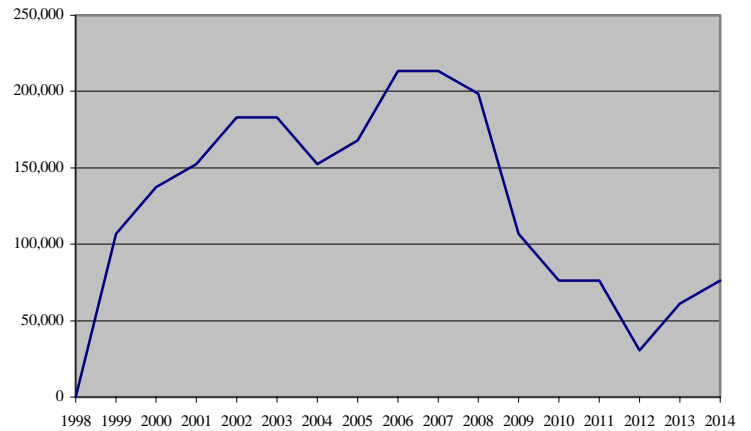
Graphs Of Total Economic Impact Analysis

FILM PRODUCTION TAX CREDIT

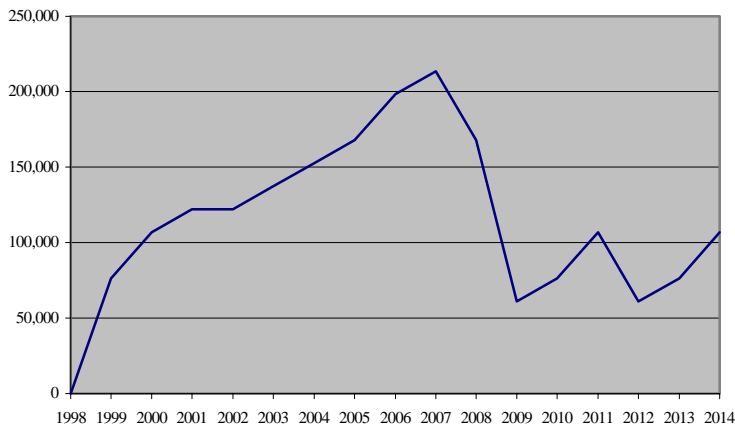
Film Production Tax Credit
Employment Growth (# of jobs)



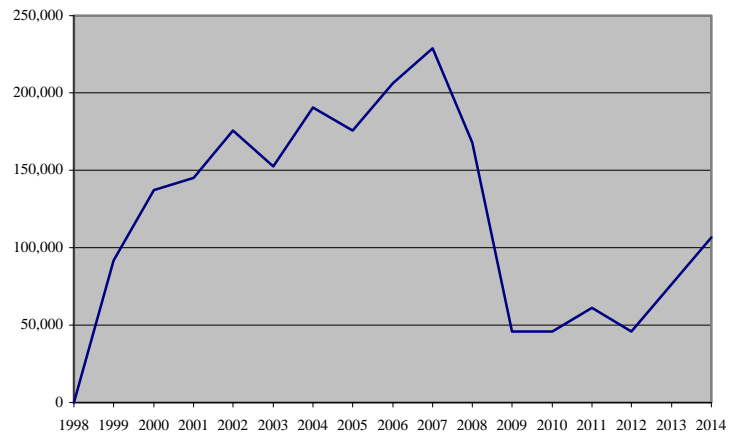
Film Production Tax Credit
Gross State Product Growth (\$)



Film Production Tax Credit
Personal Income Growth (\$)

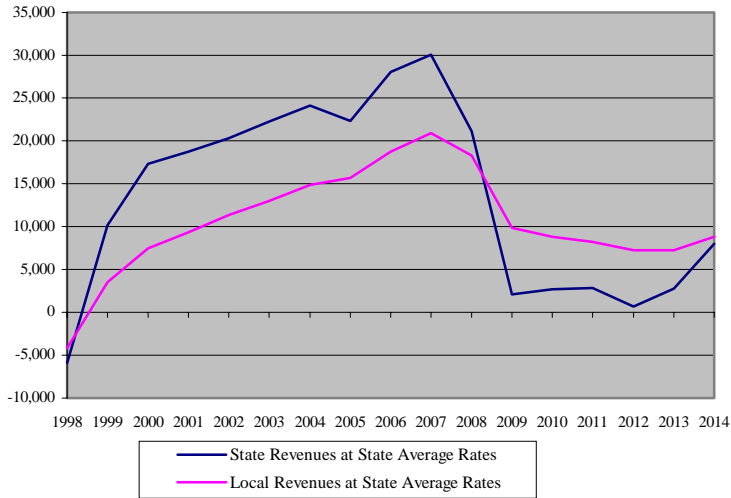


Film Production Tax Credit
Real Disposable Income Growth (\$)

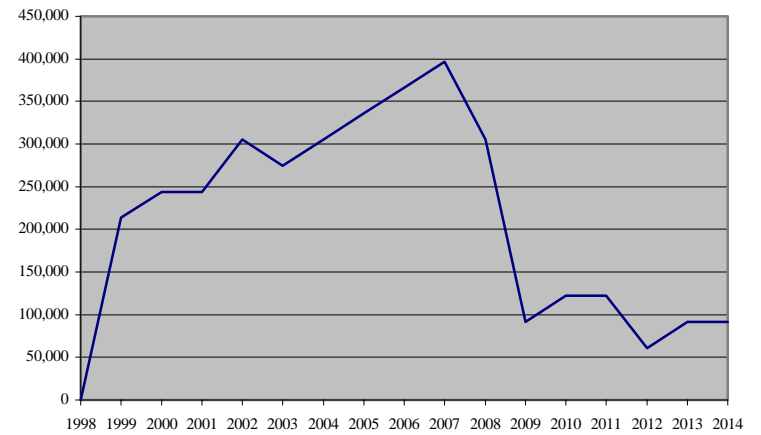


APPENDIX X

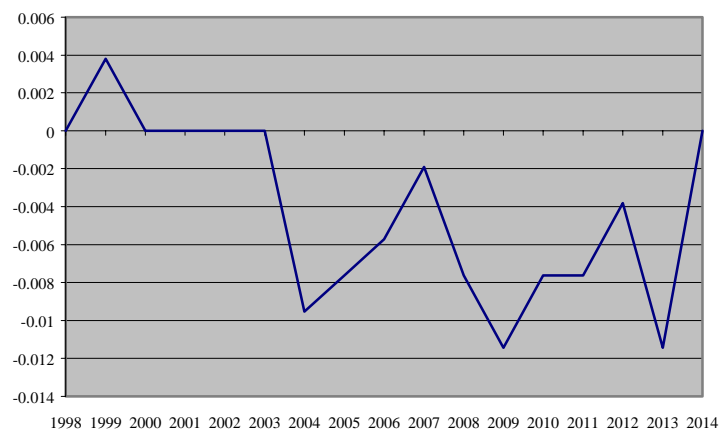
**Film Production Tax Credit
State and Local Fiscal Impact (\$)**



**Film Production Tax Credit
Output Growth (\$)**



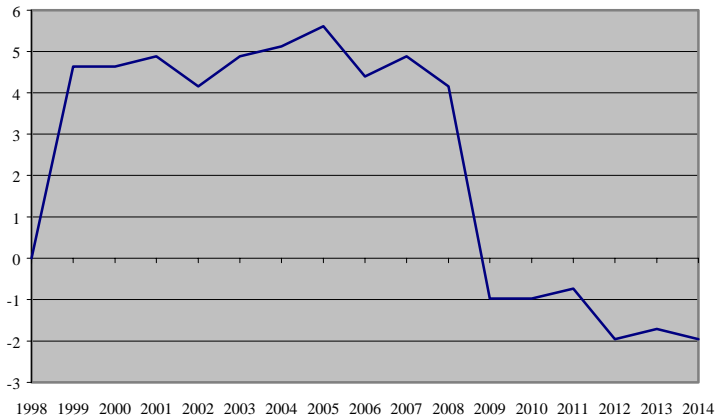
**Film Production Tax Credit
Wage Rate Growth (\$)**



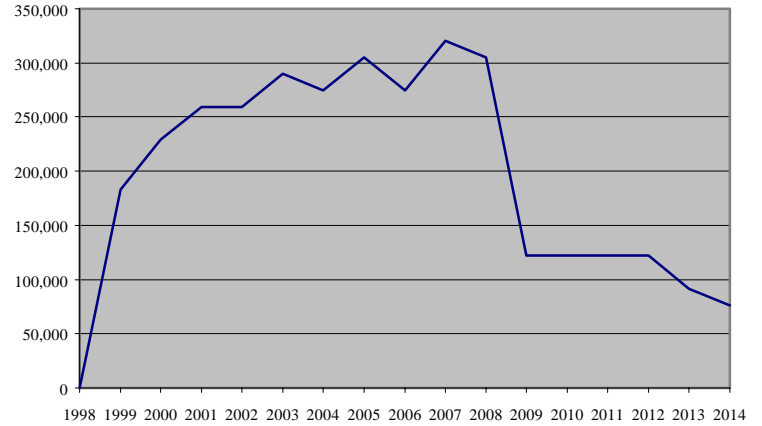
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WINE AND GRAPE PRODUCTION TAX CREDIT PROGRAM

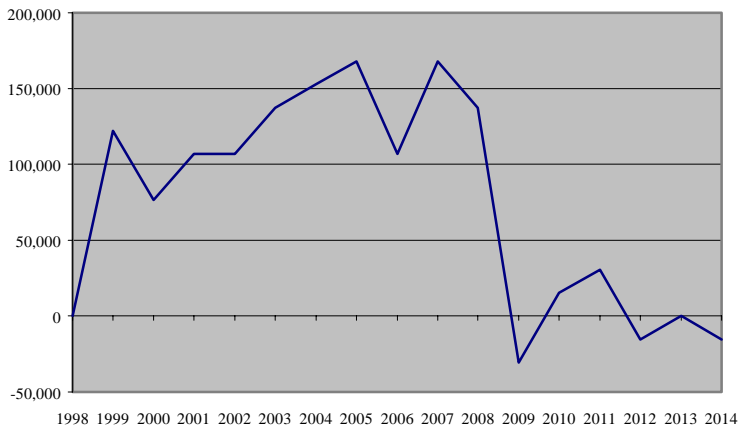
**Wine & Grape Production Tax Credit
Employment Growth (# of Jobs)**



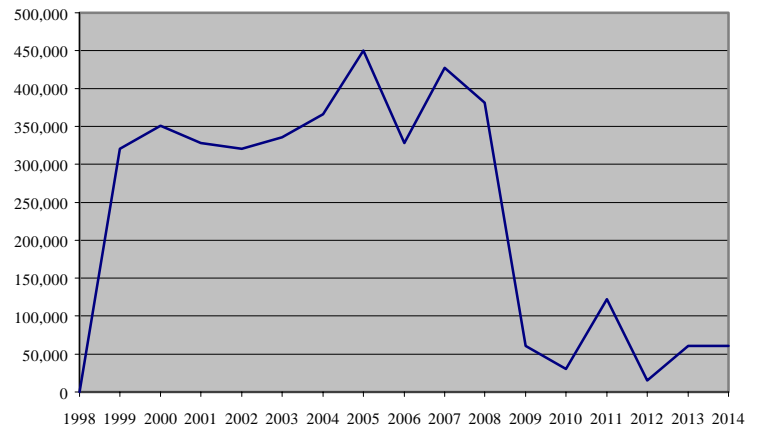
**Wine & Grape Production Tax Credit
Gross State Product Growth (\$)**



**Wine & Grape Production Tax Credit
Personal Income Growth (\$)**



**Wine & Grape Production Tax Credit
Real Disposable Personal Income Growth (\$)**

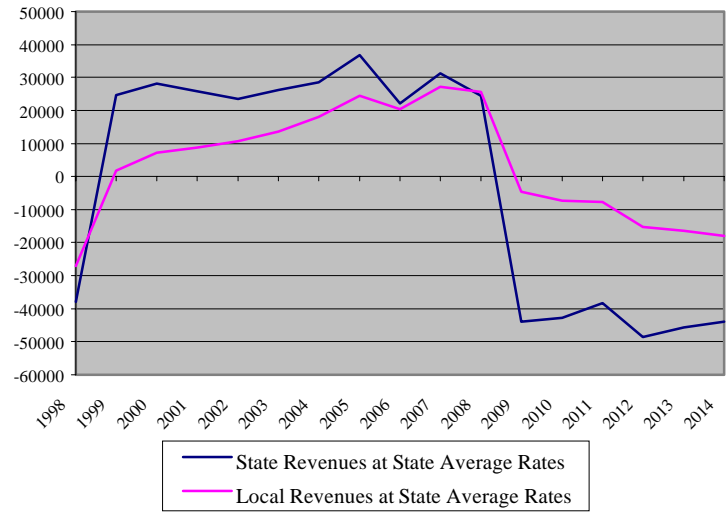


APPENDIX X

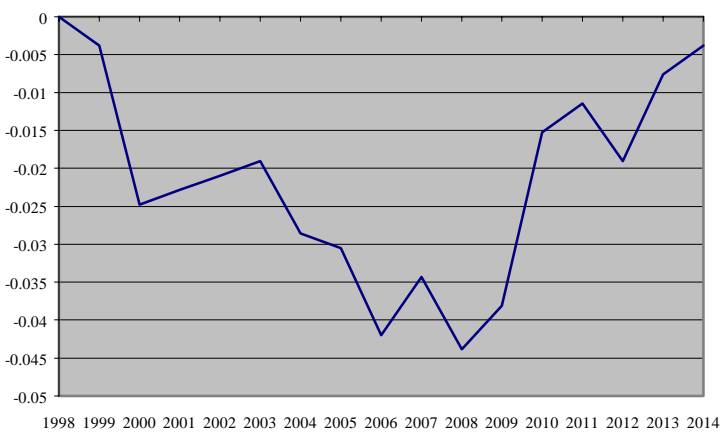
Wine & Grape Production Tax Credit
Output Growth (\$)



Wine & Grape Production Tax Credit
State and Local Fiscal Impact



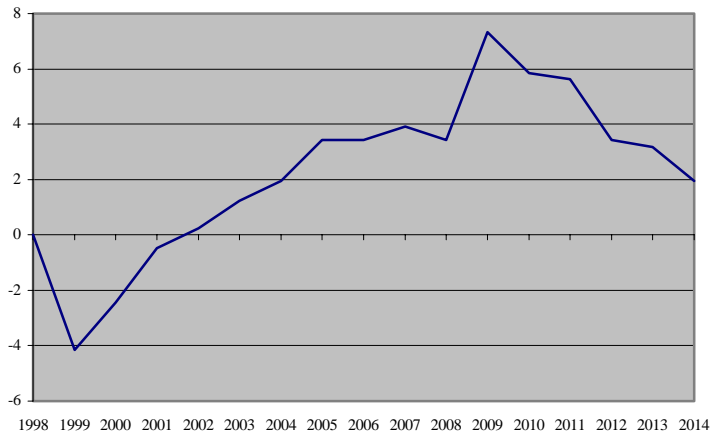
Wine & Grape Production Tax Credit
Wage Rate Growth (\$)



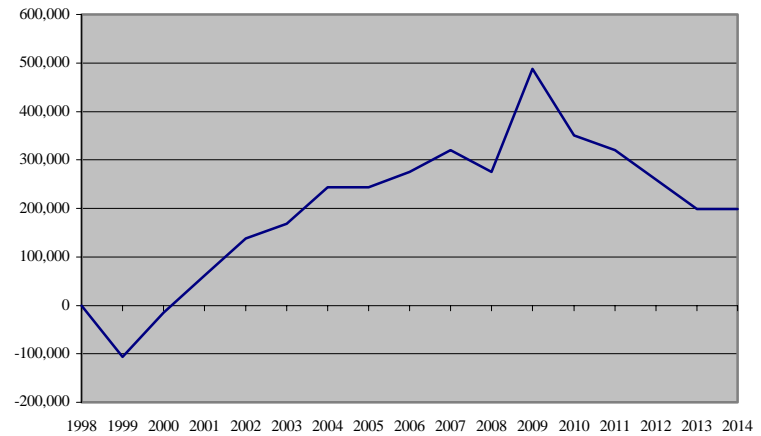
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REBUILDING COMMUNITIES TAX CREDIT PROGRAM

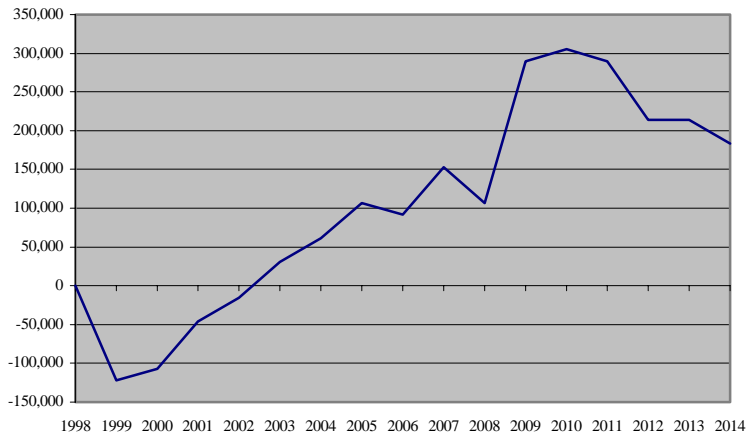
**Rebuilding Communities Tax Credit
Employment Growth (# of Jobs)**



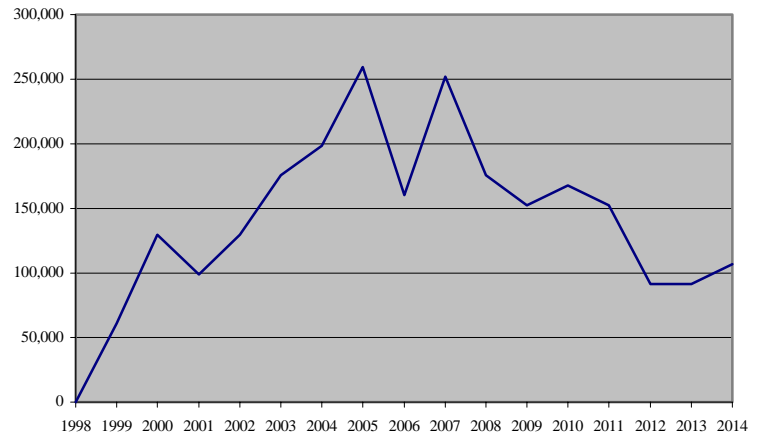
**Rebuilding Communities Tax Credit
Gross State Product Growth (\$)**



**Rebuilding Communities Tax Credit
Personal Income Growth (\$)**

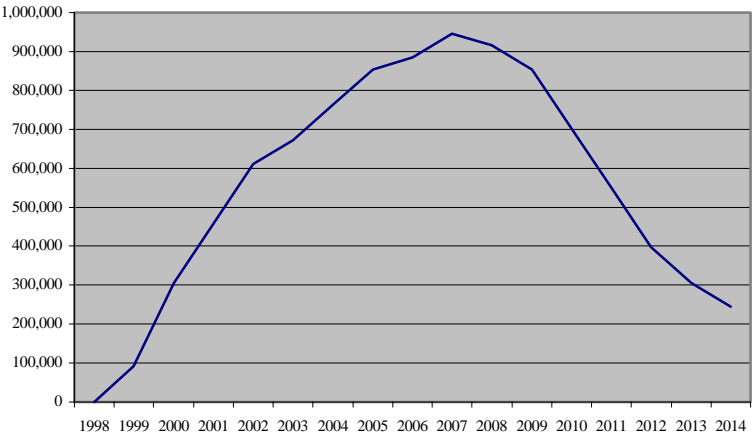


**Rebuilding Communities Tax Credit
Real Disposable Personal Income Growth (\$)**

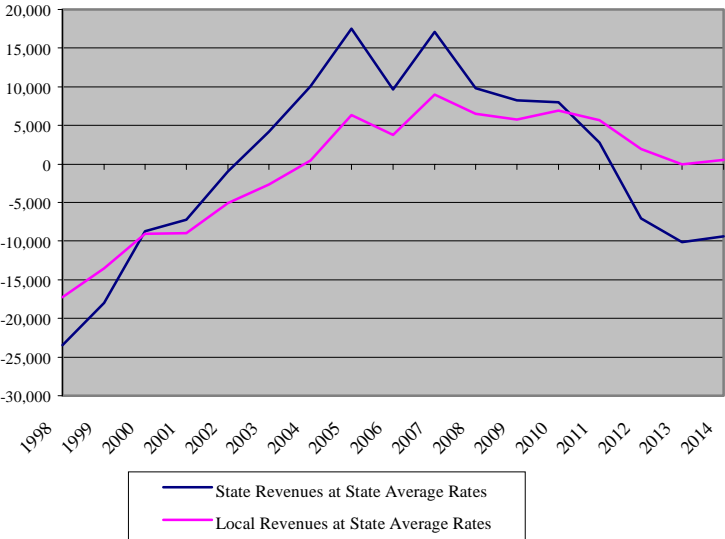


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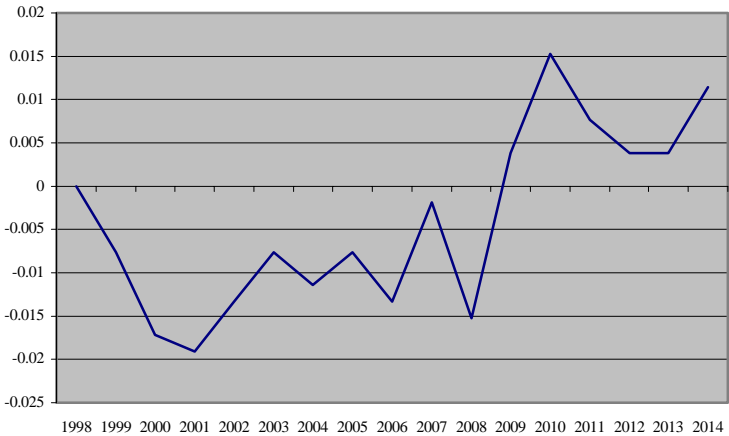
Rebuilding Communities Tax Credit
Output Growth (\$)



Rebuilding Communities Tax Credit
State and Local Fiscal Impact (\$)



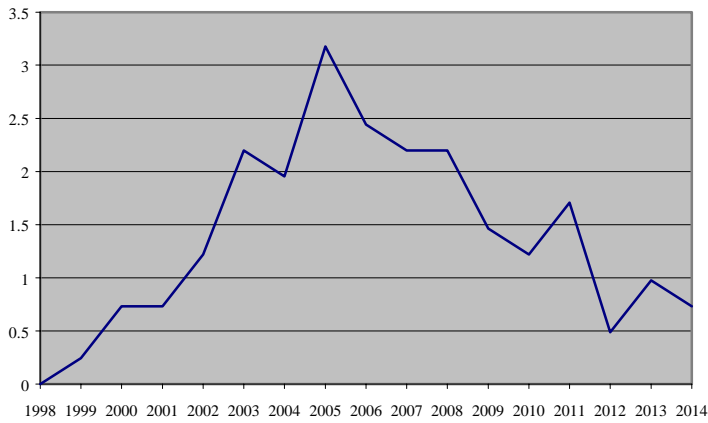
Rebuilding Communities Tax Credit
Wage Rate Growth (\$)



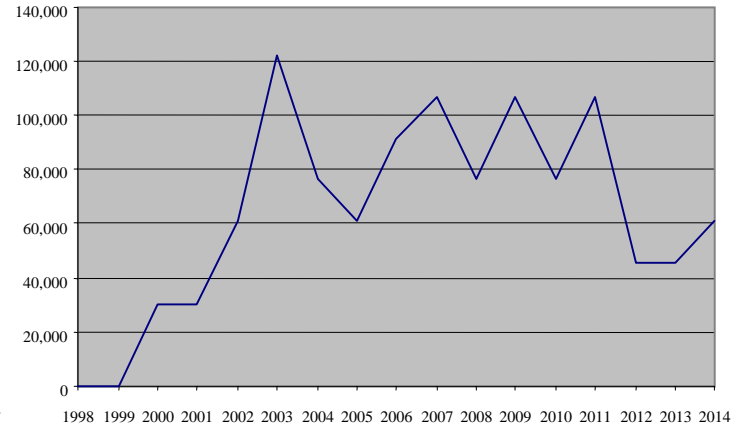
APPENDIX X

SMALL BUSINESS INCUBATOR TAX CREDIT PROGRAM

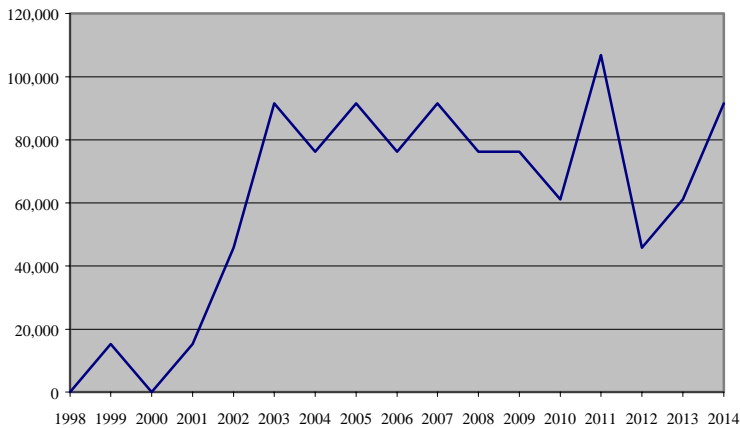
**Small Business Incubator Tax Credit
Employment Growth (# of Jobs)**



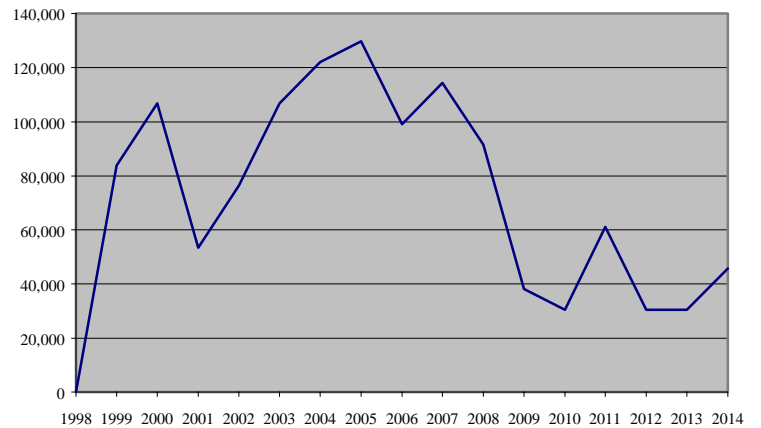
**Small Business Incubator Tax Credit
Gross State Product Growth**



**Small Business Incubator Tax Credit
Personal Income Growth (\$)**

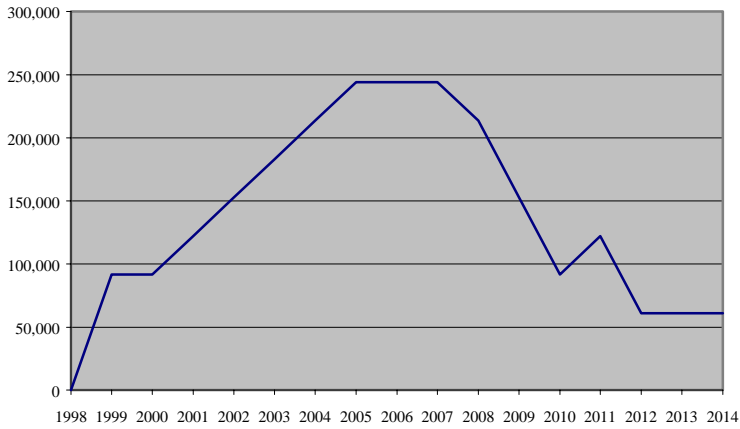


**Small Business Incubator Tax Credit
Real Disposable Personal Income Growth (\$)**

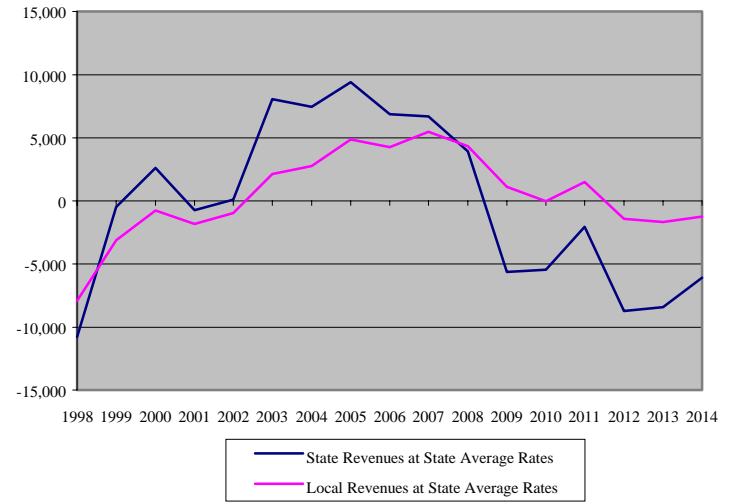


APPENDIX X

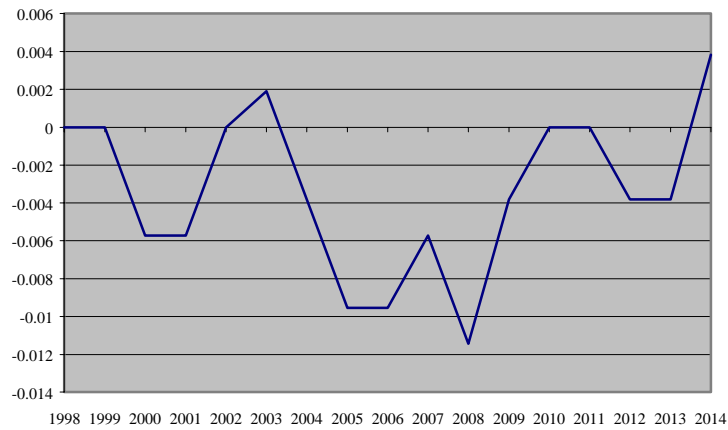
**Small Business Incubator Tax Credit
Output Growth (\$)**



**Small Business Incubator Tax Credit
State and Local Fiscal Impact**



**Small Business Incubator Tax Credit
Wage Rate Growth (\$)**



Bob Holden
Governor

Joseph L. Driskill
Director

February 15, 2001

Honorable Claire McCaskill
Auditor of the State of Missouri
Harry S Truman State Office Building
Room 880
Jefferson City, MO 65101

Dear Ms. McCaskill:

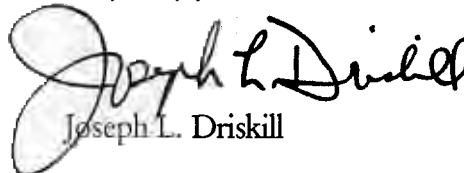
This letter is in response to the Office of State Auditor's review of state tax credits administered by the Department of Economic Development. Attached is the Department of Economic Development's response to your recommendations cited in that report.

The Department has long recognized the importance that such an independent review be conducted. Even though it was not our statutory responsibility under RSMo 620.1300, our department requested funds for FY 1999 for this purpose, but the request was not approved. Lacking statutory authority and adequate funding, DED was unable to implement a detailed review. However, we utilized existing funds and partnered with the Missouri Development Finance Board (MDFB) to undertake an economic study of the tax credit programs we administer. In addition, we purchased and implemented an econometric modeling system in order to help us estimate the impact of various credit expenditures.

Now that your Office has been given authority and funding, the Department appreciates the opportunity to participate in your review, as mandated by law.

If you have any questions concerning this information, please feel free to contact Arlan Holmes of my office at 526-7863.

Very truly yours,



Joseph L. Driskill

C: David Mitchem
Arlan Holmes

AUDITOR RECOMMENDATION

- 1-1. Develop a comprehensive performance measurement system similar to what the Ohio study recommended. This system should include clearly articulated policy goals and data collection procedures and systems necessary for an effective evaluation of the state tax credit programs and other economic development incentive programs in the state.

AGENCY RESPONSE

Because of time constraints, DED was unable to review the Ohio State Incentive Management System model. Therefore, the Department does not currently have an opinion on whether or not this system would be appropriate for tax credits programs administered by DED. The Department will review the Ohio system and also review other best practices used in other states in relation to performance measurement systems. Through the department's strategic planning process, DED does collect, track and develop targets regarding various performance data related to incentives that the Department administers. The Department has been utilizing this results measurement planning system since 1996. While these measures are not strictly related to tax credits, we do understand measurement, results and operations. We are interested in examining all programs which might enable us to continue providing quality services for Missourians.

AUDITOR RECOMMENDATION

Collaborate with state agencies, the legislature and the administration on developing a set of performance-based benchmarks from which the effectiveness of the tax credit programs can be measured.

AGENCY RESPONSE

The Department agrees that this type of collaboration would be helpful in establishing benchmarks and is willing to participate. It is vitally important that all agencies that administer tax credit programs participate in order fully to realize the benefits of the tax credit programs in total.

AUDITOR RECOMMENDATION

Use the existing impact statement worksheet to capture and maintain all relevant data necessary to perform a cost-benefit analysis of applicable state tax credit programs.

AGENCY RESPONSE

It should be noted that only four DED tax credit programs (Brownfield, BUILD, Historic, and Film) require by statute that a cost-benefit test be performed. DED will attempt to gather this data on all tax credit programs. However, it must be noted that for some tax credits, statutes do not compel the tax credit recipients to disclose all thirteen types of data recommended for collection. In addition, as noted in the audit report, the collection of this data would not be applicable to each credit. Without a complete universe of data for each tax credit issued this data may not be reliable in conducting a cost benefit analysis.

AUDITOR RECOMMENDATION

- 1-4. When designing the new management information system, take into consideration the state of Missouri's need for a performance measurement system to maintain and monitor data on each of the economic development incentive programs the department administers.

AGENCY RESPONSE

The Department agrees to take this into consideration when designing the new information system.

AUDITOR RECOMMENDATION

Maintain sufficient documentation so that reconciliation can be performed with the Department of Revenue and the Department of Insurance records.

AGENCY RESPONSE

The Department initiated meetings with officials from the Department of Revenue (DOR) to develop a system that will interface for the reconciliation of tax credits. Upon implementing a workable system with the Department of Revenue, we will encourage the Department of Insurance (DOI) to adopt the same system.

AUDITOR RECOMMENDATION

Assign each tax credit program a separate DOR tracking code so that program activity can be traced and verified.

AGENCY RESPONSE

DED agrees that this should be done and we have already held discussions with the DOR to accomplish this task. DED and DOR are currently assessing the format that is needed that will work with both of the systems.

AUDITOR RECOMMENDATION

Coordinate with the Department of Revenue and develop an automated system using a key identifier that allows tax credits sold or transferred to be traced back to the project performing the economic activity encouraged by the tax credit.

AGENCY RESPONSE

This is clearly a shared responsibility and should include agreement by all agencies that administer transferable tax credits. It is DED's intent that on the programs we administer this information would be electronically submitted to the Department of Revenue in the new information system. We will actively encourage the other agencies involved, including DOR, to implement such an automated system.

AUDITOR RECOMMENDATION

- 1-8. Maintain all the documentation required by the authorizing statute for each tax credit program such as economic impact statements.

AGENCY RESPONSE

DED concurs that the economic impact statement for the Film Production Tax Credit was not maintained in the files. Action has been taken to ensure staff of the Film Office are informed of the requirement to collect this information. In addition, DED has created an

internal audit staff by reclassifying two positions to auditors. It is the intent that these positions will provide additional verification that appropriate tax credit documentation is maintained. However, these positions are not solely dedicated to reviewing tax credit information and it is their responsibility to review all of DED's operations. Without staff specifically dedicated to reviewing tax credit documentation reviews can only be done on a periodic basis.

AUDITOR RECOMMENDATION

- 1-9. Ensure documents describing tax credits contain accurate information on each tax credit program and that such documents coincide with the law.

AGENCY RESPONSE

DED agrees with the State Auditor's statement in the body of the report that "there was no evidence that any party detrimentally relied on the incorrect information found on the Department of Economic documents." The Department will review tax credit summaries, marketing brochures and other related documents for accuracy and make corrections as necessary (also see response 1-8).



SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-12
February 22, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2001

www.auditor.state.mo.us

The following audit report presents our findings and recommendations for the Sixteenth Judicial Circuit, City of Kansas City Municipal Division, Jackson County, Missouri. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved.

Monthly listings of open items (liabilities) for restitution cases are not reconciled to the cash balance in the city's restitution account. At October 31, 2000, the open items listing for restitution cases indicated a balance of approximately \$93,000, while the balance in the city's restitution bank account was only \$34,650. Monthly open items listings should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient cash is available for the payment of liabilities.

The court administrator does not prepare a monthly listing of open items(liabilities) for the bond account. At April 30, 2000, the city held bonds totaling \$763,835. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust by the city are sufficient to meet liabilities.

Similar conditions were also noted in our prior report.

The police department and other city departments issue prenumbered summonses for non-traffic ordinance violations. There were approximately 113,000 summonses assigned to these departments during the three years ended April 30, 2000. Both the municipal division and the police department maintain a numerical record of summonses assigned to the police department and other departments; however, no record is kept to account for the numerical sequence of summonses issued and their ultimate disposition.

Without a proper accounting of the numerical sequence and disposition of summons forms, the police department, other city departments, and the court cannot be assured that all summons forms issued are properly submitted to the court for processing, properly voided, or not prosecuted.

A similar condition was also noted in our prior report.

The court collects fines and court costs through the violation bureau (VB), during court, and through the mail and lockboxes. The method of payment is not consistently noted on the receipt slips. In addition, there is no independent comparison of the composition of receipt slips issued to the composition of bank deposits.

(over)

YELLOW SHEET

To provide assurance all monies received have been properly deposited or transmitted, the method of payment should be accurately recorded for all monies received, and the composition of receipt slips issued should be compared to the composition of bank deposits.

The municipal division does not periodically review employee access to computerized data and computer programs. A report showing all changes to case records is not prepared.

The Court Administrator agreed with nearly all of our recommendations and indicated implementation would be accomplished by the end of calendar year 2001.

SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION

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STATISTICAL SECTION



CLAIRE C. McCASKILL
Missouri State Auditor

Presiding Judge
Sixteenth Judicial Circuit
and
Municipal Judge
Kansas City, MO 64106

We have audited certain operations of the city of Kansas City Municipal Division of the Sixteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the three fiscal years ended April 30, 2000. The objectives of this audit were to:

1. Review the internal controls established over the financial transactions of the municipal division.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.
4. Follow up on action taken by the municipal division on findings in our prior audit report.

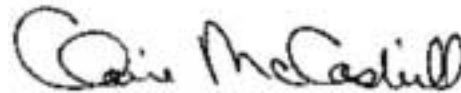
Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the municipal division.

As part of our audit, we assessed the controls of the municipal division to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Kansas City Municipal Division of the Sixteenth Judicial Circuit.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

November 29, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Birdno, CPA
In-Charge Auditors:	Todd M. Schuler, CPA
	Lori Bryant
Audit Staff:	Nicole Brackman
	Elisa King
	Tania Williams

MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION
SUMMARY OF FINDINGS

1. Restitution (pages 7-8)

Monthly listings of open items (liabilities) for restitution cases are not reconciled to the cash balance in the city's restitution account. At October 31, 2000, the open items listing for restitution cases indicated a balance of approximately \$93,000, while the balance in the city's restitution bank account was only \$34,650. The restitution report includes cases dating back to 1989 with no provision for write off. The restitution report is not accurate nor does the municipal division appear to have the necessary procedures in place to track restitution accounts and to produce accurate records.

2. Bond Account Open Items (page 8)

The court administrator does not prepare a monthly listing of open items (liabilities) for the bond account.

3. Warrants (page 9)

The municipal division could not provide documentation that warrants issued by the court administrator were specifically authorized by a municipal judge as required.

4. General Ordinance Summonses (pages 9-10)

No record is kept to account for the numerical sequence of summonses issued and their ultimate disposition.

5. Accounting Controls (page 10)

The method of payment is not consistently noted on receipt slips and there is no independent comparison of the composition of receipt slips issued to the composition of bank deposits.

6. Traffic Tickets (pages 10-11)

Traffic tickets and summonses paid at the Violations Bureau (VB) are not signed by the Prosecuting Attorney.

7. Monthly Reports (page 11)

The municipal division does not file a monthly report of all cases heard in court with the city, as required by state law.

8. Computer Controls (pages 11-12)

The municipal division does not periodically review employee access to computerized data and computer programs. A report showing all changes to case records is not prepared.

SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Restitution
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The municipal division collects restitution payments and deposits these monies in a city bank account. The city disburses restitution amounts to the appropriate parties based upon reimbursement requests prepared by the division. Restitution receipts were approximately \$109,000, \$140,000, and \$131,000 for the years ended April 30, 2000, 1999, and 1998, respectively. We noted the following concerns related to the municipal division's handling of restitution:

- A. A monthly listing of open items (liabilities) for restitution cases is generated. However, the listing is not reconciled to the cash balance in the city's restitution account and is discarded when the next month's report is generated. The restitution report for October 31, 2000 was approximately 80 pages, included 5,881 cases, and totaled approximately \$93,000. The city's restitution account balance at October 31, 2000, was approximately \$34,650 indicating a shortage of approximately \$58,350. The amount of difference between the monthly restitution reports and the cash balance is increasing. The difference between the two amounts was about \$46,000 more than a year earlier at November 30, 1999.

Nine cases totaling \$4,619 out of the 25 cases we reviewed had not been disbursed according to the restitution report, with some amounts held as long as nine years. The Court Administrator indicated some restitution cases still shown as open on the restitution report have actually been paid, although the division was unable to provide evidence of payment. The municipal division has taken no follow up action to determine which cases are effected or to make the necessary corrections.

Accurate monthly listings of open items should be prepared and reconciled to the cash balances to ensure accounting records are in balance and sufficient cash is available for the payment of liabilities. Differences between the open items and cash balances should be investigated and resolved. Unclaimed or unidentified amounts should be disposed in accordance with applicable statutory provisions.

A similar condition was also noted in our prior report.

- B. The restitution report includes cases dating back to 1989 that have amounts still due. Proper follow-up action could include writing off those accounts which are deemed to be uncollectible, after review and approval by the Municipal Judge.

- C. The restitution report lists the amount ordered to be paid by the judge, total payments received, total disbursements, amount to be disbursed, and the balance due. We noted four cases where the amount received was more than the amount ordered to be paid and there was still an amount due. As a result, the balance due on the restitution report appears to be overstated. To properly account for restitution transactions, accurate records must be maintained.

WE RECOMMEND the city of Kansas City Municipal Division:

- A. Reconcile monthly listings of open items to the cash balance and ensure proper follow-up action is taken to disburse monies to the appropriate party.
- B. Consider writing off those accounts which are deemed to be uncollectible.
- C. Ensure the restitution report listing is accurate.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur and will develop new reports and procedures to address recommendations A, B and C. We expect this to be completed by December 31, 2001.

2. Bond Account Open Items

The court administrator does not prepare a monthly listing of open items (liabilities) for the bond account. At April 30, 2000, the city held bonds totaling \$763,835. Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust by the city are sufficient to meet liabilities.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the city of Kansas City Municipal Division prepare monthly listings of open items for the bond account and reconcile it to the cash balance.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur. The court will begin a reconciliation of the Bond Fund on a quarterly basis. This will be implemented by March 31, 2001.

3.**Warrants**

The court issues bench warrants to defendants who miss their first court appearance or do not pay their fine. The warrants are issued by the court administrator. The municipal division could not provide documentation that these warrants were specifically authorized by a municipal judge as required. Supreme Court Rule 37.45 states a warrant shall be signed by the judge or by the clerk of the court when directed by the judge for a specific warrant. To ensure bench warrants are properly issued in accordance with Supreme Court rules, the municipal judges should sign warrants or provide specific written authorization for the court administrator to sign warrants.

WE RECOMMEND the city of Kansas City Municipal Division ensure warrants are signed by the judge or by the court administrator, only when directed by the judge for a specific warrant.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur and will develop a method for a judge to approve warrants. This will be implemented by March 31, 2001.

4.**General Ordinance Summonses**

The police department and other city departments issue prenumbered summonses for nontraffic ordinance violations. There were approximately 113,000 summonses assigned to these departments during the three years ended April 30, 2000. Both the municipal division and police department maintain a numerical record of summonses assigned to the police department and other departments; however, no record is kept to account for the numerical sequence of summonses issued and their ultimate disposition.

Without a proper accounting of the numerical sequence and disposition of summons forms, the police department, other city departments, and the court cannot be assured that all summons forms issued are properly submitted to the court for processing, properly voided, or not prosecuted.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the city of Kansas City Municipal Division work with the police department and other city departments to ensure records are maintained to account for the numerical sequence and ultimate disposition of all summonses.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur and will develop a method with City Departments to account for General Ordinance Summons cases from issuance through disposition. This will be implemented by March 31, 2001.

5. Accounting Controls

The court collects fines and court costs through the violation bureau (VB), during court, and through the mail and lockboxes. The method of payment is not consistently noted on the receipt slips. In addition, there is no independent comparison of the composition of receipt slips issued to the composition of bank deposits.

To provide assurance all monies received have been properly deposited or transmitted, the method of payment should be accurately recorded for all monies received, and the composition of receipt slips issued should be compared to the composition of bank deposits.

WE RECOMMEND the city of Kansas City Municipal Division properly indicate the method of payment on the receipt slips, and reconcile total cash, checks, and money orders received to bank deposits.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur. We will change our receipt programs to require indication for type of receipt. This will be implemented by December 31, 2001.

6. Traffic Tickets

Traffic tickets and summonses paid at the VB are not signed by the Prosecuting Attorney. To ensure all tickets and summonses have been processed properly, the Prosecuting Attorney should sign all tickets and summonses indicating their disposition.

WE RECOMMEND the city of Kansas City Municipal Division require the Prosecuting Attorney to sign all applicable tickets and summonses.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

The City Prosecuting Attorney is reviewing legal requirements and will implement procedures as legal precedents indicate. We will advise the auditor's office of the prosecutor's determination and our basis for the decision. This will be resolved by March 31, 2001.

7. Monthly Reports

The municipal division does not file a monthly report of all cases heard in court with the city. Section 479.080.3, RSMo 1994, requires the Court Clerk to prepare a monthly listing of all cases heard in court or prepaid at the VB, including all fines and court costs collected, to be verified by the Court Administrator or Municipal Judge and filed with the City Clerk.

This condition was also noted in our prior report.

WE AGAIN RECOMMEND the city of Kansas City Municipal Division prepare monthly reports of court actions and file these reports with the city in accordance with state law.

AUDITEE'S RESPONSE

The Court Administrator provided the following response:

We concur. The court will develop a monthly report summarizing court activity and file it with the City Clerk. This will be implemented by December 31, 2001.

8. Computer Controls

- A. Employees are given passwords to allow them to access the municipal division's computer system. The passwords provide a means to limit access to computerized data and restrict an employee's ability to enter and change data. During our review of computer controls, we noted the municipal division does not periodically review employee access to computerized data and computer programs. Since job responsibilities often change over time, and employees may transfer to different positions or resign, computer access must be reviewed periodically to ensure the access granted to employees is proper for their job responsibilities.

To ensure proper control over computerized records, employee access levels should be reviewed periodically to determine whether access is compatible with the employee's job assignments and to ensure controls established to segregate

cash handling and recording functions cannot be circumvented. In addition, changes in level of access should be documented in writing.

- B. On-line changes, such as changes to traffic ticket information and payment histories, can be made to the case records on the computer system. A report is generated of payment changes made to case records. This report shows changes made by only one of the programs used to change case records and represents a small percentage of the total number of changes. A report showing all changes to case records is not prepared. As a result, it is not always possible to determine whether a change was made, date of the change, purpose, or which employee made the change. Failure to review changes on a periodic basis could allow unauthorized changes to case files to go undetected. A report of all changes should be generated and a supervisory review of the changes should be made and documented.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the city of Kansas City Municipal Division:

- A. Periodically review employee access to computer systems.
- B. Generate reports of all on-line changes to case records. These changes should be reviewed for propriety by supervisory personnel and the review should be adequately documented.

AUDITEE'S RESPONSE

The Court Administrator provided the following responses:

- A. *We concur. We will begin a supervisory review of employee computer access on six-month intervals, and will make necessary changes when employees change sections. This will be implemented by March 31, 2001.*
- B. *We disagree. It would not be practical to generate and review a report of all on-line changes to case records. However we will review our audit procedures and initiate changes to our internal controls. That will assure greater control over case record changes.*

This report is intended for the information of the management of the city of Kansas City Municipal Division of the Sixteenth Judicial Circuit and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of Kansas City Municipal Division of the Sixteenth Judicial Circuit on the findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended April 30, 1994. The prior recommendations which have not been implemented are repeated in the current MAR.

1. Bond Procedures and Controls

A periodic listing of open items (liabilities) was not prepared by the municipal division.

Recommendation:

The city of Kansas City Municipal Division prepare periodic listings of open items and reconcile to the cash balance in the bond account. Differences between the listings and the cash balance should be investigated.

Status:

Not implemented. See MAR No. 2.

2. Restitutions

A monthly listing of open items (liabilities) was not prepared by the municipal division and reconciled to the restitution account. In addition, the restitution balance shown in the municipal division's records did not agree to the city's restitution balance.

Recommendation:

The city of Kansas City Municipal Division prepare periodic listings of open items for restitution cases and reconcile to the cash balance held in trust by the city.

Status:

Partially implemented. While the court is now reconciling the restitution balance shown in the municipal division's records to the city's records, the open items listing, which is being generated every month, is not being retained or compared to the division's cash records. See MAR No. 1.

3. General Ordinance Summonses

The municipal division maintained a numerical record of summonses assigned to the police department and other departments; however, no record was kept of summonses issued and their ultimate disposition.

Recommendation:

The city of Kansas City Municipal Division work with the police department and other city departments to ensure records are maintained to account for the numerical sequence and ultimate disposition of each summons.

Status:

Not implemented. See MAR No. 4.

4. Computer Controls

- A. Employees were given passwords to allow them to access the municipal division's computer system. The municipal division did not periodically review employee access to computerized data and computer programs. In addition, changes in the level of access were not documented in writing.
- B. On-line changes, such as changes to traffic ticket information and payment histories, could be made to the case records on the computer system. A report was generated of payment changes made to case records. However, a report showing all changes to case records was not prepared.

Recommendation:

The city of Kansas City Municipal Division:

- A. Periodically review employee access to computer systems and document in writing any changes in the level of access.
- B. Generate reports of all on-line changes to case records. These changes should be reviewed for propriety by supervisory personnel and the review should be adequately documented.

Status:

- A. Partially implemented. The personnel files contain a document in writing which indicates from the supervisor the level of access provided to the employee. However, there is no periodic review of employee access to computer systems. See MAR No. 8.

B. Not implemented. See MAR No. 8.

5. Deferred Payments

The municipal division allowed defendants who could not pay their fine and court costs to serve time in the city jail in lieu of payment. When this occurred, a notation was made in the defendants' case file and the case was closed. The amount, however, was not removed from the court's listing of deferred payments. As a result, the total of the deferred payment listing was overstated. In addition, the municipal division did not have an accurate record of the total amount owed to the division.

Recommendation:

The city of Kansas City Municipal Division update the deferred payment listing to reflect amounts paid through serving time at the city jail.

Status:

Implemented.

6. Monthly Reports

The municipal division did not file with the city a monthly report of all cases heard in court.

Recommendation:

The city of Kansas City Municipal Division prepare monthly reports of court actions and file these with the city in accordance with state law.

Status:

Not implemented. See MAR No. 7.

7. Records of Convictions on Traffic Offenses

The municipal division submitted a weekly report of conviction on traffic offenses to the Missouri State Highway Patrol (MSHP) so points could be assessed against the defendants' drivers licenses. Due to a computer malfunction, these reports were not prepared or submitted to MSHP from April through July 1993. As a result, points were never assessed against the drivers licenses of defendants convicted during that time period.

Recommendation:

The city of Kansas City Municipal Division review its records to determine if it is possible to submit the required records of convictions on traffic offenses from April through July 1993, and, in the future, submit all required records in compliance with state law.

Status:

Partially implemented. While the municipal division did not submit the April through July 1993 records to the Missouri State Highway Patrol, no such omission have since occurred.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SIXTEENTH JUDICIAL CIRCUIT
CITY OF KANSAS CITY, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Kansas City Municipal Division is one of sixteen municipal divisions within the Sixteenth Judicial Circuit, which consists of Jackson County. The Honorable Edith Messina serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 1994 and RSMo Cumulative Supp. 1999, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Organization

The city of Kansas City Municipal Division includes ten municipal judges. Nine of the judges hear cases on a full-time basis which include traffic violations and general ordinance violations. One judge is assigned to the Housing Court and hears cases on a part-time basis which arise under ordinances concerning residential and nonresidential property.

The municipal judges are appointed by the City Council from candidates selected by a bipartisan judicial commission. Each judge is initially appointed to a four-year term and is retained in office every four years on a “yes” or “no” public vote by the registered voters of the city. Each year the judges “En Banc” select one of their members to serve as presiding judge.

The Court Administrator is responsible for the general record-keeping and accounting functions of the municipal division. Fines, court costs, bonds and restitution are deposited directly to the city treasury daily. Court is held every week-day by each judge, except for the Housing Court which is held each Friday. A VB has been established to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge, Division 201
Municipal Judge, Division 202
Municipal Judge, Division 203
Municipal Judge, Division 204
Municipal Judge, Division 205
Municipal Judge, Division 206
Municipal Judge, Division 207

Michael R. McAdam
Charles J. DeFeo, Jr.
James F. Karl
John B. Williams
Marcia K. Walsh
James M. Reed
Victor M. Rocha

Municipal Judge, Division 208
Municipal Judge, Division 209, Housing Court
Municipal Judge, Division 210
Court Administrator

Deborah A. Neal
A. Wayne Cagle, Jr.
Leonard S. Hughes III
Bernard E. Schneider

As of April 30, 2000, the division employed approximately 85 individuals.

Financial and Caseload Information

	<u>Year Ended April 30</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Receipts	\$17,949,319	17,004,399	16,051,101
Number of tickets issued:			
Traffic	283,285	257,775	248,291
General	<u>29,875</u>	<u>32,855</u>	<u>30,309</u>
Total	\$ <u>313,160</u>	<u>290,630</u>	<u>278,600</u>

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MISSOURI SOUTHERN STATE COLLEGE

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-11
February 22, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2001

www.auditor.state.mo.us

Questionable practices at Missouri Southern State College include awarding vendor contracts in exchange for donations, and free international trips for employees' spouses.

Our audit covered fiscal years 1998 and 1999 and noted 14 findings in areas such as questionable contracting practices, concerns of nepotism, weak travel policies, public funding of a private nonprofit organization, overpayments to seminar coordinators, and unreasonable and improper expenditures. The following highlight the audit's conclusions:

Food vendor made donations to the college to gain and keep contract.

College officials have not bid the food service contract since 1994 and have not reviewed student surveys evaluating the food quality. In addition, the food vendor has donated \$325,000 to the college for capital improvements and \$15,000 to a private, nonprofit organization run by the college president's wife. As a result of a 1997 donation of \$200,000 for a new cafeteria, the college extended the vendor's contract through June 2005. Because the contract has not been bid since 1994, college officials cannot assure the campus has the most qualified vendor at the best cost. (See Page 8)

Reviews of international trips revealed weak travel policies.

Between July 1, 1998 and March 31, 2000, the college spent approximately \$655,000 on international travel; however, the college has not established formal written travel policies and procedures. As a result, we noted inaccurate reporting of trip expenditures, inconsistency in the number of trip chaperones, and no bidding of travel agents.

In addition, the spouses of the chorale director and a music professor went on free trips to Austria with the student choir, a trip which the students raised money to attend. These complimentary trips, totaling \$3,246, materialized when the travel agent awarded one free trip to the college for the large group attending, and the college's International Studies department allocated excess funding to the music professor.

College officials, in response to our audit, have agreed to repay the costs of the free trips and develop travel policies and procedures. (See Page 10)

The college provided public funds to a private piano competition.

The college pays the operating expenses for the Missouri Southern International Piano Competition, a nonprofit organization run by the college President's wife. In addition, the

(over)

YELLOW SHEET

college's contract with their food vendor provides for donations to this organization. Using public funds to pay expenses of a private nonprofit organization violates the Missouri Constitution. (See Page 17)

Criminal justice seminars coordinators were overpaid.

A college vice president and a criminal justice professor together received compensation of approximately \$87,500 in addition to their regular salaries for coordinating criminal justice seminars. These individuals' inaccurate reports of the seminar resulted in excess compensation of \$1,522 each. In addition, the inadequate documentation did not show the number of participants or the amount each participant paid, which made it impossible to verify reported revenues.

College officials responded that they have revised their policy governing these seminars, and will request reimbursement of the overpayments from the vice president and the criminal justice professor. (See Page 20)

The college's nepotism policy has not been strictly followed.

A college vice president/dean supervised his son, an assistant professor in his father's department. College policy does not allow this type of hiring unless without written approval from the college president. In addition, the vice president/dean approved a \$1,000 dean's initiative grant for his son, and \$8,650 in additional compensation for hours he taught beyond his original employment contract.

The college responded that the president provided verbal approval for the son's hiring, and that the father no longer serves as the dean of his son's department. (See Page 21)

Some expenditures appear unreasonable and improper.

The college paid \$30,317 for a \$1.5 million life insurance policy for the College President but is the beneficiary for only \$500,000 of the policy. In addition, the college paid \$1,145 to send the President to the Mayo Clinic in Rochester, Minnesota for his annual physical examination. (See Page 16)

The theatre director used excess fees collected from continuing education students to fund two \$882 trips to New York City for two college secretaries.

During fiscal years 1998 and 1999, the college spent more than \$22,000 hosting a formal Christmas ball for employees and the Board of Regents. The college responded that they believe this expenditure is a good investment in people. (See Page 25)

Our audit also reviewed the college's policies regarding the use of college-funded vehicles, cellular phones, and credit cards. The audit also noted bonuses paid to college staff and loans to professors not being properly monitored and collected. (See Page 21)

MISSOURI SOUTHERN STATE COLLEGE

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Board of Regents
and
Dr. Julio S. Leon, President
Missouri Southern State College
Joplin, Missouri 64801

We have audited the Missouri Southern State College. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 1999 and 1998. The objectives of this audit were to:

1. Review and evaluate selected college personnel practices and procedures.
2. Review and evaluate certain college purchasing practices and procedures.
3. Review certain revenues received and certain expenditures made by the college.
4. Review certain internal control procedures, legal compliance issues, and management practices to determine the propriety, efficiency, and effectiveness of those procedures and practices.

Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. For the years ending June 30, 1999 and 1998, Missouri Southern State College engaged Mense, Churchwell & Mense, P. C., Certified Public Accountants, to perform annual audits of the college. To minimize any duplication of effort, we reviewed the audit reports, substantiating work papers, and letters to management of this firm. We also reviewed budgetary and planning records, revenues, expenditures, contracts, applicable legal provisions, rules and regulations, policies, and other pertinent procedures and records, and interviewed college and other state personnel.

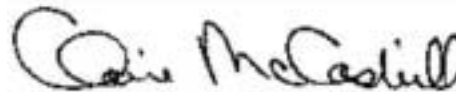
As part of our audit, we assessed the college's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design

of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the college's management and was not subjected to the procedures applied in the audit of Missouri Southern State College.

The accompanying Management Advisory Report Section presents our findings arising from our audit of Missouri Southern State College.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill
State Auditor

May 4, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Donna Christian, CPA
In-Charge Auditor:	Pamela Crawford, CPA
Audit Staff:	Amy Fast
	Sandi Ohern, CPA
	Jay Ross
	Jody Vernon, CPA
	Troy Royer

MANAGEMENT ADVISORY REPORT SECTION

MISSOURI SOUTHERN STATE COLLEGE
SUMMARY OF FINDINGS

1. Food Service Contract (pages 8-9)

The college has not solicited bids for campus-wide food services since 1994 and has extended the original contract through 2005 in consideration of significant capital improvement contributions made by the vendor to the college.

2. International Travel Expenditures (pages 10-15)

Significant weaknesses were noted regarding the policies, procedures and records related to the college's international mission and the Institute of International Studies. The chorale director and a professor used a free trip given to the college and funding from the college to pay for their wives to accompany them on a trip to Austria. The chorale director did not refund monies received from a student who was unable to attend the Austria trip, in accordance with a written agreement with the student.

3. President's Compensation (pages 16-17)

The President's compensation contract contains provisions not typical of provisions in most other college and university presidents/chancellors compensation packages. Country club renovation fees were not properly reported for tax purposes on the President's W-2 form.

4. Missouri Southern International Piano Competition (pages 17-20)

The college contributed funds to and paid various operating expenses of the Missouri Southern International Piano Competition, a nonprofit organization, which appears to violate the Missouri Constitution. The director of this organization is the wife of the College President.

5. Seminars (pages 20-21)

Seminar reports prepared for criminal justice seminars did not include all direct expenses of the seminar, resulting in excess compensation of \$1,522 being paid to the Vice President of Lifelong Learning and a criminal justice professor. Seminar fees charged to attendees of criminal justice seminars are not approved or reviewed by someone independent of the seminar coordination duties, and adequate documentation was not maintained to verify the number of participants and the amount paid by each participant. Policies and procedures for the continuing education work program were not consistently followed by all departments.

6. Payroll Records and Personnel Policies (pages 21-25)

The Vice President of Lifelong Learning supervises his son, an assistant professor of criminal justice, and approved his son to receive a \$1,000 dean's initiative grant and additional compensation of \$8,650. These actions appear to violate the college's

nepotism policy. The college paid \$40,792 in bonuses to deans, department heads, professors, and other employees during the year ended June 30, 1999. The college has entered into seventeen loan agreements totaling \$210,223 with various professors to aid them in obtaining their masters and doctorate degrees, without establishing written policies and procedures to properly approve, monitor, and collect these loans. One of these loans has been modified five times with the new requirements for repayment appearing unreasonable. Written policies regarding faculty release requirements and tuition waivers need to be clarified and enforced.

7. Expenditures (pages 25-34)

The college's bid policy was not always followed, and documentation was not maintained to substantiate situations in which the low bid was not accepted or bids were not obtained due to sole source procurement or emergency situations. Written policies have not been established for membership dues. The theatre director used excess fees collected from continuing education students to pay for a trip to New York City for two college secretaries. The campus activity board lost \$12,600 on a concert provided to students funded from student activity fees. Some expenditures noted may not be a prudent or necessary use of college funds. Numerous instances were noted where expenditures were not approved in accordance with college policy. Several individuals in all departments have the ability to add vendors to the college purchasing system, and the college's vendor list contained over 45 duplicate vendor names. The college does not monitor funds received from the Missouri Southern Foundation to ensure funding requirements are complied with, and transactions were incorrectly recorded in financial statement accounts. The college expended approximately \$550,000 because of change orders needed for the construction of the field house, and architects for construction projects are selected solely by the Senior Vice President.

8. College Vehicles (pages 34-38)

The college spent \$10,700 more on vehicle insurance by using a local insurance company, who is a college contributor, instead of utilizing the state insurance contract during the years ending June 30, 2000, 1999, and 1998. The college has not reviewed and evaluated travel policies and practices. Mileage logs are not maintained for athletic department vehicles, and the admissions office does not maintain adequate documentation to support each car rental and related travel expenses.

9. Cellular Phones (pages 38-40)

The college did not solicit bids for cellular phone service and has not developed a formal written policy regarding cellular phone usage. The college had not adequately monitored cell phone usage and fees charged to the college, and phone bills are not properly reviewed and authorized before payment.

10. Credit Cards (pages 40-41)

The college has not established written policies regarding the use of the state issued procurement cards. Adequate supporting documentation was not always retained, and some credit card bills were only approved by the cardholder.

11. Advertising and Ticket Sales (pages 42-44)

The college does not record revenues and expenses related to exchanges of services for advertising at sporting events on the college's financial statements, and the college did not always maintain documentation of these exchanges to ensure they received the contracted benefit. Advertisers were not always charged in accordance with the college's marketing book. Procedures and records over ticket sales at athletic events and at the box office need improvement.

12. Accounting Procedures and Controls (pages 44-48)

The internal auditor reports to the budget director instead of the Board of Regents. Several accounting procedures and controls of the business office need improvement. The college has not established policies and procedures for the type of investments and bank accounts needed to maximize the interest earnings of the college and reimbursement of business related expenditures from personal funds through the petty cash system.

13. Fixed Assets (pages 48-50)

Fixed asset purchases totaling more than \$652,000 were not included on the inventory records. A physical inventory of the fixed assets has not been performed since January 1998. Various items were not properly tagged as property of the college, and the fixed asset records did not always include complete and accurate information.

14. Vendor Refunds and Payments (page 50)

A separate report issued by the State Auditor's office on July 27, 2000, concluded that at least \$22,190 was misappropriated.

MISSOURI SOUTHERN STATE COLLEGE
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR’S FINDINGS

1. Food Service Contract

Missouri Southern State College (MSSC) contracts with an outside food service vendor to provide campus-wide food services (excluding vending). Since July 1994, the college has paid its food service vendor more than \$2.6 million. The food service vendor also uses the college facilities to provide private catering services in exchange for a twenty percent catering commission payable to the college.

The college solicited bids for a food service vendor in July 1994. According to college personnel, bidders were requested to propose a capital improvement contribution to the college as part of their bids. As a result of this bid process and the resulting contract award, the current food service vendor was required to make a \$125,000 donation to the college’s capital improvement fund and a biennial donation of \$5,000 to the Missouri Southern International Piano Competition, a nonprofit organization whose director is the wife of the college president. The contract also provided the college the option to renew the contract annually for four years through June 1999.

No bids have been solicited by the college since July 1994. In addition, the food service vendor has conducted a student survey each semester to evaluate the quality of meals served, but the college has not reviewed these surveys to ensure students are satisfied with the food quality. In September 1997, the college requested and later received an additional donation of \$200,000 from the food service vendor. In consideration of this donation, the college renewed the food service contract through June 2005.

Because the food service contract has not been bid since 1994, college officials have no assurance that food services are being obtained from the most qualified vendor at the lowest and best cost. Furthermore, the current vendor has been awarded additional contract years as a result of significant contributions being made to the college without college officials considering the quality of the current services and products. It should also be noted that the college has a beverage contract that has been bid with a contribution clause included in the bidding requirements, and college personnel indicated there were plans to solicit other contracts in this manner. In addition to the college’s food service vendor, the college has also obtained vehicle insurance services from a vendor who financially support the college. As discussed later in this report, bids were also not solicited for this purchase.

Soliciting proposals and entering into a truly competitive bidding process provides the college a means to select the vendor best suited to provide the service required. Good bidding practices provide the college with a range of possible choices which should allow for a better-informed decision to be made when acquiring necessary services.

WE RECOMMEND the MSSC solicit bids for college food service, and review student surveys regarding food quality and service.

AUDITEE'S RESPONSE

The College solicited proposals for a food service vendor in July, 1994. Bidders were not required to make capital contributions; however, based on examples from several other Missouri colleges and universities, the RFP did state that a capital investment was encouraged to help pay for the new Student Life Center. At no time was any request made for donations to the Missouri Southern International Piano Competition.

The proposals were evaluated based strictly on the price of the meals, perceived quality of the program, experience of the company, and the qualifications of the proposed management personnel.

After the award of the contract, additional elements of the response to the RFP were then incorporated into the contract. These included scholarships, free meals for admission purposes, a biennial donation to MSIPC, free meals for residence hall staff, a free fall picnic and free lunches for the Board of Regents. These additional items played no part in the evaluation process, but good business dictated that the unsolicited offers made by the awarded bidder in the RFP be incorporated into the actual agreement.

In order to ensure on-going quality measurement of food service, the Student Senate has a "Food Committee" that has been in existence for at least 15 years. This committee meets at least once a month and reports to the Student Senate and the Assistant Vice President for Student Services any complaints concerning quality. In addition, the President and Vice Presidents meet at least annually with the Student Senate. At no time has the quality of the food service been a discussion point. Finally, the professional residence hall staff eat in the cafeteria with the students to monitor the quality of food service.

In September, 1997, the contract was re-negotiated. The food service company agreed to make an additional \$200,000 capital contribution to help build a new cafeteria. The College agreed to extend the contract for five years. However, it should be noted that the extension was on very favorable terms for the College. We were able to re-negotiate the last year of the then current contract from a 4% increase to a zero increase. The subsequent five years are at 3% increase. Therefore, the average annual increase for the period covered by the re-negotiation was 2.5%. We submit that anytime you can extend a contract which is working well at annual rates below inflation and receive a capital contribution, it makes good business sense to do so.

The College will continue to seek student input regarding the quality of the food service and will re-bid food service whenever quality and/or price become a significant factor.

On June 15, 1990, the Board of Regents approved a recommendation to pursue an international approach to undergraduate education. Section 174.231, RSMo Cumulative Supp. 1999, states that Missouri Southern State College "...shall develop such academic support programs and public service activities it deems necessary and appropriate to establish international or global education as a distinctive theme of its mission." As part of this mission, MSSC has offered opportunities for students and faculty to study abroad, and the college has established the Institute of International Studies (IIS), a separate department within the college. The IIS is responsible for reviewing trip requests and awarding funding to students and faculty for approved trips. For the period July 1, 1999 to March 31, 2000, and for the year ended June 30, 1999, the college expended approximately \$380,000 and \$275,000, respectively, on international travel expenses for students and faculty as part of the international mission. During our review of international travel expenditures, we noted the following:

- A. The college has not established formal written policies and procedures to properly account for each trip. Currently, the IIS allocates funds awarded to students and faculty and the business office transfers these funds to a specific trip account. The IIS maintains a log of funds awarded to students and faculty. The trip administrator collects the remaining funds due from students and faculty, submits these funds to the business office, and prepares a report accounting for the revenues and expenditures of each trip. During our review of fifteen trips, we noted the following concerns:
 - 1. Reports prepared by trip administrators varied by administrator and were not always accurate and complete. For example, the Chorale Director's accounting of the Austria trip overstated revenues by \$10,200 and understated expenditures by \$6,800. In addition, the reports prepared by the trip administrators are not reviewed by either the IIS or the business office.
 - 2. Adequate supporting documentation was not always retained to support trip expenditures. For example, neither the criminal justice department nor the business office obtained supporting documentation of trip costs totaling approximately \$62,000 paid to an outside travel agent by the college for the criminal justice department's intercession trip to Spain, Morocco, and England in 1999. In addition to the amounts paid to this travel agent by the college, the students participating in this trip also paid nearly \$36,900 to the travel agent for their share of the travel costs.
 - 3. The log of funds awarded to students and faculty maintained by the IIS for international travel costs was not always accurate and complete. For example, the log prepared for the year ending June 30, 1999, indicated that \$10,200 had been awarded to students for a chorale trip to Austria;

however, these funds were not transferred to the applicable trip account, and, as a result, not spent on this trip. Neither the trip administrator nor the director of the IIS were aware that the money had not been transferred. In addition, the IIS log contained several students who were unable to attend various trips. The trip administrator reallocated these funds to other students attending, and the IIS did not adjust their records for these changes.

The college should establish written policies and procedures to properly account for the IIS funds and trip revenues and expenditures. These policies and procedures should include a review process that would ensure the trip administrator's report of revenues and expenditures is compared to the IIS log of funds awarded to students and faculty and records maintained by the business office. In addition, the college should ensure that adequate documentation is retained to support all expenditures.

- B. Each trip administrator selects the travel agency used for each trip. College purchasing policies dictate that purchases exceeding \$2,000 require an informal unadvertised bid, and purchases equal to or greater than \$10,000 require a formal advertised bid. Amounts paid to travel agents for several of the trips we reviewed exceeded \$10,000; however, bids were not solicited.

Bidding procedures for major purchases provide a framework for economical management of public resources and help ensure the college receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the college's business.

- C. The college chorale traveled to Austria to perform. We noted the following concerns regarding this trip:

- 1. The travel agency awarded a free trip to the college due to the number of faculty and students attending. The Chorale Director used the free trip totaling \$2,228 for his wife. In addition, a music professor was allocated funds from the IIS and from the music department which totaled \$1,018 more than his actual trip costs. These excess funds were used for his wife's travel costs. No one other than the Chorale Director approved these decisions.

These costs do not appear to be prudent or necessary uses of college funds. In addition, the free trip should have been used to offset the college's portion of the travel expenses. The college should request reimbursement from the Chorale Director and music professor.

- 2. The Chorale Director required each student to pay a \$200 deposit and sign an agreement that the deposit was nonrefundable. One student made payments totaling \$500 (including the \$200 deposit), and then was unable

to attend the trip. The student did not receive a refund for any portion of his payments, even though only the \$200 deposit was not refundable. The college should ensure students receive refunds in accordance with any written agreements signed by the students.

3. Chorale students performed at area churches and businesses to raise donations for the trip to Austria. The Chorale Director distributed the donations to the students to use as spending money on the trip. The amount of donated funds distributed to each student ranged from \$8 to \$157. Some students who performed did not receive any funds, while some students that did not perform received funds. The Chorale Director could not provide an explanation for the disparity in distributions. Monies collected through fund raising efforts to offset the costs of the trips should be distributed in a fair and equitable manner, or documentation retained to justify the varying amounts distributed.

- D. The college is not consistent in awarding funds to students and faculty for international studies trips. Some students attending the same trip were awarded different amounts from the IIS. Documentation was not retained indicating why funds awarded varied among students.

The IIS also allocates each of the four college deans \$5,000 annually to spend at their discretion on international trips or for internationalizing the campus. During our review of the criminal justice department trip to Spain, Morocco, and England, we noted \$1,000 was awarded to two of three faculty members attending the trip and funds ranging from \$500 to \$900 were awarded to five students attending this trip. These awards were made by the Dean of the Criminal Justice Department from his discretionary funds. Documentation was not retained by the dean to indicate why award amounts varied or to verify how award amounts were determined.

To ensure fair and equitable treatment among students and faculty, written policies and procedures should be established to determine how funds are awarded and documentation should be retained to verify amounts awarded.

- E. The college does not have policies and procedures regarding the number of faculty chaperones for each trip. We noted some trips in which one chaperone was used for every ten students, while another trip had three chaperones for only seven students. The college should establish policies and procedures to determine a reasonable number of faculty chaperones per students attending.

WE RECOMMEND the MSSC:

- A. Establish written policies and procedures for international trips, including a review to ensure the trip administrators' reports and the IIS log of awards are

compared to the business office trip account activity. In addition, ensure that adequate supporting documentation is retained for all expenditures.

- B. Ensure that college bidding policies are followed for travel expenses.
- C.1. Seek reimbursement of \$2,228 from the Chorale Director and \$1,018 from the professor. In the future, the college should ensure that payments are only made for travel expenses of college employees, and that all free trips received from the travel agency are used to offset qualified college expenses.
- 2. Refund the \$300 overpayment to the applicable student, and in the future, ensure students receive refunds in accordance with written agreements.
- 3. Ensure monies collected through fund raising efforts are distributed in a fair and equitable manner, or retain documentation to justify other distribution methods.
- D. Establish a policy indicating how grant awards are to be determined, and ensure all students and faculty are treated fairly and equitably in the awards of the grants. In addition, documentation should be retained to support how discretionary monies provided to the deans are awarded.
- E. Establish policies and procedures regarding the number of chaperones necessary for student trips.

AUDITEE'S RESPONSE:

- A.1. *The Institute of International Studies (IIS) began sending students abroad in FY 97 with approximately 10 trips involving 59 students. During this past fiscal year, approximately 200 students traveled abroad on over 30 different trips. As this mission has evolved and grown over the years the need for more accountability has increased.*

All reports prepared by the trip administrator are preliminary estimates and were not intended by the administration to be an exact accounting of the trip. In addition to the preliminary estimates, each administrator is required to prepare a travel expense report upon completion of the trip. These travel expense reports reflect out-of-pocket expenses incurred by the trip administrator and are verified by both the IIS and the business office. The business office prepares a summary of the trips to verify the accounting in the general ledger.

- 2. *The Criminal Justice Department's intercession trip to Spain, Morocco and England in 1999 was a package price quoted by a local travel agent. As with most travel packages, an itemized breakdown by cost is not given. The total package price included airfare, hotels, daily meals, tours and sightseeing. The total amount paid by the College to the travel agent for 36 students and 3 faculty members was \$62,237. This combined with the amounts paid directly to the travel agent by the students totaled approximately the package cost times 39 individuals.*

3. *A log of International Grant Applications is reviewed at least three times per year by a selection committee consisting of the four deans and four additional faculty members. This log is constantly updated as applications are received by the IIS and as students accept the grants approved. With the volume of applications continuing to increase the task of maintaining an up to date logbook becomes increasingly difficult. For the Austria trip in 1999, donations totaling approximately \$11,000 were received from outside sources in addition to \$20,000 received from MSSC Foundation. These amounts were used to offset costs to the students in addition to the IIS Grants. This allowed the institute to use institutional funding to benefit other students who had financial needs on other trips.*

In summary, meetings have been and will continue to be held between the business office, the IIS and trip administrators, and policies and procedures will be established by July 1, 2001, in order to maintain the accuracy of all records.

- B. *When trip administrators select a travel agent for their respective trips, they will look for an agent who is familiar with the region of the world they will be visiting. Some agents offer packages which provide the best rates for that area and time of travel. Occasionally a consolidator will be used to further decrease the rates charged. It is sometimes not feasible to obtain bids on trips when other alternative sources for travel services can be obtained. The administration wants an agent who will provide services in order to achieve the most hassle free trip for the students and faculty traveling in uncharted waters.*

With the numerous options available (direct pay, travel agents, consolidators, etc.), it may not always be possible to bid travel services. The College will continue to seek the lowest cost travel providers and will document such efforts in the future.

- C.1. *Occasionally, as an incentive to choosing them, a travel agent will offer additional trips to be used as the customer requests. The Chorale Director and professor will begin repayment of the \$2,228 and \$1,018 respectively. All future free trips will be used to offset College expenses.*
2. *Numerous trips require the student to make a deposit to the college in order to reserve their reservation on that particular trip. In most cases, these deposits are non-refundable in order to confirm the student's sincerity of participating on the trips due to the limited number of seats.*

The Austria trip taken by the Music Department in the Spring of 1999 required students to make periodic payments to hold their reservations. A non-refundable deposit of \$200 was made by one student on September 11, 1998.

This student enrolled in the Spring 1999 semester and made an additional \$300 payment on February 3, 1999. Periodic payments were made by the College to the travel agency for reservations from October 1998 through April 1999. The Chorale Director was notified of the student's absence from classes and chorale practices for the trip.

According to the Chorale Director, repeated attempts were made to contact the student, but failed. Due to the payment made by the student, a reservation was still being held for him on the trip. The student eventually withdrew from school on March 19, 1999, and was placed on academic suspension. The Chorale Director was notified on March 31, 1999, by the student that he would not be participating on the trip. Due to the lack of sufficient time between the notification by the student and the May 23, 1999 departure date, a replacement could not be found. Further research will be conducted to determine if a refund will be granted to the student.

All future agreements will have a refundable payment schedule, and the College will adhere to those agreements.

- 3. All monies received by fund raising efforts are deposited to one general ledger account. Any distribution of these funds should be made evenly to the participants. The College will adequately document the method of distributing future fund raising efforts.*
- D. As stated in 2.A.3. above, a selection committee reviews all applications regarding IIS funding. Students request International Grants on the application. The committee determines how much institutional funding is available and how much is requested by the students. A percentage of the amount available to the amount requested is calculated and applied to each request. The amount awarded is adjusted up or down by \$50.00 once the committee reviews the financial aid records for financial need. This information is summarized on the log at every committee meeting. Consequently students on the same trip could receive different amounts due to the amount they requested and their financial status.*

Each dean allocates the \$5,000 allotment from the IIS after reviewing their individual international travel needs of their departments. Consultation with their staff provides them with insight into future travel needs and desires. The criminal justice department allocated a portion of their allotment on faculty and students based on their financial needs.

Written policies will be maintained and documentation retained on the method of determining and awarding grants by July 1, 2001.

- E. The IIS general policy for chaperones is one faculty for every ten students. Occasionally when a trip is in the initial planning and organization stage, more students apply than is expected. Due to the original number of students, the faculty chaperones are assigned accordingly. As the trip is being planned and the number of students decrease, the need for the chaperones are reduced. Due to plans and arrangements made on behalf of the faculty chaperones, the number needed for the trip is not reduced. Also, the faculty chaperones may be teaching or learning while on the trip and therefore need to be in attendance even if the student/chaperone ratio changes.*

Written policies and procedures regarding the necessary number of chaperones will be developed by July 1, 2001.

3.**President's Compensation**

- A. The College President's employment contract provides for a \$1.5 million life insurance policy. An addendum to the President's employment contract requires the college to pay \$1 million of the life insurance proceeds to the President's family as beneficiaries upon his death. The policy also accrues a cash surrender value which the college intends to serve as an additional form of deferred compensation for the President. The college paid \$30,317 in December 1999 for this coverage. Considering the cost of the policy and that the college benefits from only one-third of the actual policy, it appears this contract provision may not be reasonable or in the best interest of the college.

Additionally, the employment contract provides for an annual physical examination for the President. Although not stated in the contract, the physical examination is provided by the Mayo Clinic in Rochester, Minnesota. The transportation and examination costs associated with this contract provision do not appear to be reasonable or necessary. The cost of the physical examination and travel expenses for the President under this contract in calendar year 1999 was \$1,145. This benefit is far more generous than the health benefits provided to faculty and employees of the college.

According to a report prepared by the Missouri Department of Higher Education, these provisions are not typical of provisions found in most other presidents'/chancellors' compensation packages for the state's colleges and universities.

- B. The President's employment contract provides for two country club memberships. During 1999, the college paid \$2,626 for membership dues and an additional \$600 for renovation fees. Only the membership dues were included on the President's Form W-2. The college should ensure all fringe benefits are properly reported for tax purposes on the employees' W-2 forms.

WE RECOMMEND the MSSC:

- A. Through the Board of Regents, review the President's employment contract to ensure all contract provisions are reasonable and prudent.
- B. Properly report all taxable fringe benefits and amend the President's W-2 form to include the renovation fees associated with the country club membership.

AUDITEE'S RESPONSE:

- A. *Any presidential compensation package is designed to meet a particular individual's needs and to accomplish the board's purpose of retaining highly qualified individuals to lead colleges and universities.*

In the early nineties, the Board of Regents at Missouri Southern State College was concerned that the President was receiving a number of inquiries about other positions. They were extremely anxious to keep him at Missouri Southern. Also, the Board was concerned about the number of hours he spends traveling by car to various meetings, most of which are one-day meetings in Jefferson City requiring a seven-hour drive. In light of those two concerns, he was offered the split-dollar life insurance policy. By its terms, it serves as a deferred compensation tool, which many presidents in Missouri have, and at the same time protects his family and effectively locked him into a 10-year period of employment here at Missouri Southern. We submit this is very reasonable and in the best interests of the College.

The annual physical is also very standard in both industry and colleges and universities. However, it should be noted that although provided for contractually on an annual basis, in actual practice, the President only goes every two or three years. In addition, when he goes, he drives rather than flying as some Presidents do. It should also be noted that Mayo Clinic is part of the College's PPO network.

The Board will continue to review the President's contract on an annual basis.

- B. The College inadvertently omitted the renovation fee from the President's W-2. We have always put regular membership dues on his W-2. The College will properly report all taxable fringe benefits and, if necessary, amend the President's 1999 W-2 to reflect the \$600 renovation fee.*

4. Missouri Southern International Piano Competition

The college serves as the headquarters for the Missouri Southern International Piano Competition (MSIPC). The MSIPC is a nonprofit organization whose director is the wife of the College President. Its main purpose is to bring the citizens of the area a world-class cultural event (the piano competition) every two years, which will promote the appreciation of fine music and bring recognition to the college, the City of Joplin, the region, and the state. Our review of the relationship between the MSIPC and the college revealed the following:

1. The college provides office space, utilities, accounting services, public information services, and the use of two college auditoriums and other rooms in the music building to the MSIPC. The costs associated with these services are not tracked or billed to the MSIPC by the college. In addition, the college also provided a secretary and a student worker to the MSIPC. The college paid \$22,437 and \$24,029 for these salaries during the years ending June 30, 1999 and 1998.
2. The college bills the MSIPC monthly for telephone, postage, and overtime janitorial service costs not recovered from the MSIPC ticket sale revenues

collected by the college. The balance due from the MSIPC at April 17, 2000, was \$1,603. No payments had been made by the MSIPC since November 17, 1999.

3. The College's contract with their food service vendor provides for a \$5,000 biennial cash contribution to the MSIPC, and the college's Institute of International Studies (IIS) provided a \$2,500 cash contribution to the MSIPC in March 2000.
4. The President was reimbursed \$572 by the college in January 1999 for meals provided to a group attending the International Piano Competition's New York City Carnegie Hall performance.

It does not appear necessary or reasonable to use college funds to cover operating expenses of a private organization, nor to provide donations or require the college's food service vendor to provide a contribution to this organization. Furthermore, using public funds to pay expenses of a nonprofit organization violates Article III, Section 39 (1) of the Missouri Constitution. Because of the relationship between the MSIPC and the College President, any further contracts with this organization should be approved by the Board of Regents. It should also be noted that the college provides office space to the Missouri Southern Foundation and the Missouri Southern Alumni Association, both of which are legally organized nonprofit organizations.

WE RECOMMEND the MSSC comply with Article III, Section 39 (1) of the Missouri Constitution and refrain from donating or lending public funds to private organizations. In addition, the College should review costs incurred that relate to the operation of the MSIPC, and request full reimbursement for any costs not covered by ticket sale revenues. Also, any further contracts with MSIPC should be approved by the Board of Regents.

AUDITEE'S RESPONSE:

The Missouri Southern International Piano Competition was organized originally by the Music Department at Missouri Southern. It was felt that it fit extremely well into our mission, both from an academic standpoint and as our obligation to serve as the cultural center of the area. With the addition of the international component to our mission, it is even more important than originally envisioned.

After the Music Department ran the first two competitions, it was apparent that the event had outgrown the Department's ability to continue to run it as a stand-alone College program. As a result, a non-profit organization was formed to provide personnel to direct the competition and to raise private funds to cover direct expenses. Based on similar agreements with our Foundation and the Spiva Art Center, the College entered into an agreement with the MSIPC.

1. *The agreement provides that the College will provide facilities, secretarial help and some services in return for the non-profit organization continuing to promote the competition as a College event. The MSIPC reimburses the College for all out-of-pocket expenses other than the contracted services.*

2. *There was no intent to link ticket sales to the costs of the College. It was envisioned that the College would incur some costs that would be more than offset by the promotion of the competition as a Missouri Southern event and the benefits derived by our students and faculty who attend music performances and masters classes for free. Any balances are paid as the MSIPC brings in revenue on a biennial basis.*
3. *The College, as stated previously in Item 1, did not require the food service vendor to make a biennial contribution to the MSIPC. This was volunteered as part of an RFP response but was not part of the evaluation process when the vendor was selected. The Institute of International Studies did not make an actual cash contribution to the MSIPC. Although the receipt from the MSIPC was on a form which used the term "contribution," in reality the monies were paid because the College shared the cost of a well-known international lecturer/performer to provide a free presentation to all Missouri Southern students and faculty as part of our lecture series.*
4. *The President was reimbursed for reasonable business and entertainment expenses directly benefiting the College by furnishing breakfast to a group of individuals who got up at 5:00 a.m. to help promote the College on the Today show.*

The College respectfully disagrees that the agreement with the MSIPC violates Article III, Section 39(1) of the Missouri Constitution. That section talks about extending credit of the State to benefit other corporations. We do not extend credit to the MSIPC. We have an agreement which exchanges facilities and services for services rendered (promotion of the College, cultural and educational benefits to our students, and furtherance of its cultural and international mission).

The College will comply with Article III, Section 39(1) of the Missouri Constitution as interpreted by the College Attorney. Our College Attorney advises that Article III, Section 39(1) has been interpreted to permit leasing of stadium facilities because the primary purpose was to increase convention and sports activity just as the primary purpose here is to increase cultural and international knowledge and participation.

Any further contracts with MSIPC will be approved by the Board of Regents.

AUDITOR'S COMMENT

The primary purpose of the College's financial support of the MSIPC is not for the promotion of MSSC. In fact, the only promotion of MSSC that we noted in the MSIPC literature was that the event would be held on the MSSC campus. The discussion in the court case referred to by the College's Attorney indicates that if the primary object of a public expenditure is not to subserve (or carry out) a public purpose, but to promote some private end (the MSIPC), the expense is illegal, even though it may incidentally serve some public purpose.

Futhermore, we have noted numerous Attorney General Opinions that have addressed the issue of whether public entities can grant or give money to private entities. Specifically these opinions have said that a county is not authorized to grant money without restriction to a private entity, a

county could not grant money to a not-for-profit corporation whose purpose was the promotion of the orderly growth and welfare of a city, and a city could not allow a private entity to use space rent free in a municipally owned building.

5.

Seminars

The college has a continuing education work program policy that allows full-time employees to coordinate seminars and workshops at the college for additional compensation. The college compensated employees of the criminal justice and business departments for coordinating seminars during the years ending June 30, 1999 and 1998. The policy provides for coordinators to be compensated fifty percent of revenues after payment of direct expenses and the remaining revenues to be retained by the college. Each coordinator prepares a report indicating the revenues and expenses of each seminar/workshop and the amount of compensation to be received by the coordinator.

A. The Vice President of Lifelong Learning and a criminal justice professor co-coordinated all criminal justice seminars generating profits totaling approximately \$79,000 and \$96,000 during the years ending June 30, 1999 and 1998, respectively. In addition to their regular salaries, the vice president and the professor together received 50% of these profits for coordinating these seminars. As a result, the vice president received total compensation of \$125,522 and \$122,301 during 1999 and 1998, respectively. The professor received total compensation of \$66,082 and \$68,202 during 1999 and 1998, respectively. During our review of the criminal justice seminars we noted the following concerns:

1. Many of the seminar reports prepared by the vice president and the professor did not include all direct expenses of the seminar. As a result, profits were overstated and compensation requested by the vice president and the professor was also overstated. Direct seminar expenses totaling \$6,088 which were paid by the college were not reported during the year ending June 30, 1999, resulting in the vice president and the professor receiving overpayments totaling \$1,522 each.
2. Seminar fees charged to attendees are determined by the vice president and the professor without any approval or review by someone independent of the seminar coordination duties. As a result, the vice president and the professor play a significant role in determining their own compensation. To ensure the propriety of the fee setting process, seminar fees charged to participants should be approved by someone not involved with other seminar coordination duties.
3. Seminar fees reported by the vice president and the professor could not be verified because adequate documentation was not maintained of the

number of participants and the amounts paid by each participant. Documentation should be retained regarding all aspects of the seminars.

- B. Policies and procedures for the continuing education work program were not consistently followed by all departments. The business department did not calculate fees paid to coordinators as the policy specifies. The business department's practices differed from college policy in the areas of applying an overhead rate and the distribution of profits. While coordinators of the business department did not appear to be overcompensated, the college should ensure policies are followed by all departments.

In June 1999, the college's internal auditor conducted an audit of these seminars and identified problems similar to those noted above. As a result, the college is revising their policy.

WE RECOMMEND the MSSC continue reviewing the continuing education work program policies and procedures and ensure the policies and procedures are consistently applied to all departments. The college's policies and procedures should provide for an independent review of seminar reports to ensure they are accurate and complete, approval of seminar fees charged to participants by someone independent of the seminar coordination duties, and documentation to be retained for all seminar details. In addition, the college should seek reimbursement of \$1,522 from the vice president and the professor.

AUDITEE'S RESPONSE:

After the College's internal auditor conducted an audit in June of 1999 of the continuing education work program, the College made revisions to its policy. For example, the Vice President of Lifelong Learning/Dean of Technology stopped serving as the Dean of Technology effective July 1, 2000, and since this change, he has no longer received compensation for coordinating continuing education seminar programs. Now the Vice President of Lifelong Learning conducts an independent review of the seminar fees charged to seminar participants.

The College will continue to review the continuing education work program policies and procedures and ensure such policies and procedures are consistently applied to all departments. It will also begin conducting independent reviews of seminar reports to ensure they are accurate and complete and will seek reimbursement from the vice president and the professor mentioned for any overpayments made in the past.

6. Payroll Records and Personnel Policies
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- A. The college's nepotism policy prohibits employees from supervising members of their immediate family and defines those who are considered immediate family. Exceptions to the policy require approval by the president. An assistant professor of criminal justice is supervised by his father, the Vice President of Lifelong

Learning and Dean of Criminal Justice. The college did not have specific written approval from the President for this policy exception.

In April 1999, the father approved for his son to receive a \$1,000 dean's initiative grant for expenses related to an international studies trip. The grant was used for personal expenses that exceeded those provided in the college trip package, such as additional meal and hotel costs. In addition, the son received additional compensation of \$8,650 for classroom hours taught during the fall 1999 and spring 2000 semesters that exceeded the terms of his original employment contract. The contract change authorizing the additional classroom hours and additional compensation was signed by the father.

To avoid the appearance of a conflict of interest and any concerns relating to nepotism, which is prohibited by Article VII, Section 6 of the Missouri Constitution, the college should ensure that employees are not supervised by closely related family members.

- B. Sixty-eight deans, department heads, and professors received bonuses ranging from \$175 to \$1,829 each, and totaling \$40,250 during the year ended June 30, 1999. Starting in fiscal year 1999, the college annually awards \$542 to three employees for outstanding service. Bonuses have historically been awarded annually by the college. These expenditures represent additional payments for services previously rendered and, as such, are in violation of Article III, Section 39, of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states "...a government agency deriving its power from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."
- C. The college has entered into seventeen loan agreements with various professors to aid them in obtaining their masters and doctorate degrees. As of December 31, 1999, the unpaid balance of these loans was \$210,223. These loan agreements require the professors to teach at the college upon completion of their degrees at an annual salary determined from the College and University Personnel Association Faculty Salary Survey. In addition, these loans are forgiven over the contract period outlined in each loan agreement. Interest is not charged on these faculty loans unless the faculty member defaults on the contract requirements. During our review of these loan agreements, we noted the following concerns:
 - 1. The college has not established written policies and procedures to properly approve these loans. Although employment contracts are approved by the Board of Regents, only the senior vice president approves each loan agreement upon verbal approval from the college president. In addition, loan amounts and terms of the agreements varied among applicants.

2. We noted one faculty loan agreement originally approved in 1991 for a professor to obtain his doctorate. This agreement included provisions for the professor's loan to become due and payable immediately if he ceased to work on the doctorate degree, failed any courses, or failed to progress at a rate which would enable him to complete the course work by the designated date. However, after loaning this professor \$78,691 and extending the agreement five times to allow this professor more time to complete his doctorate, the college decided to withhold funds from the professor's pay check to repay the loan.

As of December 31, 1999, this professor's loan balance was \$69,790 and the college was withholding \$150 per month from the professor's pay check. At this rate, the professor would need to teach at the college for the next 39 years to repay the loan. In addition, the college has not required this professor to pay interest on this loan as the agreement requires.

Written policies and procedures should be established to properly approve, monitor, and collect loans to professors. In addition, the college should review all current loan agreements for reasonableness.

- D. The college faculty personnel manual indicates the faculty teaching load per term is twelve credit hours or the equivalent. Faculty may receive a release for a portion of this requirement for other activities or duties such as department head, dean, recruiting, advising, and coaching; however, the college does not have written guidelines establishing the number of release hours for the various duties. During our audit we noted several instances where the number of released hours varied for similar duties.

Complete and detailed written policies are necessary to provide guidance to faculty members, to ensure equitable treatment among faculty, and to avoid misunderstandings.

- E. The college personnel policy allows two-thirds of the tuition fees to be waived for all full-time employees and their dependents. However, the college allowed all tuition fees to be waived for foreign language classes for all full-time employees. This full tuition waiver was not included in the college's policy. In addition, the college waived two-thirds of tuition fees for a dependent of a member of the Board of Regents, but the policy does not indicate that dependents of the Board of Regents are included.

The college needs to clarify the tuition fee waiver policy regarding foreign language classes and dependents of the Board of Regents.

WE RECOMMEND the MSSC:

- A. Strictly enforce the college's nepotism policy. Furthermore, the college should review all employment that is not in accordance with college policy, including the exceptions noted above, and take appropriate action.
- B. Discontinue paying bonuses to college employees.
- C. Establish written policies and procedures over loans to faculty, and review all current loan agreements for reasonableness and the effectiveness of collection efforts.
- D. Establish written policies outlining the number of release hours given to faculty for various duties and activities.
- E. Enforce, and if necessary revise, the tuition fee waiver policy.

AUDITEE'S RESPONSE:

- A. *The College takes great efforts to ensure that employees are not supervised by closely related family members. In August of 1998, the son of the Vice President of Life Long Learning/Dean of Technology was hired for a one-year non-tenure track position. He was supervised by the Criminal Justice Department Head, Mr. Robert Terry. Mr. Terry reported to the Assistant Dean of Technology, who reported to the Vice-President of Lifelong Learning/Dean of Technology. This created two reporting levels between the son and the father. Oral permission was given by the President for this hire, and he subsequently executed the employment contract.*

Dean's initiatives are awarded at the full discretion of each dean. In April 1999, the Vice President of Lifelong Learning/Dean of Technology made six supplemental grants for travel abroad. Five grants were to students totaling \$3,000. One was to the Department head for \$1,000, and one was to his son who served as faculty chaperone.

The \$8,650 received by the dean's son above his original contract amount was for classroom hours taught that exceeded the terms of the son's original employment contract. This additional compensation was paid in accordance with the College's overload policy. Written approvals of such additional compensation were given by the Vice President of Academic Affairs and the Criminal Justice Department Head, in addition to the Vice President of Lifelong Learning/Dean of Technology.

The Vice President of Lifelong Learning no longer serves as Dean of Technology, so any appearance of a conflict of interest has been eliminated. The College fully intends to continue strict enforcement of its nepotism policy.

- B. *In the future, the College will discontinue the merit pay system which was approved by the Board of Regents in 1982 for faculty and department heads and will seek external sources of funding for the Superior Service Awards given to staff employees.*
- C. *In 1987, the College decided it needed to increase the percent of its faculty with doctorates, particularly in academic areas with high demand for faculty and among female and minority faculty members. Because of the difficulty of recruiting faculty in these areas, it was apparent that a better approach would be to “grow” our own doctorates.*
1. *The College did not establish a written policy because we felt each individual case needed to be evaluated on its own merits. The limited number granted (an average of less than two per year) allowed for such analysis based on the recommendations of department heads, deans and the Academic Vice President. Each recipient signs an individual contract (on a form approved by the College Attorney) which spells out the exact terms and conditions of the agreement.*
 2. *The one faculty loan referenced is not in default due to extensions. The current withholding is a voluntary intermediate step agreed to because of the number of extensions. If no further progress is made, when the current extension runs out, the faculty member will be put into repayment terms pursuant to the loan agreement, which will include interest and a shorter amortization period.*
- The College will continue to utilize individual contracts to document all loan requirements. We will review all loans for reasonableness and effective collection efforts.*
- D. *The College has developed a written policy outlining the number of release hours granted to a faculty member to perform various faculty duties, such as serving as dean, department head, or head coach. Faculty members who are assigned administrative duties or given other special assignments will have their reassignment hours noted on their annual contracts.*
- E. *The College’s tuition fee waiver policy has been revised to state the College’s practice of allowing a full tuition waiver for foreign language classes only to full-time faculty and staff. The partial waiver of tuition fees will be discontinued for dependents of the Board of Regents.*

7.	Expenditures
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- A. College purchasing guidelines encourage price comparisons for purchases up to \$1,000, require phone bids for purchases between \$1,000 and \$2,000, require an informal unadvertised bid for purchases between \$2,001 and \$9,999, and require a formal advertised bid for purchases exceeding \$10,000. During our review of expenditures, we noted the following concerns:

1. The college did not solicit bids for consulting services totaling approximately \$70,000 and bond counsel services totaling \$37,500 during the years ending June 30, 1999 and 1998. In addition, \$11,185 was paid for the college's publication of the International Crossroads magazine. The magazine is published at least three times per year. According to college personnel, the college has not bid the magazine publication service for several years.
2. Documentation was not maintained by the college to substantiate situations in which the low bid was not accepted or bids were not obtained due to sole source procurement or emergency situations. Examples of the purchases include computer supplies (\$23,411), theatre chairs (\$11,154), laser digitizing system (\$39,333), and periodicals-electronic (\$50,355).

The college's bid policy should be strictly followed. Competitive bidding helps ensure the college receives fair value by contracting with the lowest and best bidders. Bidding also helps ensure that all parties are given an equal opportunity to participate in the college's business. Documentation should be maintained to justify emergency situation purchases, and to substantiate that a company is a sole source provider. In addition, in situations where a bid other than the lowest bid is selected, the reasons for the contract award should be adequately documented and retained.

- B. According to the college's records, it paid approximately \$18,000, \$26,000, and \$25,000 during the time period July 1 through December 31, 1999, and the years ending June 30, 1999 and 1998, respectively, for several memberships and dues to professional and business organizations. The college does not have a written policy to limit in any manner the employee memberships and dues that are allowed to be paid from college funds. A written policy would give the college greater control over expenditures and ensure the memberships are beneficial to the college.
- C. The college theatre department offers a continuing education class each year for members of the community and students to attend Broadway shows in New York City. The director of the theatre department makes all travel arrangements, acts as a guide, and bills the individuals attending. During the years ending June 30, 1998 and 1999, the theatre director billed the attendees more than the actual trip costs, and used the excess funds to send his secretary and the continuing education secretary on the 1999 trip as a reward for setting up the trip accommodations each year. We computed the cost of the trip for each secretary to be \$882. No documentation was maintained to indicate that someone other than the theatre director approved the secretaries' trips and for the cost of these trips to be billed and paid in this manner.

The college should investigate this situation and determine if trip costs paid for each secretary should be refunded back to the college or reported on the

employee's Form W-2. In addition, the college should consider refunding trip participants their overpayments and establish controls to monitor any future trips through the theatre department.

- D. The college charges a \$25 student activity fee each semester for full-time students and \$15 for part-time students. During the year ended June 30, 1999, the college collected approximately \$168,000 in student activity fees. These fees are to be used to support various aspects of campus life, including student activities, student government, student publications, and various events and services provided by the college to the students.

During the year ending June 30, 1999, the campus activity board sponsored a concert using student activities fees that had accumulated over a two-year period. Prior to selecting a band to perform at the concert, the campus activity board surveyed 800 students (approximately 21% of MSSC's full time student population) to obtain their band preference.

Because of availability and price, board members selected the third most requested band from the survey. Because of the lack of student interest, only approximately 600 tickets were sold yielding revenues of approximately \$6,600. The campus activity board expended \$11,000 for the band and \$8,200 for advertising and concert employees, resulting in a net loss of approximately \$12,600.

With over 3,700 full time students, and only 600 tickets sold to the general public and students, it appears less than 16% of full-time students benefited from the concert. Student activity fees should be used for activities and events that can be reasonably expected to benefit or be of interest to a majority of the student population. If this cannot be accomplished, the college should reconsider the assessment of student activity fees. In addition, for any future events, the college should perform a more detailed review of estimated revenues and costs associated with student activities to ensure the college expends the student activity fees in a cost effective manner.

- E. Our audit noted some expenditures which did not appear to be a prudent or necessary use of college funds. These expenditures included:
1. The college paid \$12,207 and \$10,275 in the years ending June 30, 2000 and 1999, respectively, for a formal Christmas ball for employees, the Board of Regents, and retired faculty and Board of Regents members. These expenditures included a band, disc jockey, decorations, invitations, food, and salaries of doormen and coat checkers.
 2. Various departments expended college funds to have their own Christmas parties. For example, the women's athletic department paid \$600 for party supplies in December 1999.

3. The college paid for birthday, good-bye, and new employee cakes and cookies, Christmas cards and postage, Christmas compact discs, and candles through the petty cash fund for various departments.

It is important that all expenditures be viewed in terms of the critical needs of the college. Expenditures should be evaluated and compared to the overall goals and responsibilities of the college.

- F. College purchasing guidelines require that all purchases up to \$1,000 are approved by the applicable department head, purchases from \$1,000 to \$10,000 are to be approved by the applicable dean or director, and purchases greater than \$10,000 are to be reviewed and authorized by one of the vice presidents or the president. During our review of expenditures we noted the following concerns:

1. We noted six instances where the \$10,000 maximum was circumvented by issuing more than one purchase order to the same vendor. For example, 38 purchase orders totaling \$103,335 were issued to the same vendor during October 1997 for faculty computers. While bids were solicited for this purchase, it was not properly approved by a vice president or the president.
2. We noted 49 purchases exceeding \$10,000 that were not authorized by a vice-president or the president. For example, crime lab equipment totaling \$63,160 was only approved by the crime lab director and the purchasing director.
3. We noted five purchases that were requested, approved, and authorized by the same person. Although these individuals were at a level high enough to authorize these purchases, internal controls should be established to ensure purchases requested by an individual are approved or authorized by someone independent of the requestor.
4. Twenty department heads and four deans have delegated their approval and authorization duties to their secretaries for purchases up to \$10,000.

All purchases should be approved in accordance with college policy.

- G. The college uses an automated invoice processing system to process bills for payment by the college. To receive payment, vendors must be entered in the system with a vendor number. During our review of the vendor list we noted the following concerns:

1. Several individuals in all departments have the computer capability to add vendors to the purchasing system. This capability could allow unauthorized payments to be processed. Greater controls should be established to ensure only authentic vendors are entered on the payment

system. Ways to enhance controls would be to reduce the number of individuals with the computer capability to add vendor records, and initiate a supervisory review of new vendor codes.

2. The vendor list contained over 45 duplicate vendor names, each with a separate vendor number. Many times the duplicate entry was due to a slight difference in spelling. Deleting duplicate vendor names and inactive vendors would give the college better control over vendor information and would result in a more efficient operation.

- H. The Missouri Southern Foundation provides funding to the college and specifically budgets how the funds are to be spent. The college does not have a system in place to ensure funds provided by the foundation are expended in accordance with the foundation's budget. Furthermore, the college does not report to the foundation how the funds were expended, and there is no evidence to indicate that anyone from the college is monitoring monies received from the foundation. During our review of expenditures, we noted foundation funds totaling \$29,500 were expended for a business department trip to London, Paris, and Geneva, and recorded as business equipment in the college's financial statement.

The college should ensure foundation funds are spent in accordance with the foundation's budget and record transactions in the appropriate accounts.

- I. During our review of capital improvement projects we noted the following concerns:

1. The college expended approximately \$550,000 as a result of change orders needed for the construction of the field house. Some of these change orders were incurred due to poor planning. For example, over \$20,000 was to relocate offices and locker rooms, over \$100,000 was for a different type of bleacher seats, and over \$250,000 was to add brick to the outside of the building.

Change orders are normally used to make adjustments for minor problems that are unknown when construction projects are originally bid. They should not be used to make significant changes to existing contracts. If the scope of a project changes substantially, considerations should be given to rebidding those parts of the project.

2. The Senior Vice President solely performs an evaluation of various architects based on factors such as price and past performance, and selects the architect to design construction. Due to the magnitude of funds spent on design, the Board of Regents should consider selecting a committee to review proposals of architects rather than delegating this authority to one individual.

WE RECOMMEND the MSSC:

- A. Ensure purchases of goods or services are properly bid in accordance with established college purchasing policies, and maintain documentation of emergency situations, sole source procurement, and reasons for not selecting the low bid.
- B. Establish a policy to address the payment of employee memberships and dues. The policy should cover the number of memberships that will be paid for each employee or establish an annual dollar amount that may be spent by an employee for memberships and dues. It should address the types of memberships that will be paid or reimbursed, limiting such memberships to those which will benefit the college.
- C. Establish adequate controls to monitor any future trips through the theatre department, investigate amounts overcharged to attendees and make refunds if necessary. In addition, the college should consider whether any reimbursements should be sought for the exceptions noted above, and ensure that any amounts not recovered by the college are properly reported to the applicable employees for tax purposes.
- D. Perform a detailed review of estimated revenues and costs of future activities to ensure student activity fees are expended in a cost effective manner to benefit a majority of the student population. In addition, the college should review the assessment of student activity fees.
- E. Ensure all expenditures are a necessary and prudent use of college funds.
- F. Authorize all purchases in accordance with college policy and ensure someone independent of the purchase requestor approves and authorizes purchases. In addition, the college should prohibit deans and department heads from delegating their approval and authorization duties.
- G. Evaluate the controls over vendor records and consider reducing the number of people with access to these computer records. Vendor files should be periodically reviewed by someone in a supervisory position to ensure duplicate vendors are eliminated.
- H. Establish procedures to monitor funds received from the foundation, and ensure that transactions are recorded in the appropriate financial statement accounts.
- I.1. Ensure adequate planning is performed to reduce the number of change orders, and, if substantial changes are needed, consideration should be given to rebidding the applicable projects.
- 2. Establish a capital improvements project committee whose responsibilities would include evaluating and choosing architects for large capital improvement projects.

AUDITEE'S RESPONSE:

- A.1. *The Crossroads Magazine vendor agreed to continue publishing the Magazine at the original bid price, thus new bids were not solicited. Since a number of years have passed since the original bids were obtained, new bids will be solicited.*

The Bond Counsel was recommended by the College Attorney as being the best firm in the state. Of the four consulting contracts reviewed by the auditors, three were short-term agreements with retiring faculty/administrators that were not bid because of the individual's unique qualifications. The Board of Regents has since adopted a policy concerning hiring retirees as consultants. The remaining contract was with the only consulting firm within a 150-mile radius that specialized in Title III grants. Their fee was contingent upon the College's receiving a grant. We did in fact receive a \$600,000 grant from the federal government.

The College will seek bids for consultants or document why they are considered "sole source" and not subject to bidding requirements.

2. *It is the College's intent to clearly document bids where other than the lowest bidder is selected. We will review and strengthen our procedures as necessary to insure all pertinent vendor selection information is reduced to writing and included in the purchasing files.*

- B. *Upon reviewing a sample of the membership expenditures for the period of July 1, 1999 through December 31, 1999, the majority of the expenditures are for institutional memberships and not individual memberships. Sometimes an invoice is addressed to an individual who is the college representative in the membership. That does not constitute the expenditures as an individual membership. Although the college does not promote the payment of individual memberships, the administration feels it is good business practice to keep the faculty and staff up to date on the latest trends, techniques and ideas through professional memberships.*

The College will establish a policy regarding payments of memberships and dues by July 1, 2001.

- C. *The New York trip organized annually by the theatre department usually has over 50 participants each year for a total cost of about \$50,000. Planning begins about nine months prior to each trip. After several years of making trip preparations, there was excess money available after all bills were paid as a result of price fluctuations in hotel accommodations, airfare, restaurant charges, theatre tickets, etc. Because both the theatre department secretary and the continuing education secretary were heavily involved in making preparations for several trips, the excess money was used to help defray the cost of their trip expenses. It was believed that by participating in the New York experience, these secretaries would be more familiar with the trip's details when planning the trip in future years. It was also believed that these secretaries could provide valuable assistance to the theater director during the trip.*

While there was no intent to over-bill trip participants, any future excess funds collected will be refunded to trip participants after all bills have been paid. More detailed records of trip income and expenditures will be kept and reviewed by the business office for any future trips. The College will determine if the trip costs paid for each secretary should be refunded back to the College or reported on the employee's Form W-2.

- D. The Campus Activity Board (CAB) is a voluntary student organization which is open to all students who wish to join. They are organized into seven committees that relate to various aspects of student activities.*

The coordinator of Student Activities serves as a faculty/staff advisor. The purpose of CAB is to plan and administer programs that will enrich the student learning experience. Usually the group numbers over 20 students and represents most student groups. The College feels that having a student group making decisions on how to spend student activity fees is entirely appropriate.

With very divergent student needs and wants, to get more than 16% of the students to any event is problematic. The whole reason for the student activity fee is to supplement activities that cannot be self-supporting. To second guess which band might sell more tickets seems beyond our administrative prerogative.

The faculty advisor of CAB, together with the appropriate student committee, will continue to review the cost/benefit relationship of each student activity, recognizing that the primary purpose of these activities is to enrich student life, not to make a profit.

- E. The College, as with any organization, is very concerned about its employees and maintaining good human relations. We consider expenditures in this area to be very necessary.*

- 1. The College has consolidated what used to be numerous functions for various employee groups into two major events: the Christmas Ball and the Spring Picnic. We would submit that when the Ball expenditure represents less than 0.03% of total expenditures, it is a good investment in people.*
- 2. We agree that the departments should not expend funds on their own Christmas parties.*
- 3. Again, good employee relations includes recognizing new employees, exiting employees and employee birthdays. We agree that Christmas cards and other Christmas items should not be purchased with departmental funds.*

The College will continue to monitor all departmental expenditures to ensure they are necessary and prudent.

- F.1. It is the College's policy that a vice president or the President approve individual purchase orders greater than \$10,000. The example cited above was primarily for the*

purchase of faculty personal computers from a requirements contract that had been bid. The Assistant Vice President of Information Services initiated or approved most if not all of these purchase orders. Instead of issuing one large purchase order, the Assistant Vice President elected to break the order into smaller orders to facilitate the tracing and processing of the personal computers as they were received. The issuance of multiple purchase orders facilitated processing a large volume of personal computers and did not circumvent the procurement process.

- 2. While the mechanics of the purchase order software system may not explicitly indicate executive approval, no purchases exceeding \$10,000 were executed without the involvement and authorization of a vice president or the President.*
 - 3. It is the College's intent that all purchase orders be approved by someone other than the requestor even in situations where the approver has the requisite authority to complete the transaction. We will review our procedures and implement changes as needed to assure compliance.*
 - 4. The College will implement procedures by July 1, 2001, to insure that purchasing authority is not inappropriately delegated.*
- G.1. A list of new vendors will be produced and reviewed periodically by someone other than the Accounts Payable Clerk.*
- 2. The Accounts Payable Clerk reviews all new vendors on a daily basis. If a purchaser incorrectly creates a duplicate vendor, the Accounts Payable Clerk removes the duplicate vendor and notifies the Purchasing Director that an existing vendor is available for the purchase order.*

Currently, the College has a procedure in place to detect and eliminate duplicate vendors at the time of creation. We will also implement a new procedure by July 1, 2001, that requires someone other than the Accounts Payable clerk to periodically review all new vendors.

- H. The \$29,500 received from the Foundation was from the Youngman estate, specifically earmarked for travel costs. In a March 1998 letter from the Senior Vice President to the Youngman Trust administrators, a request was made for additional funds to be used to send students and faculty abroad. This request, as authorized by the College President, is in accordance with Trust provisions, which state the President can spend these funds for the School of Business at his discretion.*

The College accounts for all monies received from the Youngman Trust in one account in each department. Usually these monies are used to purchase needed equipment in the department. Consequently the words 'Youngman Equipment' is in the account title to help identify the source of the funds.

The College will continue to comply with and monitor funding requirements established by the Missouri Southern Foundation, as appropriate. The word 'Equipment' will also be removed from the proper Foundation accounts.

- I.1. The planning process for the field house was begun in 1997. Preliminary plans were for a construction budget of approximately \$7.2 million. In order to stay within that budget, some decisions had to be made to hold costs down. Among these decisions were minimal brick on the sides of the building and less seating than desired. With the receipt of \$390,000 in donations during construction and pledges of \$860,000 of future donations (over the Foundation pledge), we were able to re-visit some of those cost cuts made in the original design. Specifically, we were able to increase the seating capacity and add more brick to the sides and brick columns all around the building to enhance its over-all campus appearance. These changes were not due to poor planning, but due to fortuitous gifts.*

All change orders go through a rigorous evaluation by the architect, engineers and our physical plant. If any change order amounts are deemed unreasonable, we would either refuse the change order or re-bid, if possible. In this instance, a re-bid of the additional brick was considered. However, preliminary quotations from another mason were higher than the change order amount.

We would submit that total change orders amounting to approximately 7% of the total contract price would not warrant a re-bid process.

The College will continue to plan each project in a careful and prudent manner. All change orders will continue to be evaluated by the architect and engineers. If change orders exceed 10% of the contract price, consideration will be given to re-bidding projects.

- 2. The evaluation of architects for each project is based on specialized experience and technical competence, capability, past performance and familiarity with the project. Annual statements of qualifications and performance data are reviewed using these criteria. Because of the desirability of maintaining continuity of appearance and the right balance of cost vs. quality, the College has given a great deal of weight to the past performance criterion.*

All architectural evaluations will be presented to the Board of Regents for their approval.

8. College Vehicles

The college owns approximately 37 vehicles including ten fleet vehicles, five athletic department vehicles, and twenty-two other vehicles used for maintenance, security, and other college activities. Fleet vehicles are used by college teams, organizations, and employees, and each department's budget is charged mileage for the use of these vehicles. While liability insurance on these vehicles is provided by the State of Missouri,

comprehensive and collision insurance must be obtained by the college. Problems noted during our review of college vehicles include:

- A. The state's Office of Administration, through a public bid process, contracts for comprehensive and collision insurance coverage each year. State funded institutions, such as MSSC, may utilize the state's contract, or establish their own insurance contracts. The college did not utilize the state insurance contract during the year ending June 30, 1998, and only insured 10 of the 37 vehicles using the state contract during the years ended June 30, 2000 and 1999. The remaining vehicles were insured through a local company who supported the college by purchasing advertising at college sporting events and made a \$1,000 contribution to the MSIPC. A college official indicated the vehicle insurance was purchased from this vendor instead of using the state's insurance contract, "to promote local goodwill." The college paid this local company approximately \$15,000 in each of the years ending June 30, 2000 and 1999.

For insurance coverage that was acquired locally, although the college's purchasing policy required bids to be obtained, no bids were solicited by the college. Furthermore, the college spent \$10,700 more by using the local insurance company instead of the state contract during the years ending June 30, 2000, 1999, and 1998. Not only did the college not follow their bid policy, but awarding no-bid contracts to significant contributors gives at least the appearance of impropriety.

- B. In addition to maintaining 37 college-owned vehicles, the college paid \$15,100, \$10,700, and \$3,500 to car rental companies for vehicle rentals during the period July 1, 1999 to March 1, 2000, and for the years ending June 30, 1999 and 1998, respectively. The college also paid mileage reimbursements to employees for the use of their personal vehicle estimated at \$49,000 annually. During our audit we noted the following concerns:

- 1. Some college fleet vehicles were available for use during the time period the college rented vehicles, and two college fleet vehicles were driven less than 3,500 miles during the year ending June 30, 1999. Several employees indicated they rented vehicles for travel due to the high mileage and unreliability of the college fleet vehicles.
- 2. Rental cars were used in many instances when it would have been more cost effective to use a fleet vehicle or pay the employee mileage for use of their personal vehicle. For example, the college paid \$514 for a midsize car rental for 1,452 miles. We calculated the cost to pay personal mileage to an employee to be \$407, resulting in \$107 that could have been saved by the college.

The college should review the cost of travel incurred through use of fleet vehicles, vehicle rentals, and mileage paid to employees to evaluate the most cost effective

practice. In addition, fleet vehicle usage should be reviewed to determine whether vehicles should be transferred to another area of the college, such as security or maintenance, or sent to surplus property.

C. During our review of vehicle usage we noted the following concerns:

1. Mileage or usage logs which document vehicle usage are not maintained for athletic department vehicles. These mileage logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. Mileage logs should also be reviewed by a supervisor to ensure all mileage is recorded and that the vehicles are being properly utilized. Information on the logs should be reconciled to fuel purchases and other maintenance charges. Mileage logs are necessary to document appropriate use of the vehicles and to monitor operation and maintenance costs.
2. The majority of car rentals are by the admissions office. The admissions office does not maintain adequate documentation to support each car rental and related travel expenses. Information such as the date of trip, trip origin, destination, expenses incurred, and purpose of trip are necessary to help ensure the propriety of travel expenses.

WE RECOMMEND the MSSC:

- A. Solicit bids for any locally acquired vehicle insurance coverage and ensure the lowest and best bid is used for any such coverage.
- B. Review the cost of travel incurred through the use of fleet vehicles, vehicle rentals, and mileage paid to employees to determine the most cost effective practice. In addition, fleet vehicle usage should be reviewed to determine whether vehicles should be transferred to another area of the college, such as security or maintenance, or declared surplus and disposed of properly.
- C.1. Maintain complete and accurate mileage, usage, and maintenance logs for each vehicle. The logs should be reviewed by a supervisor periodically for completeness and reasonableness.
2. Require adequate documentation to support each car rental and related travel expenses. Information such as trip date, origin, destination, and purpose should be maintained to ensure the propriety of travel expenses.

AUDITEE'S RESPONSE:

- A. *In 1998, the colleges and universities began having semi-annual meetings to discuss various Risk Management topics. It was at one of these meetings that it was revealed for*

the first time, to our knowledge, that colleges and universities could avail themselves of the state contract for vehicle property damage.

Unlike typical insurance premiums, the premiums under the state contract were a flat amount per vehicle instead of being based on vehicle value. As soon as we became aware of this possibility, we began to shift the highest valued vehicles to the state contract. We will continue to do so until we have achieved maximum cost savings.

It should be noted that the contact with the local company goes back to the junior college days when the Board put a great deal of emphasis on doing business with local vendors. We have continued to do business with them over the years, not due to any contributions (which have occurred only recently) but because they are the largest, most comprehensive insurance agency in the county. For FY 2000, the automobile policy with the local agency cost \$5,978. Of that, \$3,300 was for vehicles that we did not elect to put under the state contract because of the need for liability insurance on one and the fact that the others are "loaners" from local dealers which may turn over every month. Of the remaining amount, we actually saved money on two vehicles.

The College will continue to shift vehicles to the state policy as practicable and will use the lowest and best bid for local coverage.

- B.1. The College now has two vehicles in its campus rental fleet. Three other rental fleet vehicles have been transferred to the campus service fleet.*
- 2. Because of the significant cost to purchase and maintain campus rental fleet vehicles, the College will not replace the remaining two rental fleet vehicles when they reach the end of their useful lives. College employees will have the option of utilizing a negotiated agreement with a local rental car company or utilizing their personal vehicle. However, the Missouri Division of Risk Management has informed us that the State's insurance coverage does not cover losses to employees' personal vehicles. The burden of loss would be on the employees' personal insurance carrier should they have an accident while conducting College business. While some College employees may elect to assume this risk, we feel it is inappropriate to require them to do so and thus will encourage employees to utilize our external rental car agreement.*

The College is implementing a vehicle use policy that will phase out the use of internal rental cars and result primarily in the use of externally provided rental cars. As the remaining two College fleet cars reach the end of their useful lives, they will be transferred to the internal service fleet or surplus.

- C.1. It is College policy that athletic department vehicles be used only for College business. We will implement mileage and usage logs to substantiate their use.*
- 2. The Director of Enrollment Services along with the Admissions Office maintains documentation to support the admissions office recruiting trips. This documentation includes date, destination, hotel costs, purpose, etc. The car rentals are the lesser of a*

flat daily or weekly rate; therefore, the vehicle expenses for any trip can be determined by the number of days on the trips. This documentation was not retained after the Director's review, however the reports will be maintained in the future.

The Director of Admissions selectively compares rental car billings with admission counselor travel calendars to substantiate car billings. To further enhance this control, the Director of Admissions will now include with rental car invoices documentation of counselor destinations. The Admissions Office will continue to maintain adequate documentation to substantiate travel expense.

AUDITOR'S COMMENT:

- A. Of the \$3,300 referred to in the college's response, \$2,463 was paid to the local insurance company for vehicles on loan from auto dealers and \$837 was paid for insurance coverage on the vehicle provided to the College President. Had the college elected to insure the vehicles on loan through the state contract, their cost would have only been \$735, a savings of \$1,728. The vehicle provided to the College President is not eligible for insurance under the state contract because of the personal use of this vehicle by the president, and therefore was not included in our computation of the \$10,700. In addition, the college indicates in their response that they saved money on two vehicles by not using the state contract. The total amount saved on these two vehicles was only \$30 and was included in our computation of the \$10,700.

9. Cellular Phones

For the period July 1, 1999 to December 31, 1999, and for the years ended June 30, 1999 and 1998, the college expended approximately \$9,800, \$15,600, and \$11,000, respectively, for cellular phone usage from two separate companies. The college has separate usage packages for each of its thirty-five cellular phones. Monthly fees range from \$15 to \$100, which include free minutes ranging from 0 to 600. During our review of cellular phone usage, we noted the following concerns:

- A. Although college purchasing guidelines require competitive bids for purchases over \$1,000, the college has not solicited bids for its cellular phone service. Purchasing policies should be followed to ensure services are purchased at the lowest and best price. Competitive bidding helps ensure that all vendors are given an equal opportunity to participate in college business.
- B. The college has not developed a formal written policy regarding cellular phone usage, or guidelines to determine whether a cellular phone is needed or of benefit to the college. Currently, college departments are allowed to contact cellular phone companies to set up their own accounts and obtain cell phones without any review or approval from other college fiscal or management personnel.

- C. The college has a contract with a cellular phone company which provides for the monthly fee and the first 60 minutes of air time to be waived on ten phones used by the athletic department; however, monthly fees totaling \$497 were charged to the college in November and December, 1999 for these phones. These monthly fees were not credited to the college's account until February 2000, after we brought this matter to the attention of the cellular phone company. Without adequately monitoring cell phone usage and fees, the college could continue to be overcharged for cell phone usage in the future.
- D. The college allows personal use of cellular phones, with the costs related to this usage to be reimbursed to the college. A review of this situation disclosed the following concerns:
1. We reviewed all cellular phone bills for November 1999 and noted that only the bills for the admission office included documentation that the bill had been reviewed by the user. The monthly cellular phone bills for other office or departments totaling over \$450 were paid by the college without being properly reviewed and approved for payment.

Several of these bills included numerous calls to the applicable employee's home phone number. Calls were also made on weekends and other times outside the employee's regular work schedule. While some of these calls may have been for college business, there was no documentation maintained to support this usage.
 2. In November 1999, an admission's office employee made excessive personal calls totaling \$297, and subsequently reimbursed the college. Since the personal usage of cellular phones does not provide any clear benefit to the college, consideration should be given to prohibiting such use except in cases of emergency.
- E. Many phone packages reviewed appeared to be inefficient for the user. One phone package provided for 600 free minutes of usage. However, we noted that charges for this phone routinely exceeded the 600 minutes of free usage by a significant amount. During the period June through November 1999, we noted that additional minutes charged to this phone ranged from 288 to 719 minutes per month with the additional costs averaging over \$125 per month. The amount of billed usage was sometimes more than the monthly fee. It should be noted that some of this phone usage was for personal business. If this amount of usage is necessary and proper, the college should consider obtaining a more efficient contract for this individual.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy should be developed regarding cellular phones. This policy should establish a monitoring system for the assignment, usage, and acquisition of cellular phones to ensure cellular phones are acquired only by allowable personnel, and properly

used for business purposes. In this policy, the college should consider prohibiting the personal use of the cellular phones, except in cases of emergency. In addition, proper internal controls require that expenditures are reviewed and authorized before payment.

WE RECOMMEND the MSSC bid their cellular phone service and develop a formal written policy regarding the use of cellular phones, including a provision prohibiting their use for personal reasons. In addition, the college should establish a monitoring system for the assignment, usage, and acquisition of cellular phones, and phone bills should be reviewed and authorized before payment.

AUDITEE'S RESPONSE:

Originally each department set up their own arrangements because departmental expenditures were typically very small. The use of cellular phones for College business has increased in recent years and merits development of a formal written policy. We have initiated a cell phone usage project that will culminate with the development of a written campus policy for cellular phone usage by July 1, 2001.

10. Credit Cards

- A. The college has 15 American Express credit cards that are issued to various college deans, vice presidents, and employees of the admissions department. The corporate credit cards are acquired through the college to waive the annual fee. The credit cards are used by these individuals for both college and personal business. During our review of American Express credit card billings, we noted that adequate supporting documentation was not always retained for some credit card purchases. For example, invoices were not retained for some hotel expenses. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and the expenditures represent appropriate uses of college funds.
- B. In February 1999, the college started using procurement cards for various small purchases and travel related expenses. The procurement card is an official state issued VISA credit card and is designed to replace the manual purchase order for small purchases. The procurement cards have individual transaction limits of \$500 to \$1,000, and monthly cycle limits of \$1,000 to \$5,000. We noted the following concerns during our review of procurement cards:
1. Procurement card purchases are not always reviewed and approved by someone other than the credit card holder. For example:
 - Several credit card holders such as various college deans and directors approve their own billings. Internal controls should be established to ensure billings are approved or authorized by someone independent of the credit card holder.

- As noted above, the procurement cards carry transaction limits up to \$1,000 to provide the college an avenue to control employee purchases. However, we noted two instances where one employee made two purchases totaling over \$1,000 within a few minutes of each other that were split to circumvent the transaction limit of the procurement card. Since these transactions were not reviewed and approved by someone other than the cardholder, the employee circumvented the procurement card transaction limit and the college's bidding policy without detection by the college.
2. Adequate supporting documentation was not maintained for many procurement card purchases. In several instances no supporting documentation or only the signed credit card charge slip was submitted to the college by the employee. All expenditures should be supported by paid receipts or vendor invoices to ensure the obligations were actually incurred and the expenditures represent appropriate uses of college funds.

WE RECOMMEND the MSSC:

- A. Ensure adequate supporting documentation is retained for all credit card purchases.
 - B.1. Ensure that all procurement purchases are properly reviewed and authorized by someone independent of the credit card holder.
2. Ensure adequate supporting documentation is retained for all expenditures.

AUDITEE'S RESPONSE:

- A. *College policy requires detailed invoices or receipts for all travel expenses that exceed \$10.00 regardless of method of payment. A policy memorandum issued by the Treasurer on August 28, 2000 reminded the campus of the need to submit detailed support for expenditures in excess of \$10.00. We will take appropriate action to ensure compliance with College policy.*
 - B.1. *Procurement card logs require supervisory approval prior to processing. Cardholders who submit a log without appropriate approval are contacted and required to obtain supervisory approval. While there may be some instances where exceptions are made to this policy, future exceptions will be documented.*
2. *Procurement cardholders will be reminded that detailed receipts are necessary to support transactions.*

11.**Advertising and Ticket Sales**

- A. The athletic department contracts with local businesses to provide advertising at sporting events in exchange for services.

The college does not adequately track these exchanges to ensure the services are received. For example, the athletic department contracted with a local TV station to receive \$7,400 of airtime in exchange for advertising at college athletic events. The athletic department did not maintain documentation from the local TV station to ensure the college received \$7,400 of airtime. In addition, the college does not record revenues or expenses related to these exchanges on their general ledger as recommended in a 1996 audit of the MSSC's National Collegiate Athletic Association.

The college should maintain documentation of exchanges to ensure the college receives the contracted benefit, and the value of exchanges should be recorded as revenues and expenditures in the college's financial statements.

- B. The college prepares a marketing book that outlines the cost for advertising at sporting events. Although the marketing book does not provide for discounts on the cost of advertising, discounts as high as \$2,700 were allowed to some vendors.

To ensure amounts are properly charged and collected for advertising, the college should ensure amounts are charged in accordance with their marketing book, review packages and prices for any needed and unrecorded changes, and update the marketing book.

- C. The college sells advance tickets to various campus activities and other attractions through their box office and also sells tickets at athletic events. The box office periodically prepares a log of ticket sales and the athletic department prepares a ticket sales summary after each athletic event. The box office and athletic department transmit collections to the business office. During our review of ticket sale records we noted the following concerns:

1. The composition of monies received is not indicated on the log of ticket sales or on the ticket sales summary prepared by the box office and athletic department, respectively. In addition, the log of ticket sales prepared by the box office is not reviewed and approved by someone independent of the box office.

To ensure receipts are transmitted intact to the business office, the method of payment should be indicated on the sales reports prepared by the box office and the athletic department. The composition of these reports should be reconciled to the composition of amounts transmitted to the business office, and an independent review should be performed.

2. Receipts are not transmitted to the business office in a timely manner. The box office manager indicated receipts are held and transmitted to the business office when they accumulate approximately \$400 to \$500. For example, we performed a cash count on January 24, 2000 containing receipts totaling \$513 that were not subsequently transmitted to the business office until February 1, 2000. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100.
3. The college purchased a ticket machine to print their own tickets for various campus activities (excluding basketball games). These tickets are not pre-numbered. In addition, tickets for basketball games are pre-numbered; however, the numerical sequence of tickets sold is not accounted for properly. To ensure the accountability of tickets and the receipts derived from sales, tickets should be pre-numbered and the numerical sequence of the tickets should be accounted for fully.

WE RECOMMEND the MSSC:

- A. Record revenues and expenses related to exchanges of services on the college's financial statements. In addition, the college should maintain documentation of exchanges to ensure they receive the contracted benefit.
- B. Ensure advertisers are charged in accordance with the marketing book, review packages and prices for any necessary changes, and update the marketing book.
- C. Ensure an independent review of all sales reports is performed, the method of payment is recorded on the sales reports, and the composition of amounts received is reconciled to the composition of amounts transmitted to the business office. In addition, receipts should be transmitted to the business office daily or when accumulated receipts exceed \$100, and tickets printed by the college should be pre-numbered and the numerical sequence of all tickets should be properly accounted for.

AUDITEE'S RESPONSE:

- A. *In an exchange for services agreement, the College relies on the vendors to provide documents to verify the cost of their services exchanged for MSSC advertising at sporting events. Effective July 1, 2000 the college's athletic marketing director is maintaining affidavits from the local TV station, which is exchanged for advertising. These statements state the value of services exchanged to ensure that the total amount of service received is accurate.*

The college is in the process of developing documents to be used for all exchanges after June 30, 2001, that will be authorized by both parties in an exchange. This form will be used every time a portion of the service is exhausted.

For the year ended June 30, 2000, the college recorded revenues and expenses related to exchanges in their general ledger and financial statements.

The college will continue to document revenues and expenses related to exchanges for services on the financial statements. The college will develop documents and procedures to monitor exchange for service contracts after June 30, 2001, to ensure the accurate receipt of contracted benefits.

- B. The marketing book maintained by the athletic marketing director contains ideal costs for advertising. If the director is pursuing a customer regarding advertising, first-time, one-time discounts might be granted in order to obtain their business. These discounts are strictly incentives to become advertisers at the athletic events. Once an advertiser has agreed to terms with the marketing director, a contract is signed by both parties reflecting the cost of advertising. The college charges and collects for advertising based on the contract and not the marketing book.*

The marketing book has been updated and contracts will continue to be monitored by the Athletic Facilities Operations Coordinator to ensure advertisers are being charged properly. Reasons for deviations from suggested fees will be documented.

- C.1. The box office and the athletic department will begin using a new ticket sales summary beginning January 1, 2001. The summary sheet will have a breakdown of the method of payment received by each office. All summary sheets are reviewed by the business office for accuracy.*
- 2. Effective July 1, 2000, the box office manager deposits all monies on a daily basis. Although in some cases the deposit made is minimal, the administration feels the daily deposit of receipts is essential to safeguarding the college's funds.*
- 3. Beginning with the Fall 2001 season all tickets for basketball and football will be pre-numbered. The athletic facilities operations coordinator will develop a form and procedures to properly account for all tickets sold in comparison to the revenues deposited.*

Daily deposits along with sales reports reflecting monies will continue to be made to and reviewed by the business office. Tickets will be pre-numbered for athletic events beginning with the Fall 2001 season and will be reconciled to the deposits.

12. Accounting Procedures and Controls

- A. The college has an internal audit function. Under the current organization structure the internal auditor reports to the budget director.*

The Association of College and University Auditors recommends that "internal audit departments should report directly to the institution's governing board

through the audit committee, consistent with the standards set by the American Institute of Certified Public Accountants, Institute of Internal Auditors, the General Accounting Office, and the Governmental Accounting Standards Board.”

Direct communication with the Board of Regents would help ensure independence and provide a means whereby the Board of Regents can be kept abreast of current activities. In addition, such a reporting structure would permit the Board of Regents to request the internal auditor perform specific audits.

- B. Monies received through the mail by the business office are opened by the treasurer, the senior accountant, or the head cashier. These individuals also handle and maintain cash records and prepare the deposits and bank reconciliations. In addition, the mail receipts are not logged or recorded as the mail is opened.

To adequately safeguard receipts and reduce the risk of loss, theft or misuse of funds, someone independent of the cash accounting functions should open the mail. In addition, all mail receipts should be logged or recorded upon receipt and then reconciled to daily deposits to ensure all receipts are recorded and deposited.

- C. The college stores undistributed payroll checks, safe deposit box keys, cash advances for college events, and receipts collected after the daily deposit is made in a safe which is left unlocked throughout the day. All business office employees have access to the safe. To adequately safeguard against loss or misuse of funds, access to the safe should be limited.
- D. The college has not established written policies and procedures for the types of investments and bank accounts that are necessary and appropriate for the college. The college’s balance sheet for June 30, 1999 shows cash balances totaling \$2.7 million, which were deposited into interest-bearing checking accounts and certificates of deposit. The college should establish policies and procedures for the appropriate types of investments and bank deposits that meet the colleges needs while maximizing interest earnings.
- E. The college maintains a \$1,100 imprest petty cash fund. Petty cash expenditures for the years ending June 30, 1999 and 1998, were \$18,071 and \$10,067, respectively.

The college does not have a written policy for employees to be reimbursed from petty cash for business related purchases made from personal funds. The college treasurer indicated the college has a verbal policy that allows employees to be reimbursed for purchases of \$20 or less through the petty cash system, and any purchases over \$20 are to be approved by the treasurer and the applicable department head prior to reimbursement.

We noted numerous petty cash reimbursements over the \$20 limit that were not approved by the treasurer or a department head. In addition, we noted instances where purchases were intentionally split to circumvent the \$20 approval requirement. For example, ink cartridges were purchased from an office supply store on three different sales receipts totaling \$67 at the same time on the same day.

The college should establish a formal written policy regarding reimbursement for business related expenditures from personal funds through the petty cash system. A written policy would provide guidance to employees seeking reimbursement and a tool for the business office to monitor transactions.

- F. The college has a policy that allows faculty and staff to cash personal checks from daily cash receipts. Cashing personal checks from daily cash receipts is a poor practice and reduces the accountability for monies received. This practice should be discontinued immediately.

WE RECOMMEND the MSSC:

- A. Require the internal auditor to report directly to the Board of Regents.
- B. Ensure someone independent of the cash accounting functions opens mail receipts and prepares a log of mail receipts. The log of mail receipts should be reconciled to daily deposits.
- C. Limit access to the safe or, if this not possible, keep the safe locked at all times.
- D. Establish written policies and procedures for the types of investments and bank accounts that meet the needs of the college.
- E. Establish and enforce a formal written policy regarding reimbursement for business related expenditures from personal funds through the petty cash system.
- F. Discontinue the practice of cashing personal checks for faculty and staff.

AUDITEE'S RESPONSE:

- A. *The College's internal audit function is only part of one individual's job responsibilities. Due to a small staff size, our accountants perform more than one function. This individual also helps with bookstore and warehouse inventories and accounting.*

It was reasoned that if the internal audit function reported to someone other than the Treasurer, the internal audit function would be independent for financial audit purposes. We think we can accomplish the purpose of direct communication with the Board by sending copies of all audit projects direct from the internal auditor to the Board and

making the Board aware that they can request projects by direct communication with the internal auditor.

Because of multiple job functions, the internal auditor will continue to report to the Director of Budget but will receive requests from and send reports directly to the Board.

- B. The treasurer, senior accountant or cash receipts clerk opens all of the business office mail upon receipt and distributes mail to the appropriate individuals, but retains checks for restrictive endorsement and deposit. Due to the volume of student fee payments received and the limited personnel in the business office, the logging of the student accounts receivable mail receipts is not feasible. All other mail receipts are recorded on a daily cash receipt log which is balanced and reconciled to the bank deposits and general ledger on a daily basis. Someone independent of the cash receipt function always prepares the daily deposits. Again, due to the limitation of personnel in the business office, the complete segregation of certain duties remains difficult when employees must perform multiple functions.*

The College will continue to open all mail receipts by someone other than the cashier. The cash receipts listing will continue to be reconciled to the daily deposit.

- C. All undistributed payroll checks, safe deposit box keys, cash advances and undeposited receipts are now maintained in a locked safe in the business office vault. All business office employees have access to the vault which is also used as a storage facility. The access to the vault is limited to just business office personnel which need access to its contents on a daily basis.*

The safe in the business office will be locked at all times when not in use and access to the vault will continue to be limited.

- D. The college has established investments and bank accounts in accordance with §30.260 RSMo 1994. Although a formal written policy has not been prepared, all bank accounts and investment selections are handled in accordance with state statutes. All bank accounts are properly bid and reflect competitive interest rates. On the rare occasion that excess funds exist, competitive bids are received for short-term investments. The \$2.7 million, June 30, 1999 cash balance reflects idle funds available to pay upcoming payroll and expenditures. The interest bearing bank account rate reflects a higher interest rate than that of 90-day Treasury bills.*

The College will establish written policies and procedures by July 1, 2001, for maintaining college funds through investments and bank accounts.

- E. The college maintains a petty cash fund to eliminate costly check preparation for minimal reimbursable business related purchases. The limit on petty cash reimbursements was set at \$20 many years ago when the fund was established. Inflation has caused the limit to be increasing difficult to maintain. Although the assumed limit is \$20, occasionally*

reimbursements have been made for larger amounts. Those excessive reimbursements need to be approved by the treasurer and/or the department head.

The College will establish a formal written petty cash policy by July 1, 2001, and review the possibility of increasing the petty cash limit and the practice of cashing personal checks through the daily receipts.

- F. *Personal checks have been allowed to be cashed out of daily receipts. The administration has felt this practice is a service to the faculty and staff. All monies received or disbursed from daily receipts are properly accounted for and reconciled to daily deposits.*

The College will review its practice of cashing personal checks.

13. Fixed Assets

The college's balance sheet for June 30, 1999 shows an investment in equipment, furniture, and telecommunications equipment of over \$14 million. Our review of the fixed asset records and related procedures noted the following concerns:

- A. Fixed asset purchases from the expenditure records are not always reconciled to additions from the inventory records. As a result, fixed asset purchases totaling more than \$652,000 were not included on the inventory records. These included:

<u>Item</u>	<u>Amount</u>
Crime lab equipment	\$145,610
Athletic equipment	134,260
Dental equipment	102,745
Maintenance equipment	98,278
Rotating scoreboard and ad panels	50,905
Fire arms training equipment	44,000
Computer equipment and furniture	33,683
Theatre equipment	16,635
Broadcast equipment	15,317
Lifelong learning equipment	<u>10,680</u>
Total	<u>\$652,113</u>

In addition, the college does not maintain property records in a manner that balances can be reconciled from period to period. That is, records are not such that the beginning balance, plus additions, less dispositions, equals the ending balance. A list of additions and deletions for each year is also not maintained.

- B. A physical inventory of the fixed assets of the college has not been performed since January 1998. Annual physical inventories are necessary to ensure the accuracy of fixed asset records and to detect the loss, theft, or misuse of assets.
- C. Various items were not properly tagged as property of the college, and the fixed asset records do not always include complete and accurate information. For example, tag numbers on some items did not agree to the tag number in the inventory records, and some equipment was tagged but not included on the inventory records. In addition, the historical cost, acquisition date, model, and serial number, if applicable, were not always identified in the inventory records.

Fixed assets represent a significant investment of college funds and should be adequately safeguarded from loss or theft. Fixed asset records provide information needed by the college for financial reporting and control purposes. Failure to maintain accurate fixed asset records or to properly account for fixed asset items increases the likelihood that assets may be lost, stolen, or incorrectly valued. In addition, the fixed asset records should include identification number; description of the item including the name, make, model, and serial number, where appropriate; acquisition cost; date of acquisition; estimated useful life at the date of acquisition; physical location; and method and date of disposition, if applicable.

WE RECOMMEND the MSSC:

- A. Ensure reconciliations are performed between expenditure records and additions made to the fixed asset records. In addition, fixed asset records should be maintained in a manner that balances can be reconciled from period to period, and a list of additions and deletions should be maintained.
- B. Conduct a physical inventory of all fixed assets on an annual basis and reconcile the results of the inventory to the detailed property records.
- C. Ensure all fixed assets are properly tagged and recorded on the detailed property records. In addition, the college should ensure property records include a detailed description of each fixed asset.

AUDITEE'S RESPONSE:

- A. *The College reconciles monthly asset purchases to the detailed fixed asset database. We also remove from that database assets that are surplus. We recognize the need to implement a standard format to document our reconciliations.*

We have determined that several groups of assets purchased in connection with capital projects have not been recorded in the detailed asset records. We have revised our monthly procedures to capture future purchases of capital project fixed assets and will update our database to include assets that were omitted. We have also recently purchased a more robust fixed asset database product that has reporting features to

support monthly and annual fixed asset reconciliation between the General Ledger and the detailed asset records.

- B. In 1997, the College began a building-by-building inventory of fixed assets. Data entry of the results of this inventory were concluded in June 2000. At June 30, 2000, this database contains in excess of 22,000 fixed asset records.*

In July 2000, the State of Missouri allowed the threshold for capitalizing fixed assets to increase from \$250 to \$1,000. We have adopted this capitalization threshold and are presently in the process of revising our database accordingly. Appropriate accounting entries will be made in June 2001 to reconcile the General Ledger with the detailed database.

- C. The process of performing a complete campus inventory and updating the database has taken considerable time. In connection with adoption of the new asset threshold discussed in B above, the College will embark upon a project to remove tags from non-qualifying assets and verify that all qualifying assets are appropriately tagged and included in the database. We anticipate this project will be completed in FY 2002.*

14. Vendor Refunds and Payments
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During our audit of Missouri Southern State College, college officials became aware of discrepancies within the accounts payable process. A separate report issued by the State Auditor's office on July 27, 2000, concluded that at least \$22,190 was misappropriated. Subsequent to our report, a former accounts payable clerk of the college was charged with stealing. The clerk pled guilty and was placed on five years probation and required to repay the college within two years. Recommendations concerning internal controls and accounting records related to this misappropriation were included in that report and are not included in this report.

AUDITEE'S RESPONSE:

The College will be reimbursed for misappropriated funds as part of a plea bargain by the former employee, or from the insurance company that carries the bond for state employees.

This report is intended for the information of the management of Missouri Southern State College and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MISSOURI SOUTHERN STATE COLLEGE HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Missouri Southern State College, located in Joplin, Missouri, traces its origin back to 1937, when it was founded by the Joplin Public Schools as a junior college.

In the spring of 1938, voters approved a bond proposal to support the junior college. In 1964, the citizens created a Jasper County Junior College District with a governing Board of Trustees. The following year, the Missouri General Assembly established a two-year senior college to be funded by the state.

In August 1967, students gathered for the first time on the new campus built on the site of Mission Hills Farm. The dual funding arrangement with the state continued until July 1, 1977, when the State of Missouri officially took on the responsibility of funding the entire college.

In June 1990, the college announced plans to pursue the expansion of the College's mission to incorporate an international emphasis in all its academic and special programs. In 1995, the Missouri General Assembly approved House Bill 442, directing the institution to "develop such academic support programs and public service activities it deems necessary and appropriate to establish international or global education as a distinctive theme of its mission." The following year the Legislature began phasing in increased appropriations to help Missouri Southern expand their international programs.

In the fall of 1999 and 1998, the College's full-time equivalent student enrollment was 4,307 and 4,250, respectively.

Missouri Southern State College is governed by a six-member Board of Regents appointed by the Governor and confirmed by the Senate. Regents are appointed to six-year terms. A student member, with non-voting privileges also serves on the Board.

The Board of Regents as of December 31, 1999, consisted of the following members:

Name	Position	Term Ends
Carolyn B. Phelps	Chairperson	June 30, 2000*
Stephen P. Carlton	Member	June 30, 2005
Robert Lamb	Member	June 30, 1998**
Loretta M. Wilcox	Member	June 30, 2002
Glen D. Wilson	Member	June 30, 2003
Jane Wyman	Member	June 30, 2001*
Christin Mathis	Student Representative	December 31, 1999***

* Jane Wyman was elected by the board to serve as chairperson in July 2000.

** This regent served on the board until Dr. Charles McGinty was appointed in April 2000.

*** This student representative position was filled by Brett Doenning with a term ending December 31, 2001.

The Board of Regents appoints a President to serve as the College's Chief Executive Officer. Three Vice Presidents have been appointed to oversee Business Affairs, Academic Affairs, and Lifelong Learning. The following schedule lists the annual compensation reported for these college officials as of December 31, 1999:

<u>Name</u>	<u>Position</u>	<u>Base Salary</u>	
Dr. Julio S. Leon	President	\$ 127,790	(1)
Dr. John W. Tiede	Senior Vice President of Business Affairs	102,996	
Dr. Eric J. Bitterbaum	Vice President of Academic Affairs	91,640	(2)
Dr. Jack G. Spurlin	Vic President of Lifelong Learning	92,920	(3)

- (1) In addition to the base salary, the President's contract provides for the President to be paid \$7,500 a year for deferred compensation and \$12,500 a year for a housing allowance. The College also provides the President an automobile, life insurance, health insurance, disability benefits, his spouse's traveling expenses incurred on college trips, memberships to two local country clubs, and expenses related to an annual physical. The college purchased a \$1.5 million life insurance policy of which the President's family as beneficiaries are recipients of \$1 million.
- (2) The Vice President of Academic Affairs resigned and Dr. Larry Martin was promoted in July 2000.
- (3) In addition to the base salary, the Vice President of Lifelong Learning's contract provides for him to be paid fees for coordinating Criminal Justice Seminars (\$19,401), and additional compensation for teaching classes (\$13,200).

An organization chart follows:

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graph TD
    BOR[BOARD OF REGENTS] --> POC[PRESIDENT OF THE COLLEGE]
    BOR --> MSF[MISSOURI SOUTHERN FOUNDATION]
    POC --> SVVP[SENIOR VICE PRESIDENT]
    POC --> PI[Public Information]
    POC --> AO[Alumni Office]
    POC --> VPA[Vice President for Academic Affairs]
    PI --> NB[News Bureau]
    PI --> PUB[Publications]
    SVVP --> BD[Budget Director]
    SVVP --> T[Treasurer]
    SVVP --> DHR[Director of Human Resources]
    SVVP --> AVPS[Assistant Vice President for Information Services]
    SVVP --> AVSSD[Assistant Vice President for Student Services & Dean of Students]
    BD --> B[Budgeting]
    BD --> P[Purchasing]
    BD --> BS[Bookstore]
    BD --> MM[Materials Management]
    BD --> FA[Fixed Assets]
    BD --> IA[Internal Auditor]
    T --> FR[Financial Reports]
    T --> SA[Student Accounts]
    T --> AR[Accounts Receivable]
    T --> C[Cashiering]
    T --> AP[Accounts Payable]
    DHR --> P[Personnel]
    DHR --> B[Benefits]
    DHR --> P[Payroll]
    AVPS --> C[Computing]
    AVPS --> TA[Telecommunications]
    AVPS --> NA[Network Administration]
    AVSSD --> RL[Residence Life]
    AVSSD --> SA[Student Activities]
    AVSSD --> SC[Student Center]
    AVSSD --> HS[Health Services]
    AVSSD --> FS[Food Services]
    AVSSD --> SG[Student Government]
    AVSSD --> SLC[Student Life Center]
    AVSSD --> IS[International Students]
    AVSSD --> PS[Patron Scholarships]
    VPA --> VPLL[Vice President for Lifelong Learning]
    VPA --> DSA[Dean-School of Arts & Sciences]
    VPA --> DSE[Dean-School of Education]
    VPA --> DSB[Dean-School of Business Administration]
    VPA --> DST[Dean School of Technology]
    VPLL --> CE[Continuing Education]
    VPLL --> DL[Distance Learning]
    DSA --> A[Art]
    DSA --> B[Biology]
    DSA --> EH[Environmental Health]
    DSA --> C[Communications]
    DSA --> MSTV[MSTV]
    DSA --> KXMS[KXMS]
    DSA --> E[English]
    DSA --> M[Mathematics]
    DSA --> MU[Music]
    DSA --> PS[Physical Sciences]
    DSA --> SS[Social Sciences]
    DSA --> T[Theatre]
    DSE --> AD[Assistant Dean]
    DSE --> CDC[Child Development Center]
    DSE --> K[Kinesiology]
    DSE --> P[Psychology]
    DSE --> TE[Teacher Education]
    DSE --> AVPAA[Assistant to the VPAA]
    AVPAA --> GW[Grant Writing]
    AVPAA --> ISEP[ISEP]
    AVPAA --> CS[Career Services]
    AVPAA --> CE[Continuing Education]
    AVPAA --> SSC[Student Support Center]
    AVPAA --> AA[Academic Advising]
    AVPAA --> T[Testing]
    AVPAA --> O[Orientation]
    AVPAA --> VS[Veterans Services]
    DSB --> A[Accounting]
    DSB --> BE[Business Education]
    DSB --> EF[Economics & Finance]
    DSB --> GB[General Business]
    DSB --> M[Marketing]
    DSB --> ManT[Management Technology]
    DSB --> SBDC[Small Business Development Center]
    DSB --> MADI[Management Development Institute]
    DSB --> CE[Center for Entrepreneurship]
    DSB --> ITQC[International Trade and Quality Center]
    DSB --> IPA[Institute for Procurement Assistance]
    DST --> CADD[CADD/CAMT/MIMS]
    DST --> CIS[Computer Information Science]
    DST --> CJA[Crininal Justice Administration]
    DST --> DH[Dental Hygiene]
    DST --> EMS[E.M.S.]
    DST --> LE[Law Enforcement]
    DST --> MT[Medical Technology]
    DST --> N[Nursing]
    DST --> RT[Radiologic Technology]
    DST --> RT[Respiratory Therapy]
  
```

The organizational chart of Missouri Southern State University is structured as follows:

- BOARD OF REGENTS**
 - PRESIDENT OF THE COLLEGE**
 - Public Information**
 - News Bureau
 - Publications
 - Alumni Office**
 - Vice President for Academic Affairs**
 - Vice President for Lifelong Learning**
 - Continuing Education
 - Distance Learning
 - Dean-School of Arts & Sciences**
 - Art
 - Biology
 - Environmental Health
 - Communications
 - MSTV
 - KXMS
 - English
 - Mathematics
 - Music
 - Physical Sciences
 - Social Sciences
 - Theatre
 - Dean-School of Education**
 - Assistant Dean
 - Child Development Center
 - Kinesiology
 - Psychology
 - Teacher Education
 - Assistant to the VPAA**
 - Grant Writing
 - ISEP
 - Career Services
 - Continuing Education
 - Student Support Center
 - Academic Advising
 - Testing
 - Orientation
 - Veterans Services
 - Dean-School of Business Administration**
 - Accounting
 - Business Education
 - Economics & Finance
 - General Business
 - Marketing
 - Management Technology
 - Small Business Development Center
 - Management Development Institute
 - Center for Entrepreneurship
 - International Trade and Quality Center
 - Institute for Procurement Assistance
 - Dean School of Technology**
 - CADD/CAMT/MIMS
 - Computer Information Science
 - Crininal Justice Administration
 - Dental Hygiene
 - E.M.S.
 - Law Enforcement
 - Medical Technology
 - Nursing
 - Radiologic Technology
 - Respiratory Therapy
 - SENIOR VICE PRESIDENT**
 - Budget Director**
 - Budgeting
 - Purchasing
 - Bookstore
 - Materials Management
 - Fixed Assets
 - Internal Auditor
 - Treasurer**
 - Financial Reports
 - Student Accounts
 - Accounts Receivable
 - Cashiering
 - Accounts Payable
 - Director of Human Resources**
 - Personnel
 - Benefits
 - Payroll
 - Assistant Vice President for Information Services**
 - Computing
 - Telecommunications
 - Network Administration
 - Assistant Vice President for Student Services & Dean of Students**
 - Residence Life
 - Student Activities
 - Student Center
 - Health Services
 - Food Services
 - Student Government
 - Student Life Center
 - International Students
 - Patron Scholarships
 - Physical Plant Director**
 - Safety & Security
 - Custodial Services
 - Mechanical Maintenance
 - Grounds
 - Crafts
 - Facilities Planning
 - Men's & Women's Athletic Directors**
 - Intercollegiate Athletics
 - Compliance Officer
 - Sports Information
 - Training
 - Strength & Conditioning
 - Athletic Facilities
 - Sports Marketing

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ST. LOUIS
BOARD OF POLICE COMMISSIONERS

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-10
February 21, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2001

www.auditor.state.mo.us

After repeatedly not correcting problems noted in prior audits, St. Louis Police Board Commissioners have implemented or partly implemented 83 percent of the previous recommendations

This audit follows up on the 56 recommendations from our April 1999 report and focuses on police board records for the two fiscal years ending June 30, 2000. Of the previous 56 recommendations, the police board has implemented 21 (37%), partially implemented 25 (45%) and not implemented 10 (18%).

This report covers the recommendations not implemented and notes the progress on partially implemented actions. In almost all cases, the commissioners agreed with the recommendations, stressing the hire of an internal auditor and noting that several changes are a “work in progress.” The following highlights the continued concerns and improvements.

Two major findings implemented

The prior audit noted the board exceeded its authority by paying the police chief for unused vacation and discretionary holidays. The extra pay gave the chief a salary in excess the state authorization. During this audit period, the chief did not receive pay for unused leave. (See page 31)

The board also paid overtime to officers with the rank of sergeant and above, which was against state law. Revised state laws now allows overtime pay for senior staff if the funding source is not the general fund. The board paid overtime (\$91,000 in fiscal year 2000) to senior staff, but used money from grants. (See page 31)

Bidding and contracts improved

Commissioners are now taking bids for banking services, a recommendation made in three previous audits. In addition, commissioners hired an internal auditor as a result of the 1999 audit to improve bid and contract processes. This review still showed some laxity in keeping adequate documentation of bids and a failure to bid all professional services, such as legal and consultant work. (See page 8)

Mileage logs not kept on unmarked cars

The previous audit noted that the board had no written policy prohibiting officers’ personal use of unmarked vehicles. The board now has a policy, but the policy did not require the officials using the departments’ 139 unmarked vehicles to log mileage or trip purposes. (See page 12)

YELLOW SHEET

Alarm unit controls/collection still faulty

The previous audit cited several concerns with the process of collecting false alarm fines. For example, one employee prepares the invoices, collects and deposits the money. Money is not regularly deposited and several fines have gone uncollected since 1992. This review showed the same concerns. Since the 1999 audit, the department reviewed how false alarms effect its operation. Commissioners are now working on legislation to shift the collection responsibility to a better-equipped city department. (See page 14)

Less forfeiture money held

The previous audit showed the department held over \$79,000 in interest earned on Criminal Activity Forfeiture Act (CAFA) Funds, which should have gone to schools. This review showed that the board had disbursed some CAFA interest funds, but still held more than \$32,000. (See page 18)

In addition, the previous audit showed that the department did not bid a contract for a company that tows cars seized in CAFA cases. The contract required the company to give the department half of the tow fee collected on each car. This review showed the board received \$152,750 from the tow fees in fiscal year 2000. Our audit had asked the department to show this money was not profit. In response to this review, the department did this analysis. (See page 18)

Controls improving with the Secretary Account

The previous audit showed that the department failed to properly budget the Secretary's Account by holding money (\$826,000 in the 1999 report) in reserve to cover future expenditures. Had these expenditures been charged against the 1998 budget, the department would have overspent by \$559,800. This review showed the department had discontinued carrying over funds, but still held \$287,961 in this account. The board agreed to transfer the money back to the city. (See page 21)

Weak supply warehouse inventory control

The previous audit noted that the department does not have a report tracking the monthly use of each item. As a result, our staff noted excess supplies of record books, evidence bags, property envelopes, etc. In this review, we again recommended an inventory count by an employee not previously involved with inventory and a more regular count of weapons stored in the Armory. (See page 24)

Missing traffic tickets not reviewed

The previous audit noted concerns in tracking traffic tickets. Audit tests showed that five out of the 100 tickets reviewed had been voided by officers and not turned over to supervisors. This review showed that the department does not ensure officers complete ticket book logs to show what ticket numbers they received. This review also showed the department is now printing reports of tickets issued in numerical order, but no one is reviewing these reports or investigating missing numbers. (See page 27)

The following chart summarizes a history of conditions found in previous audits that went uncorrected until this review.

<u>Condition:</u>	<u>Year of Review</u>				
	<u>1989</u>	<u>1991</u>	<u>1994</u>	<u>1999</u>	<u>2000</u>
Payment of Health and Life Insurance to Commissioners			X	X*	I
Failure to Budget the Secretary's Account		X	X	X*	PI
Failure to Bid Banking Services		X	X	X*	I
Failure to Properly Bid Goods and Services	X	X	X	X*	PI
Missing Bond Receipt Forms	X	X*	X*	X*	PI
Lack of Proper Inventory Controls and Procedures	X	X*	X*	X*	PI
Missing Traffic and Parking Tickets	X*	X*	X*	X*	PI

* Board agreed to implement Auditor's recommendations

I = Implemented

PI= Partially Implemented

ST. LOUIS BOARD OF POLICE COMMISSIONERS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

The Board of Police Commissioners of the
St. Louis Police Department
St. Louis, MO 63103

We have audited the St. Louis Board of Police Commissioners (SLBPC). The scope of this audit included, but was not necessarily limited to, the two fiscal years ended June 30, 2000. The objective of this audit was to follow-up on the status of recommendations made in our previous report.

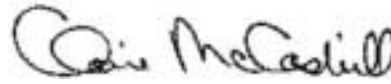
Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. The SLBPC had engaged KPMG Peat Marwick LLP, Certified Public Accountants (CPA) to perform audits of the board for the years ended June 30, 2000, and 1999. To minimize any duplication of effort, we reviewed the reports of this CPA firm. We also examined the SLBPC records we deemed necessary, made inquiries of SLBPC employees, and examined other papers and documents as deemed appropriate for the audit.

As part of our audit, we assessed the SLBPC's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation.

Our audit was limited to the specific matter described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the SLBPC's management and was not subjected to the procedures applied in the audit of the SLBPC.

The accompanying Management Advisory Report Section presents our findings arising from our audit of the SLBPC.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

September 27, 2000 (fieldwork completion date)

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report –
State Auditor's Findings

ST. LOUIS BOARD OF POLICE COMMISSIONERS
SUMMARY OF FINDINGS

1. Bidding and Contracts (pages 8-12)

Bids were not always documented to allow verification that the bids were obtained in accordance with the department's bidding policy. To ensure the SLBPC receives independent review of all purchases, an individual employed by the SLBPC with an information systems background should review and approve those purchase orders.

2. Expenditures (pages 12-14)

The department does not require that mileage logs be maintained to ensure unmarked vehicles were used for business purposes, and the working condition fringe benefit was not properly reported as compensation in two instances. Travel reports or supporting receipts were not always provided on a timely basis to account for cash travel advances. There were some expenditures which did not appear to be a necessary or prudent use of public funds.

3. Crime Prevention/Alarm Unit Accounting Controls and Procedures (pages 14-17)

The unit's accounting controls and procedures over receipts could be improved.

4. Fixed Asset Records and Procedures (pages 17-18)

Additions and deletions of fixed assets are not recorded in the asset records as they occur, fixed asset additions are not reconciled to equipment purchases, and asset records are not maintained in a manner that allows beginning balances, additions, and deletions for each year to be reconciled to balances at the end of the year.

5. State Forfeitures (pages 18-20)

The SLBPC was holding over \$32,000 in interest monies earned on Criminal Activity Forfeiture Act Funds. The SLBPC has not prepared an analysis of its administrative expenses in relation to the towing contract to ensure it has not been making a profit on the storage of vehicles seized by the department. This practice appears to conflict with state law.

6. Receipt Accounting Controls and Procedures (pages 21-24)

The department's accounting controls and procedures over receipts could be improved.

7. Inventory Controls and Procedures (pages 24-27)

A summary showing beginning inventory balances, purchases, issuances, and ending inventory balance for supplies and parts is not prepared. Fleet Services does not perform periodic physical inventory counts of the parts kept in stock. Periodic inventories are not performed by staff independent of the Armory on the guns held in stock.

8. Traffic Ticket and Parking Tag Controls (pages 27-28)

The department does not adequately account for tickets assigned and issued and their ultimate disposition.

ST. LOUIS BOARD OF POLICE COMMISSIONERS
MANAGEMENT ADVISORY REPORT
STATE AUDITOR'S FINDINGS

1.	Bidding and Contracts
-----------	------------------------------

A. The SLBPC has not consistently documented that it followed its written bid policy. The department's stated policy requires bids to be solicited for all purchases over \$1,000, and bids for purchases over \$5,000 to be published in the City Journal.

1) We noted instances during fiscal year 2000 where bid documentation was not adequate:

Information management	\$ 185,423
Law enforcement training	26,410
Law enforcement equipment	20,994
Digital imaging cameras	6,380

2) The policy requires a written justification report for purchases where the proposed vendor is believed to be the only source for the item needed. The written justification report is to include a description of the requested purchase, the precise circumstances for which the report is being written (i.e. sole source purchase), and an explanation of any correspondence, conversations, or understandings of any kind with prospective vendors regarding any special provisions or considerations for the item being requisitioned or any implied or specified agreements that might obligate the Department. Two of the eight sole source purchases we examined did not have adequate justification for not bidding the purchase.

The department's bid policy should be strictly followed. Competitive bidding helps ensure the department receives fair value by contracting with the lowest and best bidders. Bidding helps ensure all parties are given an equal opportunity to participate in the department's business. In addition, complete documentation should be maintained of all bids received. If other than the lowest bid is selected, the reasons should be adequately documented.

B. A contract was initiated with an outside consulting firm to temporarily manage the department's Information System Division. Under the contract, the consulting firm was to provide the department with management support, infrastructure implementation, enterprise selection/planning, accounting/budget system, internet system, and other support services.

This contract should have been monitored by an individual with sufficient technical qualifications to make recommendations and judgments on the quality of the work performed. The individual who monitored this contract for the SLBPC did not have an information systems background. In addition, changes to the purchase order amounts were initiated and evaluated by an employee of the consulting firm with further approval by SLBPC employees. To ensure the SLBPC receives independent review of all purchases, an individual employed by the SLBPC with an information systems background should review and approve these purchase orders.

- C. The SLBPC does not solicit requests for proposals for various professional services used throughout the year, including legal services and consulting services. During fiscal year 2000, approximately \$25,000 was spent in legal services to one firm. In addition, the SLBPC has used one consulting firm several times for various projects, including managing departments within the police department without obtaining proposals. Without requesting proposals for such services, the SLBPC has not ensured it will receive these services at the best price.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the SLBPC:

- A. Ensure complete bid documentation is included in the files to verify bids were solicited for all applicable purchases in accordance with the department's policy.
- B. Ensure an independent employee approve all information system purchase orders.
- C. Request proposals for all professional services.

AUDITEE'S RESPONSE

Since the Missouri State Auditor's release of its April 1999 Management Advisory Report for the two fiscal years ending June 30, 1998 (1999 MAR), the Department has made great strides in ensuring its strict compliance with recommendations concerning the Department's bidding and contracting practices.

The Missouri State Auditor's follow up to the 1999 MAR recommendations concerning bidding and contracting practices (accompanying this report, See Item 3 A-D Status) reflects that the recommendations have either been fully implemented by the Department or partially implemented with work in progress towards full implementation. This progress notwithstanding, complete implementation of the recommendations remains a work in progress that is being, and will continue to be, facilitated through the Department's internal auditor hired since and as a result of the 1999 MAR. As to those items for which implementation is not yet completed, the SLBPC concurs with the Missouri State Auditor's findings as follows:

- I.A.1. *The SLBPC concurs that it is not only obligated to follow its written bid policy in fact but also to ensure that it retains sufficient bid documentation to enable third parties to determine compliance without consideration of sources outside the bid file.*

The SLBPC followed its written bid policy as to the items identified above, but agrees that confirming compliance required investigation beyond the documentation maintained in the purchasing file, rendering the bid documentation maintained in the file inadequate. For example:

Information Management: The SLBPC, in accordance with its written bid policies, published a request for proposal (RFP) for outside consultants to aid the Department in achieving compliance with Y2K requirements and to advise the Department and provide management assistance on additional strategic steps it could take to upgrade its information services division as part of the Y2K compliance. When interviewing candidates who responded to the RFP, the SLBPC requested respondents to divide their proposal into two phases, one phase for a consulting report on Y2K compliance and allied strategic advice for the provision of management services to implement the recommendations.

This refinement of the bid process was not documented in the bid file but could be determined only through investigation outside the bid file itself. The SLBPC therefore concurs that the bid documentation was not adequate and proper bid documentation on this matter should have included all matters related to the bid process.

Law Enforcement Training: This item related to specialized training for the Department's hostage response team provided through a nationally recognized expert in such training. Because of the specialized nature of the personal services provided, the SLBPC believes this item falls outside of its bid requirements. The SLBPC nevertheless concurs that the contract documentation maintained in the purchasing file did not adequately convey the specialized nature of the service and, therefore, that the bid documentation was not adequate.

Law Enforcement Equipment: This item relates to the requisition of bulletproof vests. The audit period subject to this Management Advisory Report (two fiscal years ended June 30, 2000), embraced the last year of a multi-year contract that was bid prior to the Department's hiring of its current Purchasing Director. The bid file for this item was not sufficiently well maintained to enable the Department's current Purchasing Director to locate materials that fully reflected the requisition's compliance with the Department's written bid policy.

Digital Imaging Cameras: The Department's digital imaging of criminal suspects processed through the Department's prisoner processing division is undertaken in collaboration with the St. Louis County Police Department and its Prisoner Processing Division, with the digital data base maintained by REJIS (a not-for-profit entity created by concurrent ordinances of the City of St. Louis and St. Louis County, to provide centralized information management services). Accordingly, rather than bidding openly

for this equipment, the Department, as part of this collaboration, was required to obtain specialized imaging equipment compatible with the collaborative system. The documentation maintained in the requisition file was not sufficient to support this sole source justification, confirmation of which required investigation outside of the requisition file. Accordingly, the SLBPC concurs with the finding that the requisition materials maintained in the file were inadequate.

- 1.A.2. The SLBPC concurs with the conclusion that strict adherence to policies requiring written justification for sole-source purchases is vital and, while the Department believes reasonable minds could differ as to the adequacy of the Department's written justification for the two items identified in the Management Advisory Report, it accepts the judgment made in the Management Advisory Report and will redouble its efforts to ensure that justification for all such sole-source purchases is adequately documented.*
- 1.B. The management services provided under the subject contract were calculated to ensure the Department timely met its urgent obligations to comply with Y2K requirements in its Information Systems Division. They also sought to ensure that the Department achieved technical improvements in its overall information services operations that could be most economically undertaken in tandem with its Y2K compliance. The Department contracted for these services during an exceedingly tight labor market for highly skilled information services managers, which impeded the Department's ability to timely hire a full time information services director.*

Throughout this period the SLBPC diligently pursued such a hiring and by November 1999 engaged, as a full time employee, a highly skilled information services manager to direct the division and during the interim period detached a senior commissioned officer to monitor the consultant's performance.

This finding is unlikely to be repeated in light of the Department's having hired a full-time director with an information services background and the SLBPC concurs with the finding that the monitoring of such technical consulting services and approval of all expenditures pursuant for technical improvements would have been best ensured by an employee with high technical expertise.

- 1.C. The SLBPC published a request for proposal for counsel to represent it in internal affairs matters and engaged internal affairs counsel pursuant to that process. In September 2000, it began a process of delegating more of its general legal representation to the Department of Law for the City of St. Louis, with a view towards meeting any remaining needs for outside counsel (such as when specialized legal advice is required or when the Department of Law has a conflict of interest) through maintaining a list of special approved counsel solicited through a request for proposals currently being developed.*

The SLBPC concurs that bidding for and obtaining detailed proposals for professional and consulting services to the maximum practical extent helps to ensure that the Department is receiving the best value for its expenditures. The SLBPC has made

considerable progress in achieving full implementation of this recommendation and will continue on its course towards full implementation.

2.

Expenditures

A. The SLBPC maintains 139 unmarked vehicles for various department officials, police officers, the Mayor of St. Louis, and the Governor. Most of these cars are permanently assigned and used exclusively by the abovementioned persons. During our review of the unmarked vehicles, we noted the following concerns:

- 1) The SLBPC's written policy on the usage of department vehicles does not require mileage logs be maintained in the vehicles. Logs indicating miles driven and purposes of trips are necessary to ensure vehicles are justified for business purposes and used for business purposes.
- 2) Department officials are issued cars by the Fleet Services Division. The division is to notify the paymaster of all civilians who are assigned unmarked vehicles, so that compensation can be included on their W-2 forms. We noted two instances where the paymaster was not notified of a civilian who was assigned a vehicle and the working condition fringe benefit was not included as compensation.

Internal Revenue Service (IRS) guidelines require the value of the personal (commuting) use of a vehicle be included as compensation for tax purposes.

B. The department provides travel advances to employees attending training seminars, conferences, and other travel. Subsequently, the employee will complete a travel request report and turn in appropriate receipts. Travel request reports and receipts had not been received for two of the six travel advances we examined. These reports and receipts were submitted after we requested them, however, they were not submitted within five days of returning from the event as required by department policy. One of these reports was submitted 138 days after the trip and the other was submitted more than 267 days late. In addition, one of the submissions did not have all of the required receipts attached.

All disbursements should be supported by detailed expense accounts, paid receipts, contracts, or vendor provided invoices to ensure the obligations were actually incurred and the disbursements represent appropriate uses of public funds. All cash advances should have documentation to support the nature and reasonableness of the costs and any unspent monies should be promptly returned to the department.

C. During our review we found approximately \$1,300 of disbursements were made for which a public purpose was not demonstrated or documented. Monies were

spent on dinners and gift certificates to be used as prizes. These disbursements do not appear to be a prudent use of public funds.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the SLBPC:

- A.1. Require mileage logs to be maintained for all unmarked vehicles.
- 2. Comply with IRS guidelines for reporting fringe benefits relating to department-provided vehicles.
- B. Require the Budget and Finance Division ensure all disbursements are supported by travel request reports and paid receipts.
- C. Ensure disbursements are necessary and prudent uses of public funds.

AUDITEE'S RESPONSE

Since the 1999 MAR, the Department has made great strides in ensuring uniform and consistent compliance with recommendations concerning the Department's disbursement procedures.

The Missouri State Auditor's follow up on the 1999 MAR (accompanying this report, See Item 4 A-D Status) reflects that, except as to one matter, the recommendations concerning disbursement procedures have either been fully implemented by the Department, or partially implemented with work in progress towards implementation.

As to the particular items identified in the current MAR for which implementation is not complete, the SLBPC concurs as follows:

- 2.A.1 *Since the 1999 MAR, the SLBPC enacted a detailed written policy regarding the use of department vehicles and has significantly reduced the number of vehicles in its unmarked fleet. The current MAR correctly notes, however, that this policy does not include a requirement that mileage logs be maintained for those unmarked cars that remain in the fleet.*

In consultation with the Missouri State Auditor's staff, the SLBPC understands that this requirement can be satisfied either by requiring that mileage logs be maintained or by marking otherwise unmarked vehicles with conventional department plates which conspicuously identify the vehicles as SLMPD vehicles. As for unmarked vehicles used in undercover investigations – which must continue to be entirely unmarked and for which maintaining a log on board gives rise to an unnecessary risk of detection of the vehicles undercover police status – the SLBPC understands from its consultations with the Missouri State Auditor's staff that, so long as these vehicles are requisitioned only to officers for on-duty use, the interests sought to be achieved by mileage logs can be met

through a logging in and logging out of these vehicles when they are requisitioned to on-duty officers.

Assuming the SLBPC's understanding of how to fully implement this recommendation is correct, it will implement this recommendation as described above.

- 2.A.2. In accordance with IRS Regulations, the department's detailed written policy governing use of Department vehicles requires that employee compensation represented by use of a Department vehicle be included in employee Forms W-2. The SLBPC concurs with the Missouri State Auditor's findings that the benefit received by two (2) civilian employees as a result of their part-time, take-home use of a department vehicle when on-call for off-hours emergencies in the Department's physical plants should have been noted in their respective Forms W-2.*
- 2.B. The Missouri State Auditor's follow up on the 1999 MAR relating to travel reimbursement (accompanying this report, See Item 4 B, Status) reflects that the recommendations have been partially implemented, with "a few items which did not have adequate supporting documentation." This progress notwithstanding, the SLBPC concurs with the Missouri State Auditor's findings as to these few items and is committed to full implementation, with implementation examined by the Department's Internal Auditor.*
- 2.C. The Missouri State Auditor has determined that the SLBPC failed to ensure that \$1,300 in expenditures during the two year period had been put to a necessary and prudent public use; this amount is down from \$5,300 of such expenditures identified in the 1999 MAR. Of the current findings, \$1,000 related to dinners (which will be discontinued) and \$300 for prizes in a recipe competition used in the Department's wellness program as a means of highlighting the benefits of a balanced diet (which appeared acceptable but will be discontinued on the Missouri State Auditor's advice).*

3. Crime Prevention/Alarm Unit Accounting Controls and Procedures
--

The Crime Prevention/Alarm Unit collects monies for security system false alarms. The fee structure for the false alarms was established by city ordinance 8.13.050. The Crime Prevention/Alarm Unit collected approximately \$70,000 and \$62,000 in calendar years 1999 and 1998, respectively. We noted the following areas of concern in the Crime Prevention/Alarm Unit:

- A. Accounting duties are not adequately segregated. Currently, one clerk prepares the billing invoices, receives the collections, and prepares the deposits. This same clerk also sends out delinquent notices, investigates differences between the unit and the alarm user, and writes off uncollectible accounts without supervisory approval. In addition, no one prepared an independent reconciliation of the amounts receipted and deposited, to the payments recorded on the computer.

To ensure all billings are accounted for properly and that all potential revenues are collected and deposited, the duties of recording receipts, preparing billing invoices and/or delinquent notices should be segregated from that of receiving and depositing monies. A reconciliation is also necessary to ensure all receipts have been properly recorded and deposited. The write off of any unpaid amounts should have prior supervisory approval.

- B. Prenumbered receipt slips are not issued for all monies received. Payments received through the mail are not issued a receipt slip. To adequately account for all alarm fees received, prenumbered receipt slips should be issued for all monies received.
- C. Receipts are not deposited on a timely basis. Deposits are generally made once a week and in May 2000, the average deposit was over \$1,600. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100.
- D. Crime Prevention/Alarm Unit records indicate accounts receivable totaled \$415,090 as of August 17, 2000. Several receivables have been outstanding since January 1992. Accounts receivable are not reviewed on a periodic basis to determine the collectability of the accounts and to turn over delinquent receivables for prosecution. City ordinance 8.13.050 states failure to pay the aforesaid false alarm fines within ten days from the date of notification shall constitute a violation and result in prosecution of the subscriber.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the SLBPC:

- A. Adequately segregate accounts receivable record functions from access to receipts. If adequate segregation is not possible, someone independent of these processes should reconcile receipt slips to deposits and to payments posted to the computer. In addition, SLBPC should require supervisory review and approval of all write offs.
- B. Issue prenumbered receipt slips for all alarm fee monies received and account for the numerical sequence. In addition, the alarm fee monies received by the Crime Prevention/Alarm Unit should be reconciled to the deposit.
- C. Deposit or transmit receipts daily or whenever accumulated receipts exceed \$100.
- D. Implement procedures regarding the determination of uncollectible accounts receivable. Amounts deemed uncollectible by the unit should be referred to the city for prosecution.

AUDITEE'S RESPONSE

The SLBPC strongly concurs with the conclusions of the State Auditor and believes that prompt attention to substance and administration of the City of St. Louis's false alarm ordinance is required.

When, in the Missouri State Auditor's 1999 MAR, the SLBPC was advised of deficiencies relating to the department's administration of the ordinance regarding the imposition of fines for false alarms, the SLBPC responded that: "[o]ther agencies of city government are better suited than the St. Louis Metropolitan Police Department to perform this function. Plainly put, the department's mission is crime fighting and public safety, not bill collecting." The SLBPC suggested it would "seek a transfer of this function through ordinance to an agency of City government organized to perform the fine collecting responsibilities of the current ordinance."

In keeping with this response, the SLBPC through its internal auditor has been working with the Department of Law for the City of St. Louis in attempting to collect false alarm fines due and owing. The Department also undertook a renewed study of how false alarms affect the operations of the department and how this may be best remedied legislatively.

This study, undertaken by the Department's Planning and Development Division, determined:

In 1999, the SLMPD's response to alarm calls - - almost exclusively from burglary alarm companies - - constituted 14.6% of all of the Department's calls for service (58,587 out of 400,516). Over the past ten years, calls from the burglar alarm companies have more than doubled - - from 25,973 in 1990 (when they represented 8.2% of all calls for service) to 51,969 in 1999.

One aspect of alarm calls has remained constant: more than ninety (90%) percent are for false alarms.

The Department devotes a staggering amount of resources responding to these unnecessary calls: The equivalent of nearly forty (40) full-time officers' patrol time, as well as support personnel for more than 50,000 calls per annum (dispatchers, records clerks, information services, etc.).

This represents about five (5%) of our patrol-officer strength and the equivalent of a tax on the people of the City of St. Louis amounting to approximately \$2 million per year.

Substantially reducing the number of false alarms will immediately put significantly more officers in service. Under our current regulatory scheme, however, the alarm companies have no incentive to reduce the number of false alarms. The existing alarm ordinance places responsibility for the alarm system's maintenance and operation, not on the alarm company, but on the subscriber.

The current ordinance imposes a fine on the subscriber for false alarms only after there have been three (3) false alarms and a written warning from the Department and then only in amounts

ranging from \$10 (or \$15) to \$15 (or \$25), for residential and business subscribers, respectively (the lower amount for the 4th through 7th false alarms in a year and the larger amounts for each false alarm above 7 false alarms). See St. Louis City Revised Code Chapter 8.13.

The Department is charged with collecting the fees, something the Department is ill equipped to do.

The SLBPC is currently working with the Board of Aldermen to develop legislation in the current legislation session relating to fines for false alarms, including by and from whom such fines should be collected.

The goals of this legislation as proposed by the Department shall be to substantially reduce the number of false alarm calls the St. Louis Metropolitan Police Department (SLMPD) receives by placing primary responsibility for doing so on the burglar alarm companies who charge a fee for service and initiate the calls for police service. To the extent alarm companies fail to reduce such calls, they should be primarily responsible for the actual cost of the unnecessary police service they request, with the proceeds devoted to paying for police overtime. Under the legislation, responsibilities for collecting fines shall be shifted from the Department to a division of city government better equipped to engage in such collection efforts.

4. Fixed Asset Records and Procedures

Since the prior audit, the SLBPC has performed a physical inventory of fixed assets and affixed tags to the fixed assets. Our review of the department's fixed assets records and procedures revealed the following weaknesses:

- A. Additions and deletions of fixed assets are not recorded in the asset records as they occur. In addition, fixed asset additions are not reconciled to equipment purchases. Timely recording of all fixed asset additions and deletions helps ensure that all property is accounted for properly and that the records are current. Performing a reconciliation of fixed asset additions and equipment purchases would help ensure all applicable equipment purchases have been properly added to the fixed asset records.
- B. Asset records are not maintained in a manner that allows beginning balances, additions, and deletions for each year to be reconciled to balances at the end of the year. In addition, a record is not maintained to document the changes to the fixed asset records as a result of the physical inventory. An annual summary of changes in fixed assets provides a basis for proper financial reporting and allows the physical inventory conducted to be reconciled to the fixed asset records.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the SLBPC continue its efforts to:

- A. Maintain accurate fixed asset records on a current basis and periodically reconcile these records to fixed asset purchases.
- B. Maintain asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances. Furthermore, documentation should be maintained for changes made to the fixed asset records as a result of the physical inventories.

AUDITEE'S RESPONSE

The SLBPC concurs with the Missouri State Auditor's findings and recommendations. Given the complexity and size of the SLMPD and its operations, developing and implementing a fully functioning fixed-asset data base for the department has presented the greatest organizational and logistical challenge of the recommendations contained in the 1999 MAR.

The Department's Internal Auditor is devoting a considerable part of his time and efforts towards the full implementation of this recommendation and, having made considerable progress towards full implementation, will continue to work diligently towards that end.

5. State Forfeitures

- A. As of June 2000, the SLBPC was holding over \$32,000 in interest monies earned on Criminal Activity Forfeiture Act (CAFA) Funds. The CAFA Funds are held in a separate interest bearing checking account. The prior disbursement of CAFA interest was in February of 1999.

Article IX, section 7 of the Missouri Constitution relates to school funds. This provision states that all proceeds resulting from the forfeitures and fines collected shall be distributed annually to the schools. The Missouri Supreme Court has held that all CAFA forfeitures are included under this provision and must be distributed to the schools.

The general rule is that interest takes the same character as the proceeds from which it is earned. Since the CAFA forfeitures are constitutionally restricted, the interest earned on CAFA forfeitures should be credited to the CAFA funds and should be distributed the same as the CAFA proceeds. These disbursements should be performed in a timely manner.

- B. In June 2000, the SLBPC entered into a contract with a company for towing and storage of vehicles seized by the department under the CAFA. The company pays the SLBPC one-half of the amount collected from owners/claimants for vehicles released. For the year ended June 30, 2000, the SLBPC had received approximately \$152,750 from the company.

There appears to be no statutory authority for the SLBPC to contract with a towing and storage company for profit by the department. Under Section 84.090.2, RSMo 2000, the SLBPC is charged to “protect the rights of persons and property”. The SLBPC becomes a trustee for these vehicles and has a duty to act in the interest of the owner. In the prior report the SLBPC stated “The SLBPC, even if deemed a ‘trustee’ of such property, is entitled to receive reimbursement of administrative expenses.” The SLBPC did not perform an analysis of its administrative expenses in relation to the towing contract and did not provide us with any documentation to justify the board’s portion of the towing fees.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the SLBPC:

- A. Disburse the interest earned on the CAFA funds in a timely manner.
- B. Not enter into a contract which requires the towing and storage company to provide a portion of the fees collected to the SLBPC, or document an analysis of its administrative expenses to verify it is not making a profit on towing fees.

AUDITEE’S RESPONSE

The Missouri State Auditor’s follow up on the 1999 MAR as it concerns the Department’s administration of State forfeiture matters (accompanying this report, See Item 9, Status) reflects that its recommendations have been partially implemented, with work in progress as to full implementation. As to those matters for which implementation is not complete, the SLBPC concurs as follows:

- 5.A. *Until the forfeiture status of funds seized and held pursuant to CAFA is judicially determined, the Department is required to hold both the seized funds and the interest earned on those funds.*

All but \$1,853 of the approximately \$32,000 in interest on funds seized pursuant to CAFA relate to funds for which no final court determination of forfeiture has been reached.

Nevertheless, the SLBPC concurs with the Missouri State Auditor’s recommendation that the timing of distributions should be regularized for interest earned on funds seized and determined forfeited pursuant to CAFA.

Accordingly, the SLBPC has distributed to the Circuit Attorney the \$1,853 in interest earned on funds seized pursuant to CAFA and for which orders of forfeiture were rendered between 1/1/99 and 12/30/00. Every six months the Department’s Asset Removal Team shall calculate and prepare under the supervision of the Deputy Director of Budget and Finance a statement of CAFA interest subject to distribution and distribute that amount to the Office of the Circuit Attorney for the City of St. Louis.

- 5.B. *The Missouri State Auditor's follow up on the 1999 MAR relating to the Department's towing and storage contract (accompanying this report, See Item 9B, Status) confirms that the Department has bid this contract and "selected the best vendor."*

While the SLBPC is entitled to recoup its administrative costs incurred in such vehicle towing/storage operations, it concurs that recoupment should not exceed administrative costs and give rise to a "profit" to the department. No such profit occurred here.

The \$152,720 collected by the Department arises out of operations for the towing/storage of 1,456 vehicles, yielding an average per-vehicle reimbursement to the Department of \$104.89 for its administrative costs.

Based on its historical experience and understanding of the actual costs incurred by the department in such transactions – including officer and supervisor time in inventorying the vehicle, standing by while awaiting the tow vehicle and the loading of the vehicle, reviewing and executing the tow report, conducting a theft check for the vehicle, entering the vehicle into the tow file and notifying the asset removal team, notification of registered owners, notifying lien holders, writing and obtaining a police report, preparing and presenting the case to the Circuit Attorneys office in cases of forfeiture, and notifying the tow company and owner of disposition – the department recognized that the per vehicle reimbursement for administrative costs under this contractual arrangement represents only a fraction of its actual administrative costs.

The SLBPC nevertheless agrees that it should have performed a formal analysis of the Department's administrative costs incurred in such operations and compared administrative costs to the actual amounts reimbursed. Doing so ensures public confidence that reimbursement to the Department does not exceed the actual administrative costs.

Pursuant to the Missouri State Auditor's recommendation, the Department's Planning and Development division undertook such an analysis and determined that the average per vehicle reimbursement under the contract (\$104.89) represents 62.3% of the average department salary and benefit costs for officer time expended in such operations (\$168.28). When the department's indirect costs for such operations (\$74.50) are added to the direct personnel costs for officers, the average reimbursement amount constitutes 43.2% of the total per vehicle department expense for such operations (\$242.78).

It should be noted, moreover, that the towing and storage contract provides that the fees charged under the contract (into which the department's administrative costs are incorporated) shall be no greater than the amounts charged by the City of St. Louis in its towing and storage operations.

- A. The Secretary's Account maintained by the Budget and Finance Division contains several sub-accounts functioning as receivable and liability accounts. The SLBPC does not have adequate controls in place to ensure that all monies advanced or owed are accounted for properly.

For example, the SLBPC collects several fees in the Private Security section that are remitted monthly to other entities for services provided in relation to issuing security licenses. A separate sub-account is maintained for each fee that is collected. Several of these accounts have accumulated balances in excess of the average monthly distributions. These excess balances have not been investigated to determine the appropriate use or proper distribution of the excess.

- B. The Secretary's Account had a balance of \$287,961 at June 30, 2000, from previous years' transfers from the General Fund. These funds were held in reserve to cover future expenditures. If these monies had not been transferred to the Secretary's Account, the SLBPC would have lost the use of these funds because the city's expenditure system did not allow bills to be submitted for payment after the end of the fiscal year. Some of the projects related to the balance have been completed, however, monies still remain in the sub-accounts. These excess monies should be returned to the city of St. Louis for use by the city.
- C. Accounting duties in the Academy Fitness Center and Correspondence Unit are not adequately segregated. All record-keeping responsibilities for these areas, including receiving, recording, and transmitting monies, are performed by two to three employees. In addition, there is no independent supervisory review of the records in the Correspondence Unit and the Fitness Center.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly safeguarded. Internal controls could be improved by documenting an independent comparison of receipt slips to amounts transmitted in the Fitness Center, and documenting an independent comparison of billings and paid invoices to amounts transmitted from the Correspondence Unit.

- D. The department collects bond monies at headquarters (prisoner processing) for two types of bonds—city ordinance and fugitive. City ordinance bond monies are also collected at the three area superstations or command centers. City ordinance bonds are posted for city ordinance violations. Fugitive bonds are collected for persons arrested on warrants issued by other law enforcement agencies. City ordinance bond monies are not transmitted on a timely basis by the area superstations. We noted instances where city ordinance bonds were held between two and ten business days before being transmitted to the Traffic Violations Bureau (TVB). To adequately safeguard receipts and reduce the risk of loss or

misuse of funds, transmittals should be made daily or when accumulated receipts exceed \$100.

- E. The SLBPC provides the Vice/Narcotics Division and the Intelligence Division with cash funds which are to be used for specific law enforcement purposes. Each year, the Vice/Narcotics Division receives between \$80,000 and \$150,000 in Narcotics Control Assistance Program (NCAP) grant monies and city special investigative fund appropriations. These monies are used to periodically replenish six cash funds. From these funds, detectives buy evidence and information relating to various drug cases.

These cash funds are under the exclusive control of the Vice/Narcotics Division and no independent review is made to ensure they are maintained properly. One officer in each of the three Vice/Narcotics units is responsible for receipting, recording, and custody of cash in the unit's cash funds. The supervisor of the division performs a monthly review of records and observes monthly cash counts which is documented by a memo sent to the bureau commander. The supervisor requests the checks for the cash funds, and cashes them, distributing the cash to the officers. There is no periodic independent review of all records and transactions handled by the officer and the supervisor.

Periodically these funds should be counted and reconciled to the ledger balances by an outside unit to ensure funds are being accounted for properly, to detect any errors, and to help ensure these monies are properly expended.

Conditions similar to A., C., D., and E. were also noted in our prior report.

WE RECOMMEND the SLBPC:

- A. Establish adequate controls and records to account for receivables and liabilities maintained in the sub-accounts.
- B. Evaluate the status of the monies held in the sub-accounts and calculate any outstanding obligations for these funds. Any balances in excess of the obligations should be returned to the city.
- C. Adequately segregate duties between available employees and/or establish a documented periodic review of records by an independent person.
- D. Transmit bond monies daily or whenever accumulated receipts exceed \$100.
- E. Require the cash funds to be periodically counted and reconciled to the ledger balance by an outside unit.

AUDITEE'S RESPONSE

The Missouri State Auditor's follow up on the 1999 MAR relating to the Department's receipt accounting and controls (accompanying this report, See Item 5, Status) confirms 17 of the Missouri State Auditor's 21 recommendations have either been fully implemented by the Department, or partially implemented with work in progress towards full implementation.

As to those matters for which full implementation is not yet complete, the SLBPC concurs with the Missouri State Auditor's findings, as follows:

- 6.A. *Since the 1999 MAR, the Department's Budget & Finance Division, with the assistance of the Department's Internal Auditor, installed a general ledger accounting system to record the transactions fees the Department collects and remits, including those of the Private Security Division. This interim solution was deemed sufficient to meet the Department's accounting needs while the Department worked towards identifying and implementing a comprehensive financial software package. The interim package provides accurate and adequate record keeping of Department liabilities for agency transactions.*

As part of the development and implementation of a comprehensive strategic plan for the Department's Budget & Finance Division, the Department is revising its accounting controls and procedures and supplementing and upgrading the skills levels of accounting staff.

Accumulated fees under the Private Security program -- which relate to applicants who pay and fail to show for training and/or are denied a license as a result of records checks -- are to be generally applied for capital improvements and the SLBPC concurs with the Missouri State Auditor's recommendation that, rather than accumulating balances, the Department should regularize analysis and application of these account balances for their intended uses.

- 6.B. *The SLBPC concurred with the findings and recommendations of the 1999 MAR concerning the transfer and maintaining of unexpended general revenue funds from the City of St. Louis from fiscal year to fiscal year and discontinued any such transfers absent express consent of the Board of Estimate and Apportionment of the City of St. Louis.*

In keeping with this response, the Missouri State Auditor has recognized in its follow up to the 1999 MAR (accompanying this report, See Items 2A & 4A, Status) that its recommendations in this regard have either been implemented or partially implemented.

The SLBPC recognizes that full implementation of this recommendation requires retrospective analysis of accounts and sub-accounts to ensure any general revenue funds from past years be transferred back to the City of St. Louis. The SLBPC accepts the Missouri State Auditor's finding that, while the department has discontinued carrying over funds from prior fiscal years, there remain funds to be transferred back to the City

of St. Louis from sub-accounts funded years before from transfers of general revenue funds. The SLBPC will confirm the State Auditor's calculation of \$287,961 and transfer back to the City of St. Louis all funds carried over without authority from prior years.

- 6.C. *The SLBPC concurs with this finding and recommendation. Indeed, effective August 22, 2000, pursuant to the recommendation of the Internal Auditor, the Academy fitness center has amended its membership forms to be sequentially numbered and to include a check-off box to indicate the payment method for membership (e.g. cash or check) and to indicate the receipt number. Moreover, pursuant to this policy, all moneys collected are to be transmitted to the Budget and Finance division within 48 hours of receipt or when accumulated funds exceed \$100. The training coordinator, or other supervisor, maintains a log book with the card number, member name, receipt number issued to member, date transmitted to the Budget and Finance division, supervisor initials, and receipt number issued by the Budget and Finance division. The Training Coordinator or other supervisor must approve any voids in sequentially numbered membership accounts or sequentially numbered receipts. Finally, the Training Coordinator will maintain an "Excel" spreadsheet on this account. The accounts of the training fitness center will be the subject of periodic audit by the Internal Auditor.*
- 6.D. *The SLBPC concurred with the findings and recommendation of the 1999 MAR concerning the timely transmittal of bond monies. Missouri State Auditor's follow-up report on this recommendation (accompanying this report, See Item 5.F.3) concluded that this recommendation was fully implemented by the Department's prisoner processing division at Police Headquarters but the area stations are not yet in compliance.*

The SLBPC will take steps to ensure that this recommendation is uniformly implemented throughout the department.

- 6.E. *At the end of June 2000, the accounts maintained by the Vice/Narcotics division were the subject of a surprise count by the Internal Auditor, which yielded a variance of about \$2. The Department's Internal Auditor expects to perform two such surprise audits per year and, given the internal controls within the division itself, believes semi annual outside counts to be adequate.*

7. Inventory Controls and Procedures

- A. The department operates a supply warehouse (Supply Division) which stocks various items used by the department. The Supply Division maintains a report which tracks the monthly usage of each supply item, and an average monthly usage is calculated based on this information. The Supply Division does not periodically prepare a report including the beginning balance, supply issuances, purchases and ending balances for each item. A summary report would allow the division to determine, in one report, the transaction history for each part for the

period covered by the report, which could aid in reordering and allow monitoring of inventory activity.

- B. The department operates a service garage (Fleet Services) to perform maintenance on department vehicles. Fleet Services maintains an inventory of gasoline, lubricants, and auto parts and supplies. The following concerns regarding records and procedures at Fleet Services were noted:
- 1) Fleet Services prepares separate purchase and issuance reports; however, a summary report that shows the beginning balance, purchases, issuances, and ending balance for each part is not periodically prepared. A summary report would allow Fleet Services to determine, in one report, the transaction history for each part for the period covered by the report, which could aid in reordering and allow monitoring of inventory activity.
 - 2) Fleet Services does not document periodic physical inventory counts of the parts kept in stock. According to department personnel, periodic spot checks are performed on some of the parts inventory; however, these spot checks are not documented. Fleet Services did perform an annual physical inventory count in July 2000. Discrepancies between the inventory counts and inventory records were noted during the annual inventory. Without documentation of periodic inventory counts, and investigation of differences between spot counts and inventory records, Fleet Services cannot be assured that the Fleet Services inventory is accounted for properly.
- C. The department maintains firearms, ammunition, and various related supplies in the Armory. The guns held in stock in the Armory are not periodically counted, and a periodic inventory count is not performed by staff outside the Armory. Without periodic inventory counts which are reconciled to perpetual inventory records, the Armory cannot obtain adequate assurance that inventory is accounted for properly. Because of the nature of these supplies, the periodic counts should be performed on a quarterly and annual basis.

Similar conditions were also noted in our prior report.

WE AGAIN RECOMMEND the SLBPC:

A&

- B.1. Consider the preparation of quarterly reports that show the beginning balance, purchases, issuances and ending balance for each inventory item.
2. Ensure a periodic physical count of inventory is performed by an employee independent of parts operations. The results of that inventory should be compared to the inventory records and discrepancies should be investigated in a timely manner.

- C. Ensure a periodic physical count of inventory is performed at least quarterly by an employee of the Armory. In addition, annually a physical inventory should be performed by an employee independent of the Armory. The results of that inventory should be compared to the inventory records and discrepancies should be investigated in a timely manner.

AUDITEE'S RESPONSE

7.A

&B. The SLBPC concurs with the findings of the Missouri State Auditor. Weaknesses in inventory control for the Supply and Fleet Services Divisions are the subject of comprehensive attention by the Department's Internal Auditor.

In response to inventory observations at the Supply Division and Fleet Services, the Department's Internal Auditor has recommended and is examining implementation of the following improvements: Stronger physical controls over and limiting access to inventories; greater utilization of the inventory software's features, including establishing reorder points, bar coding each inventory location with scannable labels and using the optic bar code readers to record all inventory transactions.

Fleet Services is now conducting periodic cycle inventories, which will be implemented in the Supply Division, with both divisions implementing procedures to investigate the cause of any discrepancies. The Department's Internal Auditor is examining the results of these cycle inventories throughout the year.

Stronger controls over inventories, full utilization of the current software, compliance with procedures, cycle inventories, and reviews by the Department's Internal Auditor will eliminate the weaknesses observed by the Missouri State Auditor and Department's Internal Auditor.

The Department's Internal Auditor is not convinced, however, that another report on the balances and movements of inventories will significantly add to the control process. Both the Supply and Fleet Services divisions inventories have several thousands components. Current reports on inventory balances and transactions for a single item can be several pages long. A summary report as envisioned by the State Auditor would be voluminous and may be impractical to read and use.

If the implementation of processes recommended by the Department's Internal Auditor does not yield satisfactory results, the Department will explore additional options, including those relating to the periodic reports suggested by the Missouri State Auditor.

- 7.C. *The Department's Internal Auditor examined the Armory Division and found no discrepancies between the inventory count and the inventory records. In addition, the Department's Internal Auditor tested the physical controls and access to the armory and the internal controls over inventory, and was satisfied with the tests' results.*

Because of the sensitive nature of and dangers posed by the Armory's inventory, access to the Armory must be strictly limited. Armory personnel are in the best position to find and identify the contents of the inventory. The Department's Internal Auditor will observe and test count the annual inventory. Because no discrepancies were found in the inventory and because internal and physical controls were considered more than adequate, the Department's Internal Auditor does not recommend periodic inventories of the Armory.

8.

Traffic Ticket and Parking Tag Controls

The SLBPC issues traffic ticket summonses (UTT's) and parking tags for violations of state laws and city ordinances. The Supply Division maintains a stock of UTT's and parking tags. The area stations and other patrol units requisition cases of tickets and tags as needed. Officers are assigned ticket books from the patrol unit's supply cabinet and the officers are supposed to sign a log indicating the ticket numbers they receive. A cover sheet and completion sheet are included in each ticket book which are to be filled out by the officer and submitted to the commanding officer as the books are started and finished. The cover and completion sheets are forwarded to Information Services Division (ISD) where they are filed in numerical order, retained approximately one year, and subsequently discarded. As tickets are issued or voided, the commanding officer reviews the ticket, batches the tickets, prepares a transmittal log, and forwards the tickets to ISD for data entry. After data entry, the tickets are transmitted to the city of St. Louis Traffic Violation Bureau for processing. The parking tags are forwarded to the St. Louis City Treasurer's Office for processing and collection. Copies of ticket transmittal envelopes are returned to the area stations.

Our review of ticket procedures and records disclosed the following concerns:

- A. The department does not ensure logs of ticket books assigned to officers are completed. The date the books were received was not always documented, as well as the signature of the desk officer assigning the books. In addition, we noted that ticket books were not always assigned to the officers in numerical sequence.
- B. The department does not account for tickets assigned and issued and their ultimate disposition. During our review of ticket procedures, we learned the department is printing reports of tickets issued in numerical order, however, no one is reviewing these reports and investigating any missing numbers. These reports represent an improvement from the prior audit.

Without a proper accounting of the numerical sequence and disposition of tickets, the police department cannot be assured that all tickets issued were properly submitted to the court for processing. Records listing the ticket books assigned, each ticket number,

issuing officer, the date issued, the violator's name and the ultimate disposition of each ticket should be maintained to ensure all tickets have been accounted for properly. Similar conditions were also noted in our three prior audits.

WE RECOMMEND the SLBPC continue its efforts to:

- A. Require the area stations and other patrol units to maintain accurate and complete logs of traffic and parking tickets received and issued. Ticket books should be assigned to officers in numerical order.
- B. Account for the numerical sequence of tickets assigned and issued and their ultimate disposition.

AUDITEE'S RESPONSE

The ticket processing procedure is a paper intensive process and, because of the volume of paper movement, the Department has had to guard against procedures becoming lax. The Department's Internal Auditor worked with its Information Services Division to develop a new computer program to track and control the distribution of traffic tickets. This new procedure will eliminate some of the movement of paper and still provide a better and faster way of tracking and controlling tickets. The computer program will allow for the tracking of ticket books and individual tickets and the tracking of tickets outstanding by date. Watch commanders can access their ticket distribution reports from their desktop computers. The Department's Internal Auditor drafted a revision to the Special Order on traffic tickets and circulated it for comments. Implementation is awaiting the Information Services Division's completion of the computer network at area stations. Once the computer network is completed, we will begin testing of the new system.

This report is intended for the information of the board's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-up on Prior Audit Findings

ST. LOUIS BOARD OF POLICE COMMISSIONERS
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the St. Louis Board of Police Commissioners (SLBPC) on findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended June 30, 1998.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the board should consider implementing those recommendations.

1. Compensation and Personnel Matters

- A. The SLBPC paid \$10,902 and \$12,473 to the Chief of Police for unused vacation leave and discretionary holidays in 1997 and 1996, respectively. By paying the chief for unused leave, the board exceeded its authority and paid the chief an amount in excess of the salary that the General Assembly had authorized.
 - B. The SLBPC information indicated that \$242,069 and \$238,545 in grant expenditures related to overtime were paid to officers ranking sergeant and above.
 - C. During the two years ended June 30, 1998, the SLBPC paid \$61,563 for health and life insurance for current and former commissioners.
 - D.1. The SLBPC did not have a written policy prohibiting the personal usage of department vehicles. In addition, individuals are not required to maintain mileage logs for executive vehicles.
2. The paymaster was not notified of one civilian who was assigned a vehicle and the working condition fringe benefit was not included as compensation.

Recommendation:

The SLBPC:

- A. Discontinue the payment of unused leave and discretionary holidays to the Chief of Police. The SLBPC should also consider seeking reimbursement for the \$23,375 paid to the Chief of Police during 1997 and 1996.
- B. Discontinue overtime payments to officers with the rank of sergeant or above.
- C. Discontinue the practice of providing insurance benefits for current and former commissioners.

- D.1. Establish a policy prohibiting personal usage of unmarked vehicles and require mileage logs to be maintained for all unmarked vehicles.
- 2. Comply with IRS guidelines for reporting fringe benefits relating to department-provided vehicles.

Status:

- A. Implemented. The Chief of Police was not paid for any unused leave or discretionary holidays during the current audit period. The Board did not require repayment of the prior amounts received for unused leave and discretionary holidays.
- B. Partially implemented. This recommendation was implemented for any grants the board received from the state, however, they did not implement this recommendation for grants received directly from the City or the Federal government. Approximately \$91,000 in overtime was paid to officers with the rank of sergeant and above in fiscal year 2000. This MAR is not repeated since the statute was changed and officers with the rank of sergeant and above are now allowed overtime if the money does not come from the general fund.
- C. Implemented.
- D.1. Partially implemented. The board established a policy governing off-duty use of department vehicles, however the policy does not require mileage logs be maintained in the unmarked vehicles. See MAR No. 2.
- 2. Not implemented. See MAR No. 2.

2. Budgets and Financial Reporting

- A.1. The SLBPC did not prepare formal budgets of revenues, resources, and expenditures for the Secretary's Account funds and some government grant and contract funds.
- 2. For the year ended June 30, 1998, more than \$1.7 million was transferred from the General Fund to the Secretary's Account.
- B. The Budget and Finance Division did not prepare monthly detailed financial reports for the SLBPC, summarizing revenues, expenditures, and balances by type/fund for the Secretary's Account.

Recommendation:

The SLBPC:

- A. Prepare budgets of revenues, resources, and expenditures for the Secretary's Account and all grants and contracts. These budgets should be formally reviewed and approved by the board and used as guidelines for activity of these funds.
- B. Require the Budget and Finance Division to prepare complete and detailed periodic (monthly or quarterly) financial reports of the Secretary's Account for the board's review.

Status:

- A. Partially implemented. Budgets were prepared for the Secretary's Account and approved with the budget proposal submitted to the City, and the board discontinued transferring money from General Revenue to the Secretary's Account. There still remains a balance of prior transfers in the Secretary's Account. See MAR No. 6.
- B. Implemented.

3. Bidding and Contracts

- A. The SLBPC did not bid its banking services.
- B.1. Bids were not always solicited in compliance with department policy, or bid documentation was not always retained.
 - 2. The SLBPC accepted bids that were not the lowest bid, and adequate documentation was not maintained regarding the evaluation of bid proposals or the basis and justification for awarding the contract to a vendor other than the lowest bidder.
 - 3. Separate purchase orders totaling in excess of \$1,000 were issued to the same vendor within ten days of each other to acquire similar items without obtaining bids.
- C.1. The SLBPC did not have written agreements for several amounts paid during the two years ended June 30, 1998, including legal services for \$14,321, construction expenses for \$15,692 and tuition reimbursement program for \$10,913.
 - 2. The SLBPC did not have a written contract with two not-for-profit organizations that it disbursed asset forfeiture monies to and allowed one of the not-for-profits to use office space in the headquarters building.

- D. A contract was initiated with Regional Justice Information Systems (REJIS) to temporarily manage the department's Information System Division. The individuals who monitored the contract did not have an information systems background.

Recommendation:

The SLBPC:

- A. Obtain banking services through competitive bidding.
- B. Ensure bids are solicited for all applicable purchases in accordance with the department's policy. Documentation of the bidding process should be maintained in all cases. If the SLBPC believes it is not practical to obtain bids on certain purchases, documentation explaining why bids were not obtained should be maintained.
- C. Obtain written agreements specifying terms of payment and the responsibilities of both parties for all services received.
- D. Assign persons with sufficient technical knowledge to monitor contract compliance.

Status:

- A. Implemented.

B&D. Partially implemented. See MAR No. 1.

- C. Partially implemented. The SLBPC obtained contracts with the not-for-profit organizations, however we found other instances that required contracts for which contracts were not written. See MAR No. 1.

4. Disbursement Procedures

- A. Approximately \$561,500 in expenditures that were incurred in fiscal year 1998 were held and not paid until fiscal year 1999. Had these expenditures been charged against the 1998 budget, the department would have exceeded its budget authority by approximately \$559,800.
- B.1. Adequate supporting documentation was not available to support some disbursements and no supporting documentation was available for other disbursements which totaled approximately \$118,117.
- 2. Some cash advances for employee travel, totaling \$8,256, contained no travel request report or supporting receipts.

- C. During the two years ended June 30, 1998, approximately \$5,300 of disbursements were made for which a public purpose was not demonstrated or documented.
- D. For calendar year 1997, the department did not prepare IRS Forms 1099-MISC for six businesses that performed services for the department and were paid in excess of \$600 from the Secretary's Account.

Recommendation:

The SLBPC:

- A. Review the impact of the fiscal year 1998 expenditures which were held and charged against the 1999 budget and make any necessary revisions. In addition, the SLBPC should ensure that all invoices are processed and paid on a timely basis.
- B. Require the Budget and Finance Division to ensure all disbursements are supported by travel request reports, paid receipts, and/or vendor-provided invoices which contain an adequate description of the goods or services received.
- C. Ensure disbursements are necessary and prudent uses of public funds.
- D. Ensure Form 1099's are prepared and submitted as required.

Status:

- A. Implemented.
- B. Partially implemented. During our review, we still noted a few items which did not have adequate supporting documentation. See MAR No. 2.
- C. Not implemented. See MAR No. 2.
- D. We were unable to determine the status of this recommendation because we did not find any expenditures that would have required filing a Form 1099 in 1999 and any Form 1099's necessary for 2000 would not have been completed by the end of fieldwork.

5. Receipt Accounting Controls and Procedures

- A.1. The Budget and Finance Division did not always indicate the method of payment received on the receipt slips. In addition, the amount of cash, checks, and money orders according to the receipt slips issued was not reconciled to the deposit amounts.
- 2. The Budget and Finance Division did not deposit or transmit monies on a timely basis.

3. The Budget and Finance Division did not restrictively endorse checks and money orders received immediately upon receipt.
 4. The police department was holding approximately \$27,000 in the Secretary's checking account as of June 30, 1998, that was due to the City Treasurer.
 5. Some revenues and reimbursements that were received by the police department were held for the division to spend as needed instead of being returned to the city's General Fund to offset the related expenditures.
 6. The SLBPC did not have adequate controls in place to ensure that all monies advanced or owed to/from the Secretary's Account were accounted for properly.
- B.1. Accounting duties for the photographs, computer runs, and 911 tapes were not adequately segregated in the Correspondence Unit.
2. The Records Room did not account for the numerical sequence of cash invoices which serve as the individuals' and Records Room receipt.
 3. The Records Room cash invoices did not indicate the method of payment received.
- C.1. Accounting duties were not adequately segregated in the Academy Fitness Center.
2. Fitness Center receipts were not transmitted on a timely basis.
 3. The Fitness Center did not reconcile the composition of monies transmitted to the Budget and Finance Division to the composition of receipt slips issued by the Fitness Center.
- D.1. Accounting duties were not adequately segregated in the Crime Prevention/Alarm Unit.
2. Prenumbered receipt slips were not issued for all monies received in the Crime Prevention/Alarm Unit.
 3. Receipts were not deposited on a timely basis in the Crime Prevention/Alarm Unit.
 4. Checks and money orders received were not restrictively endorsed immediately upon receipt in the Crime Prevention/Alarm Unit.
 5. Accounts receivable in the Crime Prevention/Alarm Unit were not reviewed on a periodic basis to determine the collectability of the accounts and were not turned over for prosecution by the city.
- E.1. The Private Security Unit did not always deposit monies received intact.

2. The Private Security Unit did not enter advance payments from companies in the cash register.
- F.1. Standard record-keeping procedures for city ordinance bonds had not been developed at the area command centers. In addition, the numerical sequence of bond forms was not accounted for by the area command centers.
2. Bond monies transmitted to the TVB were not periodically reconciled to the three area superstation's records of bond monies collected.
3. City ordinance bond monies were not transmitted on a timely basis.

Recommendation:

The SLBPC:

- A.1. Indicate the method of payment on all receipt slips issued and reconcile total cash, checks, and money orders received to bank deposits.
2. Deposit or transmit receipts daily or whenever accumulated receipts exceed \$100.
3. Restrictively endorse all checks and money orders immediately upon receipt.
4. Transmit monies due to the city on a timely basis.
5. Deposit monies received into accounts from which the corresponding expenditures were paid.
6. Establish adequate controls and records to account for receivables and liabilities maintained in the sub-accounts.
- B.1. Adequately segregate duties between available employees and/or establish a documented periodic review of records by an independent person.
2. Account for the numerical sequence of cash invoices.
3. Indicate the method of payment on cash invoices issued and reconcile total cash, checks, and money orders received to transmittals to the Budget and Finance Division.
- C.1. Adequately segregate duties between available employees and/or establish a documented periodic review of records by an independent person.
2. Transmit receipts daily or whenever accumulated receipts exceed \$100.

3. Reconcile the composition of receipt slips issued by the Fitness Center to the composition of amounts transmitted to the Budget and Finance Division.
- D.1. Adequately segregate accounts receivable record functions from access to receipts. If adequate segregation is not possible, someone independent of these processes should reconcile receipt slips to deposits and to payments posted to the computer. In addition, SLBPC should require supervisory review and approval of all write offs.
2. Issue prenumbered receipt slips for all alarm fee monies received and account for the numerical sequence. In addition, the alarm fee monies received by the Crime Prevention/Alarm Unit should be reconciled to the deposit.
 3. Deposit or transmit receipts daily or whenever accumulated receipts exceed \$100.
 4. Restrictively endorse all checks and money orders immediately upon receipt.
 5. Implement procedures regarding the determination of uncollectible accounts receivable. Amounts deemed uncollectible by the unit should be referred to the city for prosecution.
- E.1. Discontinue the practice of cashing checks, deposit all receipts intact, and require the reconciliation of the composition of receipts to the composition of deposits by an independent person.
2. Enter all monies received in the cash register.
- F.1. Develop department-wide standard record keeping procedures for city ordinance bond receipt forms so that city ordinance bond receipt forms are issued and filed in numerical sequence, the sequence is accounted for, receipt numbers are recorded on the bond logs, and receipts are agreed to transmittals.
2. Ensure bond monies transmitted to the TVB are reconciled to the area superstation's records by an independent person.
 3. Transmit bond monies daily or whenever accumulated receipts exceed \$100.

Status:

A.1-5. Implemented.

6. Partially implemented. The SLBPC made arrangements with the city to be reimbursed monthly for certain travel advances to officers and the corresponding state reimbursements are turned over to the city. However, no one is tracking the amount due to the city collected by the police department from the state. See MAR No. 6.

B.1. Partially implemented. Improvement has been made but one individual still has conflicting duties and no independent review was done in the unit. See MAR No. 6.

B.2,

B.3. Implemented.

C.1. Partially implemented. The supervisor still accepts cash and reconciles the records. No one independent reviews the records. See MAR No. 6.

C.2,

C.3. Implemented.

D1-3,

D.5. Not implemented. See MAR No. 3.

4. Implemented.

E.1,

E.2. Implemented.

F.1. Partially implemented. Procedures are more similar but all area superstations are not following the written procedures. Although not repeated in the current report, the SLBPC should consider fully implementing the recommendation.

2. Partially implemented. The area superstations are reconciling the records, however, the reconciliation is not always documented. Although not repeated in the current report, the SLBPC should consider fully implementing the recommendation.

3. Partially implemented. Prisoner processing completely implemented this recommendation, however, we found the three area superstations had not implemented the recommendation. See MAR No. 6.

6. Inventory Controls and Procedures

A.1. The Supply Division did not periodically prepare a report including the beginning balance, supply issuances, purchases and ending balances for each item.

2. We noted several items which appeared to have excessive quantities on hand in the Supply Division.

3. We noted several items which appeared to be obsolete in the Supply Division.

B.1. Fleet Services did not periodically prepare a summary report that shows the beginning balance, purchases, issuances, and ending balance for each part.

2. Fleet Services did not perform periodic physical inventory counts of the parts kept in stock.
- C. The guns held in stock in the Armory were not periodically counted, and a periodic inventory count was not performed by staff outside the Armory.

Recommendation:

The SLBPC:

- A.1. Prepare a quarterly report that shows the beginning balance, purchases, issuances and ending balance for each supply item.
 2. Order supplies based on expected usage to reduce excessive supply inventories.
 3. Determine if any of the obsolete items can still be used, and properly dispose of those items that are no longer used.
- B.1. Prepare a quarterly report that shows the beginning balance, purchases, issuances and ending balance for each part.
 2. Ensure a periodic physical count of inventory is performed quarterly by an employee independent of parts operations. The results of that inventory should be compared to the inventory records and discrepancies should be investigated in a timely manner.
- C. Ensure a periodic physical count of inventory is performed at least quarterly by an employee of the Armory and annually by an employee independent of the Armory. The results of that inventory should be compared to the inventory records and discrepancies should be investigated in a timely manner.

Status:

- A.1. Not implemented. See MAR No. 7.
 2. Partially implemented. We still found a few items that appear to be overstocked. Although not repeated in the current report, the SLBPC should consider fully implementing the recommendation.
 3. Partially implemented. Several of the items we identified in the last audit were disposed of, however, we found some new items that appear to be obsolete. The Supply Division started investigating these items after we completed our work and the division supervisor has drafted procedures for monitoring and investigating obsolete items in the future. Although not repeated in the current report, the SLBPC should consider fully implementing the recommendation.

- B.1 Not implemented. See MAR No. 7.
- 2. Partially implemented. The internal auditor performed an inventory in June 2000, and Fleet Services does periodic inventories/spot checks, however the spot checks are not always done by independent personnel as recommended. See MAR No. 7.
- C. Partially implemented. An independent count was conducted by the internal auditor, however, periodic counts were not performed by the division personnel. See MAR No. 7.

7. Traffic Ticket and Parking Tag Controls

- A. The department did not ensure logs of ticket books assigned to officers are completed. In addition, we noted that ticket books were not always assigned to the officers in numerical sequence, and we noted one instance where the officer did not issue his tickets in numerical sequence.
- B. The Information Services Division (ISD) discarded the cover and completion sheets after approximately one year and the divisions assigning tickets only maintained their ticket logs for thirteen months.
- C. The department did not account for tickets assigned and issued and their ultimate disposition. The department did not ensure that voided tickets were handled properly.

Recommendation:

The SLBPC:

- A. Require the area stations and other patrol units to maintain accurate and complete logs of traffic and parking tickets received and issued. Ticket books should be assigned to officers in numerical order and the officers should issue all tickets in numerical order.
- B. Require ISD maintain a permanent record of books started and completed, and maintain these records in accordance with the police policy. In addition, the SLBPC should review the record retention policy and revise the policy to meet the requirements of the Missouri Municipal Records Manual.
- C. Account for the numerical sequence of tickets assigned and issued and their ultimate disposition.

Status:

- A. Partially implemented. We noted that the officers names were on most of the logs we examined, however, the date the books were issued was not included on one area station's logs, and we noted several instances where the ticket books were not assigned to officers in numerical order. See MAR No. 8.
- B. Partially implemented. They are currently revising their record retention policy. Although not repeated in the current report, the SLBPC should consider fully implementing the recommendation.
- C. Partially implemented. They have developed computer reports and have been running these reports, however no one in the Police Department has been investigating the missing tickets. See MAR No. 8.

8. Cash Funds

No independent review of Vice/Narcotics Division cash funds was made to ensure they were maintained properly. The supervisor's monthly review of records was not documented. The ledger balance was not properly adjusted when monies were returned by the officers. The officer accumulated approximately \$15,540 from the returned monies which was maintained separately from the cash fund.

Recommendation:

The SLBPC:

Require the cash funds to be periodically counted and reconciled to the ledger balance by an outside unit. Additionally, the supervisor of the division should document all monthly reviews.

Status:

Partially implemented. Controls have increased significantly since the last audit, however, no one outside the unit periodically counts the monies. The internal auditor did perform one cash count of these monies in June 2000. The commander of the unit still does not document the monthly reviews of the records. The supervisor now documents his reviews. See MAR No.6.

9. State Forfeitures

- A. As of September 1998, the SLBPC was holding over \$79,000 in interest monies earned on Criminal Activity Forfeiture Act (CAFA) Funds. The CAFA Funds are held in a separate interest bearing checking account.

- B. In May 1997, the SLBPC entered into a contract with a company for towing and storage of vehicles seized by the department under the CAFA. This contract was entered into without soliciting bids. The company pays the SLBPC one-half of the amount collected from owners/claimants for vehicles released. As of November 1998, the SLBPC had received approximately \$93,300 from the company.

Recommendation:

The SLBPC:

- A. Disburse the interest earned on the CAFA funds in the same manner as the proceeds from the CAFA forfeitures.
- B. Negotiate or solicit bids to obtain the best and lowest fees possible. In addition, the SLBPC should not enter into a contract which requires the towing and storage company to provide a portion of the fees collected to the SLBPC.

Status:

- A. Partially implemented. The SLBPC disbursed some interest monies in February 1999, however, no additional disbursements have been made. See MAR No. 5.
- B. Partially implemented. The board solicited proposals for towing and storage, and selected the best vendor. The board still receives 50% of the fees the towing company collects from towing and storing the vehicles. The contract is written as 50%, not in a manner that could be interpreted as receiving administrative expenses and no tracking was done to determine a fair administrative cost. See MAR No. 5.

10. Minutes of Meetings and Records

- A. The SLBPC held several closed meetings during the years ended June 30, 1998, 1997, and 1996. During some of the closed meetings, matters were discussed which do not appear to be allowed by Section 610.021, RSMo 1994.
- B. The SLBPC's record retention policy is documented in Administrative Order 85-A-2. In general, the policy requires a thirteen month retention period for most source documentation related to typical daily activity of the department. During our review of the SLBPC, we were unable to review cash register tapes, transfer count reports showing parking tickets transferred to REJIS and the related transfer errors, and the traffic ticket transmittal envelopes.

Recommendation:

The SLBPC:

- A. Limit closed session meetings only to purposes specifically allowed by state law.
- B. Review the record retention policy and revise the policy to meet the requirements of the Missouri Municipal Records Manual.

Status:

- A. Implemented.
- B. Partially implemented. The policy is currently being revised and has been submitted to the Secretary of State's office for approval.

11. Fixed Asset Records and Procedures

- A. The SLBPC's policy on fixed assets does not include procedures for performing an annual inventory.
- B. Additions and deletions of fixed assets are not recorded in the asset records as they occur. In addition, fixed asset additions are not reconciled to equipment purchases.
- C. Asset records are not maintained in a manner that allows beginning balances, additions, and deletions for each year to be reconciled to balances at the end of the year.

Recommendation:

The SLBPC:

- A. Ensure the policy includes a section on performing an annual inventory. In addition, the SLBPC should perform and document annual inventories of fixed assets.
- B. Maintain accurate fixed asset records on a current basis and periodically reconcile these records to fixed asset purchases.
- C. Maintain asset records in a manner that beginning balances, additions, and deletions can be reconciled to year-end balances.

Status:

- A. Partially implemented. A policy was written which requires an annual inventory be completed. The procedures for performing an inventory were not included in this

policy. The board was in the process of completing an annual inventory during our fieldwork and it was not completed by the time we completed the audit. Although not repeated in the current report, the SLBPC should consider fully implementing the recommendation.

B&C. Not implemented. See MAR No. 4.

12. Computer Controls

- A. The ISD has no formal contingency plan for the computer system.
- B. Access to computer files and programs are not adequately restricted. Passwords and user identifications (IDs) are not promptly deleted upon employee termination or transfer. In addition, numerous incorrect log on attempts are not investigated on a periodic basis.

Recommendation:

The SLBPC:

- A. Develop formal contingency plans including arrangements for backup facilities and equipment. The SLBPC should also provide a system for periodic review and testing of the contingency plan.
- B. Ensure that passwords and IDs are promptly deleted upon employee termination or transfer. Additionally, the SLBPC should investigate incorrect log on attempts on a periodic basis.

Status:

A&B. Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

ST. LOUIS BOARD OF POLICE COMMISSIONERS HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The St. Louis Board of Police Commissioners was established by an act of the legislature in 1861 to provide law enforcement protection to the citizens of the city of St. Louis. The board operates under the provisions of Sections 84.010 to 84.340, inclusive, RSMo 1994.

The Board of Police Commissioners consists of five members. The governor, with the consent of the Senate, appoints four commissioners who, with the mayor of the city of St. Louis as an ex officio member, control the operations of the St. Louis Police Department. The board members are appointed for a term of four years. The police property, as well as the Police Department itself, is subject to the rules and orders of the Board of Police Commissioners.

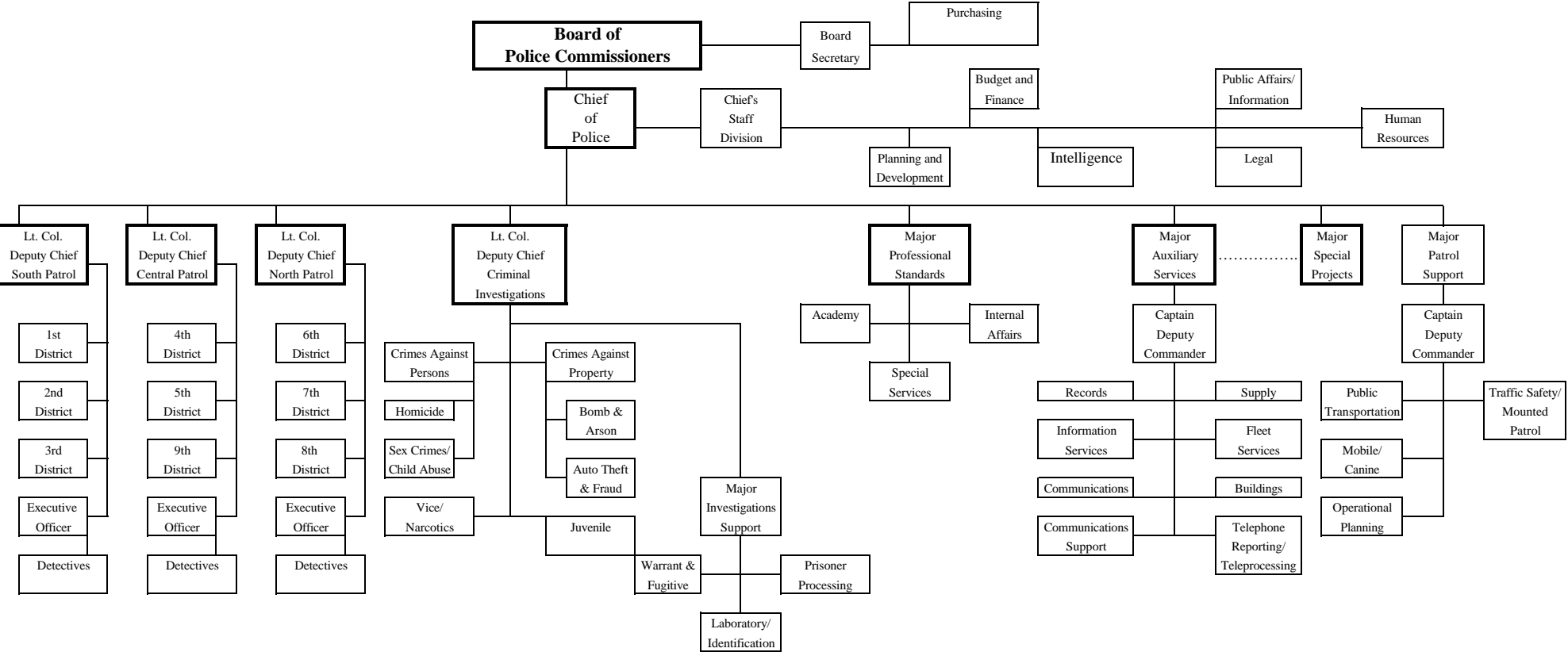
The members of the Board of Police Commissioners at June 30, 2000, were:

<u>Member</u>	<u>Term Expires</u>
Colonel Edward M. Roth, President	January 1, 2002
Colonel Maurice Nutt, Rev., Vice President	January 1, 2004
Colonel Leslie F. Bond, Sr., M.D., Treasurer	January 1, 2001
Colonel Mark Smith, Purchasing Member	January 1, 2003
Mayor Clarence Harmon, Ex Officio Member	April 15, 2001

Colonel Ronald Henderson has been the Chief of Police since December 9, 1995.

An organizational chart follows.

ST. LOUIS BOARD OF POLICE COMMISSIONERS
ORGANIZATION CHART
JUNE 30, 2000





**AUDIT OF
ANIMAL CARE FACILITIES
INSPECTION PROGRAM**

From The Office Of State Auditor
Claire McCaskill

Report No. 2001-09
February 15, 2001

Division of Animal Health inspectors did not properly inspect animal care facilities and canines were left at risk. Program personnel chose to encourage breeders to comply with regulations rather than sanction them.

www.auditor.state.mo.us

PERFORMANCE AUDIT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2001

www.auditor.state.mo.us

Commercial dog breeders have no incentive to comply with Missouri laws, leaving canines at risk for substandard care.

Missouri has the highest percentage of licensed commercial dog breeders in the nation, yet the state program that regulates these breeders is ineffective, our audit found. Our concerns about the Division of Animal Health's animal care inspection program fall into four main areas: spotty state inspections with few sanctions; appearance of conflicts of interests of top management; state inspections less thorough than federal inspections; and lax program performance measures.

No penalties from state inspections

State inspectors have not fined, revoked or suspended licenses of any Missouri commercial breeder in at least two years. Whereas, in just one of these years, federal inspectors fined 11 of Missouri's commercial breeders in excess of \$14,000. State program officials would rather "encourage" breeders to improve, rather than issue sanctions. This philosophy means inspectors often tell breeders about violations rather than recording or fining them. Such a practice leaves the program little paper trail to track violations and breeders little incentive to correct problems. (See page 6)

Federal inspections more thorough

An average state inspection for the three inspectors we accompanied takes only 15 to 30 minutes, as compared to an average 90-minute federal inspection. During the state inspections, not all inspectors check for expired medications, reconcile the number of dogs in a facility to its inventory records, or review records of how dogs were received or distributed. All of these inspection tests concern a dog's health under a breeder's care.

State inspectors did not coordinate inspections with federal authorities, which caused overlapping inspections at some facilities. In one case, state and federal inspectors arrived on the same day, but reported starkly different conditions. State inspections reported no violations, while federal inspectors noted seven violations, including six repeat violations. (See page 4)

SHEET
MOTLEY
YELLOW

In addition, some state inspectors did not note violations, such as a dog struggling to keep its foot from falling through the wire mesh flooring; while other state inspectors said they knew if the dogs were healthy by looking at their eyes and coats. (See page 2)

State inspectors initially told our auditors that they do not “nitpick” like the federal inspectors and dismissed the federal inspections as unreliable. However, in their response to our audit, department officials then presented the federal inspections as a collaborative effort with state agents, which has not been the practice. (See page 8)

Inspector time logs need monitoring

Our review showed that managers do not have a reporting system to easily analyze how inspectors spend their time. We analyzed weekly activity reports of 5 inspectors over a four-month period. One inspector reported an average 10.4-hour workday. Using conservative calculations that included travel time and our observation that inspections took about 30 minutes, this inspector had an average of 4.7 hours each day not spent on daily inspections. When our staff noted this to program officials, they stated an average inspection took 4 hours, but they did not have data to support this statement. (See page 16).

Appearance of Conflict of interest

The program coordinator and an inspector, both responsible for monitoring Missouri’s breeding industry, were former commercial breeders. They are still involved in the industry through their wives, who now run their former businesses. Missouri law includes business ownership through a spouse in the conflict of interest definition. (See page 10)

Our recommendations included changes to make a more effective inspection program and taking action to resolve conflicts of interest or the appearance of a conflict of interest within the animal care facilities inspection program.

Subsequent to receiving the Department’s official response, effective January 26, 2001, the program coordinator and the inspector were reassigned to other duties within the Department of Agriculture and no longer have a role in the canine inspection program.

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Lowell Mohler, Director Department of Agriculture
and
Dr. John W. Hunt, Jr., Director Division of Animal Health

The State Auditor's Office audited the Department of Agriculture's Division of Animal Health's animal care facilities inspection program. The audit was initiated because of negative publicity concerning care of canines by breeders licensed in Missouri, and because of the State of Missouri's prominent role in licensing and monitoring approximately 33 percent of all animal care facilities nationwide.

The purpose of the audit was to determine if animal care facilities program personnel effectively managed the inspection program for licensed breeders. The audit focused on the inspection program for commercial breeders. The audit focused on the conduct of inspections, actions taken as a result of the inspections, coordination with the U.S. Department of Agriculture inspectors, and management reporting systems.

The inspection program is not well managed and improvements are needed to ensure that violators of Missouri law are properly notified and proper sanctions are used to ensure compliance and to protect the canines. There appears to be a conflict of interest in that key officials have spouses who manage commercial breeding businesses.

A handwritten signature in black ink that reads "Claire McCaskill".

Claire McCaskill
State Auditor

November 20, 2000 (fieldwork completion)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
Audit Manager:	Robert D. Spence, CGFM
In-Charge Auditor:	Douglas E. Brewer
Audit Staff:	Carl E. Zilch, Jr.

RESULTS AND RECOMMENDATIONS

1. Animal Care Facility Act Inspections Need to Be More Effective

Inspections of commercial breeder facilities were not thorough, did not disclose many violations, and did not result in reporting all violations when compared to federal inspections. Laxity in the inspection program has occurred because management's philosophy favors commercial breeders and effective procedures for inspecting facilities do not exist. Program officials do not stress fines and sanctions; rather they "encourage" breeders to improve. This philosophy is implemented by some state inspectors and as a result, the tracking of offenses that would ultimately lead to fines and suspensions, is not always occurring. Therefore, commercial breeders have little, if any, incentive to comply with state statutes or to correct violations, and canines are vulnerable to inadequate care.

Background

Missouri has become a major player in the breeding and sale of canines. As of September 30, 1999, approximately 33 percent of all commercial breeders licensed and monitored nationwide by the U.S. Department of Agriculture operated in Missouri, which is the highest concentration of breeders among all the states. The state legislature established the Animal Care Facilities Act in 1992 to provide state oversight to all breeders, dealers, exhibitors, hobbyists, boarders, retail pet stores, animal shelters, and municipal pounds involved in the sale or care of canines and cats that meet the requirements of the Act.

The Missouri Department of Agriculture established the animal care facilities act program in 1994, in order to carry out the provisions of the Act. With minor exceptions, state program regulations parallel U.S. Department of Agriculture regulations and outline minimum requirements for the operation of animal facilities. In April of 1994, the director of the state Animal Health Division entered into a memorandum of understanding with U.S. agricultural officials. That agreement promoted coordination between state and federal program officials to reduce duplication of effort by inspectors and established procedures to share federal inspection reports on facilities that are licensed by state and federal agricultural officials. This agreement included the understanding that federal inspectors were also acting as state inspectors for animal facilities dually licensed by the state and federal government. As of June 30, 2000, there were approximately 1,962 licensed and registered animal facilities in the state. Of that amount, approximately 1,107, or 56 percent, were licensed as commercial breeders. (*See Appendix II, page 20, for additional information*).

State inspections are not as thorough as federal inspections

Our comparative analysis and observation of inspections of commercial breeders by four state program inspectors and one federal inspector disclosed that state inspectors (1) did not inspect as many areas at commercial breeder facilities as federal inspectors; (2) took less time than federal inspectors at similar facilities; and (3) did not always cite obvious violations.

Table 1.1 compares inspection activities addressed by the federal and state inspectors, based on our observations of, and discussions with, inspectors during inspections.

Table 1.1 Comparison of Federal and State Inspection Coverage

Areas of Inspection	Federal Inspection	State Inspection
Checked conditions of shelter/pen	x	x
Checked conditions of food and water	x	x
Checked for expired medication	x	
Counted number of canines on-hand	x	
Reviewed disposition records ¹	x	
Reviewed acquisition records ²	x	
Verified canines' identification tag information to facility owners' records	x	

State inspectors addressed fewer areas than the federal inspector in part, because state inspectors limit inspection efforts. Two of the state inspectors stated they focus inspection efforts on basics such as adequate food and shelter, as well as the appearance of the canines, or that they relied on federal inspectors to review facility records. One inspector stated that he could look at their eyes and coat and tell whether the owner is caring for them.

State inspectors do not always check the identification and the number of canines at breeder facilities, which are important elements of animal care. The inspectors need to ensure that all canines that were at the facility were accounted for either through presence at the facility or through records of disposition. The federal inspector we accompanied on visits to facilities emphasized the importance of inspecting the activities identified in Table 1.1. For example, he verified that canines were identified and he counted the canines. He then verified his count of canines against facility owners' records to ensure that the records accurately reflected the acquisition and disposition of canines. At one of the facilities visited, the records did not agree, and he cited the facility for a violation.

Inspections do not measure up to federal inspections

During our site visits to facilities with state inspectors, we noted the following

- State inspectors took from 15 minutes to 30 minutes to complete each inspection at 4 commercial breeder facilities visited. One of the inspectors stated that this time-span was typical for 95 percent of his facilities, but later he commented that occasionally he might spend as much as 45 minutes to an hour. This compares to 1.5 hours taken by the federal inspector we accompanied on two inspections of similar facilities.
- At one facility, the state inspector did not cite the facility's owner for a violation that was readily apparent. For example, we observed canine feet slipping through the floors of wire cages. This is a violation under the animal care facilities act, and a violation that federal inspectors would normally include in an inspection report. However, the state inspector responsible for this facility stated that he did not see the condition we described. When asked if he would have documented this violation on the inspection report, he stated that he knew this facility owner and felt she would have corrected the

¹ One state inspector reviewed these records.

² One state inspector verified that the owner had these records, but did not review them.

problem based on his verbal recommendations. Based on this discussion, the inspector neither saw the violation, nor would have reported it if he had seen it.

The state program lacks procedures to assure thorough inspections

Program officials did not establish formal procedures to ensure uniform and thorough inspections of commercial breeder facilities. This has occurred because management chose to rely on experienced inspectors to teach new staff how to do inspections in place of formal procedures. Inspectors do not have guidance, other than program regulations, to guide them in inspecting commercial breeder facilities.

At one time, inspectors had some guidance they could use to assist them with facility inspections. As late as October 1998, inspectors used an inspection form that specified items and areas to be inspected. It also referenced federal and state guidance for each area inspected. Based on our sample of inspection reports, inspectors stopped using this form in late 1998. The program coordinator could not explain why inspectors stopped using the form. In its place, inspectors now use a blank form to record non-compliant items when inspecting facilities. The current form makes no reference to what to inspect or guidance that would be helpful in deciding whether or not a violation had occurred.

Inspectors
need
better
procedures

Federal inspectors report more violations than state inspectors

Audit tests of 216 state and federal inspection reports at 40 commercial breeder facilities, licensed by the state and federal governments, revealed that federal inspectors cited breeders for violations more frequently than state inspectors. Federal inspectors reported violations in 73 percent of their inspections while state inspectors only reported violations in 42 percent of their inspections at the same facilities. Examples of inspection results follow.

- State and federal inspectors inspected a facility on the same day. The state inspector reported no problems. However, a federal inspector visited the facility in the afternoon and reported seven items of non-compliance; six of the reported items were violations that the federal inspectors noted during a previous inspection.
- A federal inspector visited a facility and reported three items of non-compliance; two of these items were also noted during the prior federal inspection. A state inspector visited that facility later the same day and noted no violations.

In the two examples discussed above, federal inspectors reported violations such as improper wire flooring, which could injure canines' feet; medications that had expired; canines that had not been properly identified; and enclosures that had not been cleaned. State inspectors did not report any of these violations.

- A state inspector performed a routine inspection without noting any items of non-compliance. However, a federal inspector examined the same facility 1 day later

and cited the owner for using improper items to provide shelter to canines. Furthermore, the federal inspector reported the same violations during the previous federal inspection.

- A state inspector inspected a facility and the report did not indicate findings of non-compliance. However, 7 days later, a federal inspector reported the owner for using improper sized wire for flooring, which could injure the canines' feet. In addition, the federal inspector indicated that the premises were not clean and free of rodents.
- At one facility, a federal inspector noted that canines' pens were not properly cleaned and that records were not updated with an accurate count of the animals. Less than a month later, the state inspector inspected this facility and did not note any violations. However, a federal inspector revisited the facility within 1 month after the state inspector and reported the same problems previously reported.

State inspectors do not report all violations

Our site visits with state inspectors disclosed that the state inspector did not document all violations. For example, one state inspector noted a corroded clamp on a water pipe and dirty water containers at a facility but did not document these violations on the inspection report. Instead, the inspector discussed these items informally with the facility owner. At another facility, a different inspector noted that some canine shelters did not have wind and rain breakers that shield canines from the weather. This inspector also discussed these items informally with the facility owner and did not report them.

Inspectors are not reporting violations

When asked why all violations are not documented, one of the inspectors stated that, based on his working relationship with different breeders, he often knows whether or not the breeder would correct the problem upon his verbal recommendation. Another inspector stated that he does not "nitpick" breeders like federal inspectors do. He does not cite breeders for minor violations; instead he handles those violations informally. He also stated that he tries to help breeders get into compliance and does not want to fine them.

According to program personnel, state inspectors should be following a system similar to that used by federal inspectors to report violations. This system provides for tracking repeat violations and, if necessary, setting the stage for sanctions against the breeder. For example, the first time a violation is reported, it is classified as a category III violation. If the state inspector finds the same condition on the next inspection, it would be reported as a category IV. If that violation has not been corrected by the next inspection, it would be reported as a category V violation. When a commercial breeder receives a category V, the breeder is subject to an administrative hearing. The administrative hearing provides the facility owner with an opportunity to refute the alleged violation. If the violation finding is upheld, program officials can levy up to \$1,000 per violation or take other remedial action to correct violations. In addition, the facility owner is charged a fee of \$100 for a follow-up inspection. Under this practice, a facility owner is given several chances to correct a violation before action is taken. However, if inspectors do not report violations, the breeders will not be subject to penalty because violations must accumulate before sanctions are imposed.

Program officials do not take action to penalize breeders

Program officials have not fined, revoked, or suspended licenses of any dually licensed (federal and state licensed) commercial breeder facility operators in the last 2 years. Although there are no records available, program personnel stated that even prior to 1998 there had been no administrative hearings. This has occurred because program officials believe they should work with commercial breeders to improve operations instead of levying fines and revoking or suspending licenses of breeders that violate state licensing regulations. Program officials stated that their role is to help facility owners correct problems and allow owners to use funds that would have resulted from fines to improve operations of the facility.

The inspection
program
favors
breeders

Several of the state inspectors we accompanied on inspection visits demonstrated management's philosophy of helping breeders achieve compliance. They stated that it is their duty, or "it is best", to get breeders into compliance rather than to fine them. However, some of these inspectors also expressed frustration that when breeders are reported for violations, program officials do not pursue fines as a means to enforce program regulations. One of the inspectors stated that more hearings and enforcement are needed; otherwise, inspectors have no authority or ability to enforce the program. Another inspector expressed frustration because there are facilities cited by federal inspectors with serious problems and no action is taken at the state level against these offenders or other repeat offenders.

Some
inspectors are
frustrated

Federal officials use penalties as a means to enforce corrective action

Federal officials use penalties as a means to enforce animal care regulations. For example, from October 1, 1999 to September 30, 2000, federal records showed officials levied penalties of \$14,640 against 11 commercial breeders. Federal officials collected \$10,540 in penalties from the 11 commercial breeders and also required 6 of the 11 breeders to spend \$4,100 to correct problems at their facilities. Federal personnel also followed up with breeders to ensure that funds were spent to correct problems.

Federal
inspectors get
results

According to a federal inspector, the federal system of reporting violations helps assure violations are corrected. For example, the first time a violation is noted it is classified as a category III violation. If the inspector notes the same violation during the next visit, the violation category is increased to IV. Then, if the facility owner still does not correct the problem by the next inspection, the inspector turns the case over to an investigator. Once the investigator verifies the violation, he turns the case over to the U.S. Department of Agriculture's Office of General Counsel. Personnel in that office take action against the facility's owner that ultimately results in a penalty and corrective action. As discussed on page 5 of this report, state inspectors are supposed to be following a similar practice, however, not all violations noted by state inspectors are documented.

The Animal Care Facilities Act provides necessary authority to enforce penalties

The state's Animal Care Facilities Act provides that the Director of the Missouri Department of Agriculture may revoke, or refuse to renew, a commercial breeder's license when the breeder fails to provide adequate food, water, housing or sanitary facilities, or fails to meet other provisions of the Act.

State
inspectors
have authority
to sanction

The Act also provides that monetary penalties can be levied against offenders cited by the state. This could occur when a facility's owner is cited for various violations and the Director, or his designee, requests an administrative hearing. If the hearing's officer upholds findings, the Director can take action against the owner that is enforceable in a court of law. In addition, a fine of up to \$1,000 per violation can be levied against the facility's owner.

Conclusion

The state legislature provided program officials with the authority to enforce penalties and sanctions against commercial breeders. However, officials have not used the authority to enforce fines and other sanctions. Program officials may have meant well by coaching breeders into compliance rather than citing them for violations, however, they have undermined their capability to take action against non-compliant breeders. In an effort to help breeders achieve compliance, state inspectors are not always recording violations, which keeps them from tracking repeat offenders or noting when violations occur that would lead to an administrative hearing and possible fine or suspension. When inspectors overlook or do not report violations, and management consistently takes no action to enforce regulations, commercial breeders have no incentive to follow state regulations or correct deficiencies noted by state inspectors. Also, by not pursuing inspections and citing violations as called for in the statutes, program officials give the appearance that they are favoring commercial breeders and there is an increased likelihood that canines are not receiving adequate care.

Recommendations

We recommend the Animal Health Division Director:

- 1.1 Establish formal inspection procedures to ensure that inspectors have adequate guidance to follow in conducting inspections.
- 1.2 Establish a formal training program to ensure inspectors are adequately trained.
- 1.3 Ensure inspectors consistently follow inspection procedures to assure thorough inspections take place and that all violations are recorded and reported.
- 1.4 Take action to enforce penalties in order to ensure commercial breeders comply with provisions of the Act.

Director of Division of Animal Health Comments

Full text comments are included in Appendix III, page 23.

Recommendation 1.1—The Animal Care Inspection Worksheet once served as the first page of the inspection report, with narratives cited on subsequent pages. Although we believe the narrative report we use now is easier to read, the Animal Care Inspection Worksheet will be added to the official inspection report.

Recommendation 1.2—At our February 2001 Animal Care Facilities Act work conference we will reevaluate all inspection procedures and develop a new employee-training workbook.

Recommendation 1.3—As stated in 1.1, the Animal Care Inspection Worksheet will be incorporated into the official inspection report. The work conference scheduled for February 2001 will stress the need to document all non-compliant items during an inspection; even those corrected on the same day.

Recommendation 1.4—Missouri law does not establish a separate investigative arm to parallel federal procedures when taking punitive action against a licensee. We are exploring the possibility of developing language in the Memorandum of Understanding to utilize the IES investigator in our state to help develop investigative reports that might lead to an administrative hearing. In addition, a Memorandum of Understanding has been signed between the Missouri Administrative Hearing Commission and the Missouri Department of Agriculture to provide hearing officers for administrative appeals. The division director also provided a recap of the number of sanctions imposed on Missouri commercial breeders by the U.S. Department of Agriculture for the fiscal year 2000, and a list of four examples where actions were taken by the Animal Care Facilities Act personnel to enforce penalties to ensure commercial breeders comply with provisions of the Act.

State Auditor Comments

Responses to recommendations 1.1, 1.2, and 1.3 meet the intent of our recommendations. The response to recommendation 1.4 meets the intent of the recommendation however the narrative does not adequately portray circumstances as they exist. The actions taken by federal inspectors were appropriate and represent proper sanctions against commercial breeders and for the purposes of overseeing the commercial breeding industry they represented the state well. Although represented by the division director as a collaborative achievement for the division, federal inspections were not considered so at any time during our audit. In fact, the division director and the program coordinator on more than one occasion dismissed the federal inspections as unreliable and “nitpicky”. When the auditors advised both individuals at the exit conference for this audit that the federal inspections were far better than the inspections conducted by the state inspectors, the division director acknowledged that the federal inspections could be of value to them. Additionally, although there was a memorandum of understanding that the federal inspectors were agents of the state, neither the division director nor the program coordinator treated it as such. In response to our questions as to why state inspectors were going to the same places the federal inspectors were going to, sometimes on the same day, they stated that they could not rely on the federal inspectors because their inspections were not as good as the state inspections. The program coordinator advised that since the memorandum was not

signed, although it was signed, he did not view it as being in effect. As we cited in the report, the state inspectors did not sanction commercial breeders and fortunately the federal inspectors did.

The division director's examples of actions taken to enforce penalties to ensure commercial breeders comply with provisions of the Act do not accurately address the problems we found in state sanctioning of breeders. As stated in the report, federal inspectors were citing the same breeders that state inspectors were not citing. Regarding the four examples, two cases resulted in the collection of \$100 reinspection fees, one of which was handled by the prior program administration and the other involved a facility owner cited for serious (category V) violations that should have warranted an administrative hearing along with a substantial fine. Another case involved an instance where the Humane Society and a local Sheriff's department seized animals from a facility. The final case involved an instance in which the state inspector convinced a commercial breeder to reduce the number of canines, exempting him from licensing requirements.

2. Conflicts of Interest Appear to Exist Within the Animal Care Facilities Act Program

Conflicts of interest appear to exist at the management and staff levels of the animal care facilities act program. The program coordinator and a state inspector were licensed as commercial breeders while performing state duties that included inspecting commercial breeders. Although both individuals later removed their names from the licenses, the commercial breeding facilities are still licensed and operated by their wives. Missouri statutes include spousal relationships in the definition of business interests that could conflict with state employment. Senior management officials did not consult the Missouri Ethics Commission concerning the conflicts, although they were aware of the individuals' businesses. As a result, the animal care facilities program is managed and operated by persons whose spouses have business interests in the same industry they are regulating, and there is no assurance to the public that inspections of commercial breeders will be conducted in an unbiased manner. Such biases could result in lax inspections of commercial breeders and a reluctance to sanction violators. Chapter 105 of the Missouri statutes addresses conflict of interest issues. More specifically, Section 105.450, RSMo Cum. Supp. 1999, states that ownership of 10 percent or more of a business entity by an individual, or an individual's spouse, constitutes a "substantial interest" in that business entity.

Conflict of interest issues may exist that have not been resolved

Program officials hired the program coordinator in September 1998 and a state inspector in October 1997. At that time, both individuals and their wives operated commercial breeding facilities that had been licensed by the state in March 1995 and December 1993, respectively. When the state licenses for these facilities needed to be renewed by the owners, these individuals removed their names from the licenses. However, their wives received licenses and continue to operate the businesses.

The Director of the Animal Health Division stated he had resolved the conflicts when he made arrangements to have the program coordinator's and the state inspector's commercial breeding facilities independently inspected by U. S. Department of Agriculture inspectors. These independent inspections do not resolve the issues of ownership and spousal relationship that are at the core of the conflict of interest. The issue is whether the individuals hired could carry out their duties, one as the manager of the inspection program and the other as an inspector, without bias. Biases that could occur either intentionally or unintentionally would include lax inspections of fellow breeders and reluctance to sanction violators of the law.

Close ties with
commercial
breeder
industry

Conclusions

It is incumbent upon senior managers to ensure that conflicts of interest do not occur within their organizations and questions regarding conflicts of interest should be resolved before employees are hired.

Recommendation

We recommend the Director, Department of Agriculture:

- 2.1 Resolve all conflicts of interest or the appearance of a conflict of interest within the Animal Care Facilities Inspection Program.

Director, Department of Agriculture Comments

Full text comments are included in Appendix III, page 23.

The department strives to hire the most qualified candidates for any position. Both the Animal Care Facilities Act program coordinator and animal health officer in question have the necessary experience, knowledge, skills and abilities to perform the requirements of their respective positions. Both individuals resigned interests in their commercial pet breeding operations by removing their names from the business' license. In addition, to avoid any appearance of a conflict of interest, the state veterinarian asked the U. S. Department of Agriculture to inspect the facilities owned and operated by the spouses of the program coordinator and animal health officer and that the reports be sent directly to the state veterinarian. These measures have ensured that these facilities receive no preferential treatment during annual inspections. A staff attorney for the Missouri Senate has reviewed the situation and has issued a legal opinion stating that no conflict of interest exists within the Animal Care Facilities Act Program. Moreover, a Legislative Oversight Division audit released last February cited no conflict of interest.

State Auditor Comments

Subsequent to receiving the Department's official response, effective January 26, 2001, the program coordinator and the inspector were reassigned to other duties within the Department of Agriculture and no longer have a role in the canine inspection program.

3. Program Officials Have Not Taken Advantage of Federal Inspection Resources to Enhance Operations

Audit tests of inspection reports on 40 facilities disclosed that state inspectors have, at times, unnecessarily duplicated federal inspection efforts. This occurred because program officials have not coordinated inspection efforts with federal inspectors. As a result, both the federal and state inspectors, in a short timeframe, may inspect dually licensed facilities. Program officials have also failed to use federal inspection reports to enhance their oversight of breeders. As a result, state inspectors are not able to effectively monitor commercial breeder facilities.

State and federal inspectors are overlapping each other's inspections

According to inspection reports of 40 commercial breeder facilities, 92 state inspections were completed from May 1998 through April 2000. Twenty of the 92 inspections (22%) were completed within 10 days of a federal inspection. State inspectors inspected 2 facilities on the same day and 3 facilities within 1 day of federal inspectors. See page 4 for a further discussion of the cases reviewed.

Two facilities
were inspected
the same day

Initially, program officials relied on federal personnel to inspect dually licensed commercial breeder facilities in the state. In 1994, program and federal officials executed a memorandum of understanding designed to reduce unnecessary duplication of services by establishing procedures to use federal inspectors as agents for the state and use federal inspection reports. The memorandum allowed program officials to appoint federal inspectors to inspect program facilities, thereby relieving state inspectors of that responsibility. However, in 1995, the previous program coordinator directed state inspectors to conduct inspections of some dually licensed facilities. Then, in May 1996, the program coordinator notified state inspectors to concentrate inspections on dually licensed facilities because he believed state program records should reflect inspections done by state inspectors. In addition, he preferred that inspections not be conducted jointly with federal inspectors.

Federal
inspectors are
agents of state
in some cases

The Director, Animal Health Division, stated that he was not satisfied with the quality of federal inspections and that the federal inspectors were untimely in sharing inspection reports. He also stated that he emphasized inspecting dually licensed facilities because the commercial breeders were complaining that state inspectors were not inspecting their facilities even though federal inspectors were inspecting those facilities. Rather than inform the complainants that the federal inspectors were also agents of the state, he initiated state inspections. There was no documentation to support that federal inspections were low quality and, based on our review, federal inspections were more thorough and more convincing than state inspections.

Federal inspector reports are not being used

Program officials have made little, if any, use of federal inspection reports to help monitor dually licensed facilities. In accordance with the memorandum of understanding, federal personnel routinely send inspection reports to the state program office. These reports highlight inspection findings regarding commercial breeder facilities in the state. However, these reports are filed at

the state office and are not always sent to state inspectors, according to program personnel. As a result, state inspectors are not always aware of federal findings in regard to facilities that they inspect.

Conclusion

The memorandum of understanding was designed to assist the federal and state inspection programs by providing a vehicle for inspecting the many commercial breeders in the state. This memorandum of understanding adds value to the state inspection program and should be used. Audit results showed that state inspections are not as thorough as federal inspections, did not find problems with breeders that federal inspectors found, and did not set the stage for sanctioning breeders who repeatedly violated the law. Fortunately for the canines, federal inspections did cover some of the same facilities that the state inspectors covered. However, if state inspections are properly conducted, and if inspections are coordinated with federal inspectors, there would be no need for both state and federal inspectors to inspect the same facility within a short timeframe.

Recommendations

We recommend the Animal Health Division Director:

- 3.1 Institute formal procedures to increase coordination of inspections with federal officials to reduce unnecessary duplication of inspection efforts.
- 3.2 Resume the memorandum of understanding agreement to use federal inspectors as agents for the state and use the federal inspection results in evaluating compliance with state laws.
- 3.3 Ensure federal inspection reports are provided to and used by inspectors to enhance monitoring of facilities.

Director of Division of Animal Health Comments

Full text comments are included in Appendix III, page 23.

Recommendation 3.1—To date, the risk-based inspection worksheet provided to the federal animal welfare officials to direct their monthly activity is not a document that federal management will share with state management. The actual timing of documentation (receiving the inspection reports) of federal animal welfare official's activity is so inconsistent it makes coordination of inspection timing difficult.

Recommendation 3.2—The Memorandum of Understanding agreement entered into on May 3, 1994, continues to be in full effect since the original date of signing. As the federal risk-based inspection procedure is fully implemented, we plan to revisit the Memorandum of Understanding. The benchmarking of state and federal inspections in the audit coupled with time availability assessments will be very useful in the administration of the animal care program.

Recommendation 3.3—We will instruct our inspectors to review and use federal inspection forms when inspecting facilities. The logistics could best be carried out if the inspector asks for and reviews the last federal inspection report with the licensee before they commence their inspection.

State Auditor Comments

Coordinating inspections with the federal inspectors is critical to ensuring that inspections do not overlap. It is not relevant whether the federal risk-based inspection worksheet is shared with state inspection management officials. It is incumbent upon state inspection management officials to contact and notify federal inspection officials when and where they are going to inspect. This is a proactive effort that should be made by the Animal Care Facilities Act program coordinator. Since this response did not directly respond to the recommendation, we will follow-up with program officials.

4. Program Officials Make Little Use of Available Information to Improve Operations

Program officials have not effectively used information available in the management information database or in reports submitted by inspectors. Program officials have not used the database to develop a management reporting system to assess the status or the effectiveness of the inspection program. Officials have not taken advantage of information in the database on (1) federal inspection results; (2) the status of payments of licensing fees by inspectors; (3) revenue trends on per capita fees paid on canines; or (4) the number and types of facilities licensed by program officials. With the exception of one annual report that recaps licensing fee collections, reports are produced on an as requested basis, according to program personnel.

Key information in the database is not meaningful

Some information in the database is not adequate enough to be effectively used by program officials. For example, data on state inspection reports is not complete enough to allow management, if they choose, to analyze how effectively inspections are accomplished. Each inspector fills out an inspection report summarizing inspection results. However, because there are no formal procedures to guide inspectors on what to inspect or record on the report, it is up to inspectors as to what to report. These reports are entered into the database; however, program officials do not routinely review the reports.

Weekly activity reports could provide insight on how inspectors spend their time

Program officials have not analyzed weekly activity reports prepared by inspectors to improve the efficiency of inspection operations. These reports document daily activities of inspectors such as type of activity, the number of hours worked, and the number of miles driven. Inspectors prepare the reports, and the program coordinator reviews and signs them. The program coordinator does not use the reports for analytic purposes, and audit results show that the review is cursory at best.

To demonstrate the value of analyzing the activity reports, the weekly activity reports prepared by 5 full-time inspectors over a 4-month period disclosed some issues that would warrant at least an inquiry by the program coordinator regarding how time is spent by inspectors.

- Three inspectors spent a total of 40 hours, or 5 days, for activities such as cleaning, washing, and repairing state vehicles.
- One inspector spent 36 hours, or 4.5 days, “on call” at his residence. According to the inspector, he acted in the absence of the program coordinator, waiting for phone calls from personnel at the state office in Jefferson City in case they had program questions. According to program personnel, all inspectors, as well as the program coordinator, are equipped with pagers that could have been used to accommodate phone calls.
- One inspector spent 60 hours, or 7.5 days, completing paperwork and reports.

A review of weekly activity reports for one inspector over a 4-month time period disclosed the following regarding time charges for inspection related activities.

- The inspector's reported workday averaged 10.4 hours. To analyze these hours we had to make some conservative assumptions. Assuming a traveling speed of 50 miles per hour he averaged about 4 hours a day traveling an average of 198 miles during the 4-month period. About 6.4 hours remained to inspect an average of 3.37 facilities a day, which means he spent nearly 2 hours inspecting each facility. However, based on our observations of this inspector, as well as 2 other inspectors, it took from 15 to 30 minutes to inspect each of the 4 commercial breeder facilities. Table 2.2 depicts our analysis of the average inspection time, based on 30 minutes per inspection; average travel time, based on 50 miles per hour; and the average time spent per day compared to the time claimed by the inspector over the 4-month period.

Table 2.2: Analysis of Time Charges

Month	Computed inspection time (hours)	Computed driving time (hours)	Total time (hours)	Time claimed (hours)	Difference (hours)
June	1.6	4.4	6.0	10.6	4.6
July	1.9	3.7	5.6	10.4	4.8
August	1.5	3.8	5.3	10.1	4.8
September	1.8	3.9	5.7	10.5	4.8
4-month average	1.7	4.0	5.7	10.4	4.7

As shown above, when 30 minutes is used as the average time to conduct inspections, it significantly reduces the total time per day to conduct daily inspections—an average of 5.7 hours a day compared to the 10.4 hours reported by this inspector. Even if an average of 1 hour is allowed for each inspection, the difference in computed time and time reported by this inspector is 3 hours. When we brought this matter to the attention of program officials, they stated that the average time to complete an inspection is 4 hours. However, they did not have any data to support this statement, and we did not observe this level of effort by either the state or federal inspector.

Conclusions

Program officials have limited their visibility of inspector activities, inspection results, financial matters, and the inspection status of facilities by not having a management reporting system. Some database information needs to be improved before it can be effectively used, but improvements can be made. Other information, such as weekly activity reports, illustrates how information could be analyzed to gain a better understanding of inspectors' activities. Our analysis revealed that inspectors spend a significant amount of time on administrative matters, which when properly analyzed might prompt management to make adjustments to the inspector's activities to accommodate the program needs. We cannot conclude from our analysis whether inspectors are spending the proper amount of time on inspections, but we can conclude that a management reporting system with appropriate analysis would allow management an opportunity to question the inspectors' activities and design remedies if needed.

Recommendations

The Animal Health Division Director:

- 4.1 Review the existing information system to correct deficiencies.
- 4.2 Develop a management reporting system that will provide oversight over inspectors' activities, inspection results, financial matters, and the status of facilities inspected.

Director of Division of Animal Health Comments

Full text comments are included in Appendix III, page 23.

Recommendation 4.1—Improving the program's information system has been an ongoing project for the past two years. A committee of Animal Care Facilities Act officers, office staff and computer personnel has continually worked to upgrade information systems that can help our staff.

Recommendation 4.2—This will be a high priority starting immediately to explore every possible way to fully automate a management reporting system that meets our internal needs as well as the needs of our external customers.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The audit objective was to determine whether state inspection program officials provide effective management and oversight over the animal care facilities inspection program. Specifically, our objectives included determining whether (1) conflicts of interest exist within the program; (2) procedures exist to ensure inspections are adequate; (3) state inspectors are reporting violations noted during inspections; (4) fines or other penalties are pursued as a means to seek corrective action from commercial breeders; (5) state inspectors duplicate federal inspection efforts; and (6) officials use information available in providing oversight to the program.

Scope and Methodology

The Animal Care Facilities Act provides oversight authority to a broad array of commercial breeders, dealers, retail pet stores, and other facilities involved in the sale or care of canines. We focused the audit on commercial breeders because they represented over one half of licensed and registered facilities in the state, as of June 30, 2000. The audit period was calendar year 1998, 1999, and January 2000 through September 2000. Auditors conducted the audit at the program offices in Jefferson City, Missouri and at various inspection sites throughout the state.

To determine whether program officials have provided effective management and oversight, we:

- Reviewed program records and other material to determine potential for conflicts of interest. We contacted the Missouri Ethics Commission officials to determine whether any conflict of interest matters pertaining to the animal care facilities program had been brought before them for review. We also discussed these matters with program officials to determine whether they had taken any action on potential conflict of interest issues.
- Accompanied a federal inspector on two inspections and four state inspectors on six inspections to determine inspection practices and the thoroughness of inspections.
- Observed the federal inspector and discussed inspection procedures for federal inspections.
- Observed the time taken to conduct state and federal inspections; the type of violations cited; whether all violations were documented; and whether any apparent violations were overlooked.

APPENDIX I

- Reviewed the timing of inspections from our judgmental sample of 40 facilities to determine whether unnecessary duplication of federal inspections occurred and whether state inspectors made use of federal inspection reports.
- Reviewed the timing of 92 inspections that state inspectors conducted and compared those with the timing of federal inspections occurring in the same time frame.
- Reviewed reports for 92 inspections that were completed by state inspectors from May 1998 through April 2000.
- Reviewed program documentation pertaining to the coordination of inspection efforts and use of federal inspection reports. We interviewed knowledgeable state animal care personnel and state inspectors on the use of the federal inspection reports.
- Interviewed knowledgeable program personnel and reviewed program reports prepared by inspectors to determine whether program officials effectively use information available to them.
- Reviewed reports generated from the automated database and how the reports were used. We analyzed one report prepared by inspectors to ascertain whether information useful to management might result.
- Reviewed program records to determine whether sanctions such as fines, penalties, license suspensions and license revocations had been assessed against commercial breeders in the last 2 years.
- Reviewed federal records to determine the extent that federal inspectors had levied fines and penalties during the October 1999 through September 2000 time frame.
- Reviewed inspection records resulting from 74 state inspections and 142 federal inspections included in our judgmental sample of 40 commercial breeder facilities to determine the types of problems reported by state inspectors. We compared those results to federal inspection results for the same time frame. We also relied on personal observations obtained by accompanying four state inspectors on inspections of four commercial breeder facilities.

The audit was conducted in accordance with generally accepted government auditing standards.

APPENDIX II

BACKGROUND

The state legislature established the Animal Care Facilities Act in 1992 to provide state oversight to all breeders, dealers, exhibitors, hobbyists, boarders, retail pet stores, animal shelters, and municipal pounds involved in the sale or care of canines and cats that meet the requirements of the Act.

Chapter 273 of the state statutes sets forth the requirements for commercial breeders and other entities that fall under the jurisdiction of the Act. The following sections of the Act set forth pertinent requirements.

- Section 329 addresses the grounds for refusal to issue or renew or revoke a license. It states the following.
 - The director may refuse to issue or renew or may revoke a license on any one or more of the following grounds:
 - Material and deliberate misstatement in the application for any original license or for any renewal license under sections 273.325 to 273.357;
 - Disregard or violation of sections 273.325 to 273.357 or of any rules promulgated pursuant thereto;
 - Conviction of any violation of any state or federal law relating to the disposition or treatment of animals;
 - Failure to provide adequate food, water, housing or sanitary facilities for animals under the control of an animal shelter, boarding kennel, commercial breeder, commercial kennel, contract kennel, dealer, pet shop, pound, or exhibitor as defined by regulations of the USDA.
 - Operation of an animal shelter, pound or dog pound, boarding kennel, commercial kennel, contract kennel, pet shop, or exhibition facility, or activity as a commercial breeder or dealer without a valid license shall constitute a class A misdemeanor.
- Section 331 addresses the requirement to conduct inspections on a yearly basis. It states the following.
 - A license shall be issued only upon inspection by the state veterinarian, his designee, or an animal welfare official. A facility subject to the provisions of sections 273.325 to 273.357, at the time it applies for licensure, shall be granted a provisional license which shall allow operation of the facility until the facility is inspected or until December 31, 1994, whichever earlier occurs. The state veterinarian shall have the duty and authority to inspect all facilities licensed under sections 273.325 to 273.357. Inspections shall be conducted a minimum of once a year, or upon a complaint to the department regarding a particular facility.

APPENDIX II

- The validity of the complaint will be ascertained by the state veterinarian or his designated representative.
- Section 333 addresses the authority to take action and levy fines. It states the following.
 - The state veterinarian or an animal welfare official, upon his own information or upon the complaint of any person, may institute an investigation including the inspection during normal business hours of any premises or vehicle upon which any animal is or may be found, and may determine if any violation of sections 273.325 to 273.357 or of any rule promulgated pursuant to sections 273.325 to 273.357 is deemed to exist. The director, or his designee, may issue an order to the person responsible for the violation to appear at an administrative hearing. The director, or his designee, upon a finding that such a violation occurred after a hearing thereon, shall issue remedial orders enforceable in the circuit courts of this state to correct such violations, and in addition may assess an administrative penalty in an amount not to exceed one thousand dollars for each violation. In assessing the amount of penalty under sections 273.327 to 273.342, the director shall take into account the seriousness of the violation and the extent of damage to third parties and the state. All penalties collected shall be deposited to the state general revenue fund. In addition, the director may assess the reasonable costs of remedying a violation in the event that the person responsible is unwilling or unable to correct the violation within a reasonable period of time. Any person aggrieved by the decision of the director may appeal as provided in sections 536.100 to 536.140, RSMo.
- Sections 357 address how revenue generated under the program is treated. It states the following.
 - All fees collected by the director from licenses issued under sections 273.325 to 273.357 shall be used to administer the provisions of sections 273.325 to 273.357, and shall be deposited in the state treasury to the credit of the "Animal Care Reserve Fund", which is hereby created. All moneys deposited in the animal care reserve fund shall be subject to appropriation for the use and benefit of the department of agriculture to administer the provisions of sections 273.325 to 273.357. Notwithstanding the provisions of section 33.080, RSMo, to the contrary, moneys in the animal care reserve fund shall not be transferred to the general revenue fund at the end of the biennium.

The Missouri Department of Agriculture established the animal care facilities program in 1994, in order to carry out the provisions of the Act. With minor exceptions, state regulations parallel federal regulations that outline minimum requirements for the operation of animal facilities. In April of 1994, the director of the state Animal Health Division entered into a memorandum of understanding with the federal officials. That agreement promoted coordination between state and federal program officials to reduce duplication of effort by inspectors and established

APPENDIX II

procedures to share federal and state inspection reports on facilities that are licensed by state and federal officials. It also allowed program officials to appoint federal inspectors as agents to inspect for the state.

As of June 30, 2000, there were approximately 1,962 licensed and registered animal facilities in the state. Of that amount, approximately 1,107, or 56 percent, were licensed as commercial breeders. There are eight inspectors—five full-time and three part-time, inspecting facilities in the state.



DEPARTMENT of AGRICULTURE
STATE OF MISSOURI
JEFFERSON CITY

MEL CARNAHAN
GOVERNOR

JOHN L. SAUNDERS
DIRECTOR

January 12, 2001

Mr. William D. Miller
Director of Audits
Office of the State Auditor
Truman State Office Building, Room 880
Jefferson City, Missouri 65101

Dear Mr. Miller:

Thank you for the opportunity to review the **Draft** report of the **Audit of Animal Care Facilities Inspection Program** and to respond to the recommendations. The professionalism of your staff and the courtesy afforded our personnel during the audit process was appreciated.

Enclosed please find a letter from Director of Agriculture, John Saunders, to Auditor McCaskill along with a Draft Report of Recommendations and Responses and five supporting attachments.

If you have any questions regarding the responses to the recommendations or the supporting attachments please call me personally at (573) 751-3377.

Sincerely,

A handwritten signature in dark ink, appearing to read "John W. Hunt, Jr.", is written over a horizontal line.

John W. Hunt, Jr., DVM
State Veterinarian – Director
Division of Animal Health

JWH/jfs

Division of Animal Health

Telephone (573) 751-3377 • 1616 Missouri Boulevard • P.O. Box 630 • Jefferson City, MO 65102-0630 • Division FAX (573) 751-6919



APPENDIX III

DEPARTMENT *of* AGRICULTURE
STATE OF MISSOURI
JEFFERSON CITY

MEL CARNAHAN
GOVERNOR

JOHN L. SAUNDERS
DIRECTOR

January 12, 2001

The Honorable Claire C. McCaskill
State Auditor
224 State Capitol
Jefferson City, MO 65101

Dear Auditor McCaskill:

Thank you for your recent audit of the department's Animal Care Facilities Act Program. This letter will serve as my formal response to your recommendation that I resolve all conflicts of interest or the appearance of a conflict of interest within the program.

The department strives to hire the most qualified candidates for any position. Both the ACFA program coordinator and animal health officer in question have the necessary experience, knowledge, skills and abilities to perform the requirements of their respective positions.

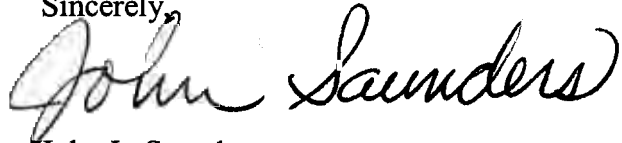
When they were hired, both individuals resigned interests in their commercial pet breeding operations by removing their names from the business' license. In addition, to avoid any appearance of a conflict of interest, Dr. John Hunt, the state veterinarian in charge of the department's Animal Health Division, asked the U.S. Department of Agriculture to inspect the facilities owned and operated by the spouses of the ACFA program coordinator and animal health officer. Dr. Hunt also asked that the federal inspection reports be sent directly to him for review and approval so that he could personally monitor the operations of these facilities. These measures have ensured that these facilities receive no preferential treatment during annual inspections.

Furthermore, a staff attorney for the Missouri Senate has reviewed the situation and has issued a legal opinion stating that no conflict of interest exists within the Animal Care Facilities Act Program. Moreover, a Legislative Oversight Division audit released last February cited no conflict of interest.

Auditor McCaskill
January 11, 2001
Page Two

I remain confident that the relationship between these two ACFA program employees and Missouri's companion animal industry is a benefit, not a hindrance, to the well-being of the animals raised in state licensed and inspected facilities.

Sincerely,

A handwritten signature in black ink that reads "John L. Saunders". The signature is written in a cursive style with a large, stylized "J" and "S".

John L. Saunders
Director of Agriculture

DRAFT REPORT**Audit of Animal Care Facilities Inspection Program
Recommendations and Responses****1.1 Establish formal inspection procedures to ensure that inspectors have adequate guidance to follow in conducting inspections.**

The Animal Care Inspection Worksheet (Attachment One) once served as the first page of the inspection report, with narratives cited on subsequent pages.

Although we believe the narrative report we use now is easier to read, the Animal Care Inspection Worksheet will be added to the official inspection report.

Missouri Statute 273.344 requires that all facilities licensed under the Animal Care Facilities Act (ACFA) comply with standards relating to the following:

1. Adequate shelter, including proper conditions of sanitation and ventilation.
2. Adequate food and water; and
3. Maintenance of records of acquisition and disposition of animals in custody of the licensee.

80% of the inspection worksheet items relate to items one and two (Items 10-44 on Attachment 1)

20% of the inspection worksheet items relate to item three (Items 45-49 on Attachment 1)

Management relies heavily on the USDA Animal Welfare officials to oversee maintenance of records and disposition of animals in the custody of the licensee.

1.2 Establish a formal training program to ensure inspectors are adequately trained.

The following are dates of meetings/trainings held for all ACFA employees:

August 8, 9, 10 & 11, 1994

First work conference for all Animal Health employees for review of ACFA rules & inspection standards.

August 24, 1994

Starting date to ride with two different USDA inspectors for three weeks each to get training in doing inspections in ACFA program.

March 13, 14 & 15, 1995

ACFA work conference

May 22, 23 & 24, 1995

ACFA work conference

September 27 & 28, 1995

ACFA work conference

January 1996

Started inspecting USDA facilities

February 21 & 22, 1996

USDA meeting on proposed changes in AWA in Kansas City, Missouri

February 23 & 24, 1996

USDA meeting in St. Louis, Missouri

April 17 & 18, 1996

ACFA work conference

April 21, 22, 23, 24, 25 & 26, 1996

Regulatory Enforcement & Administrative Law Course at University of Missouri-Columbia for ACFA personnel – 40-hour course

September 10 & 11, 1996

ACFA work conference

April 3 & 4, 1997

ACFA & AWA work conference in Springfield, Missouri

March 25 & 26, 1998

ACFA work conference in Springfield, Missouri

September 29, 1998

ACFA work conference in Jefferson City

February 24 & 25, 1999

ACFA work conference in Springfield, Missouri

May 26, 1999

Midwest Regional Animal Care meeting between USDA, Kansas & Missouri officials at Powell Gardens

October 7, 1999

ACFA work conference in Columbia, Missouri

February 23 & 24, 2000

ACFA work conference in Springfield, Missouri

October 19 & 20, 2000

ACFA work conference in Columbia, Missouri

November 30, 2000

ACFA work conference in Jefferson City

February 2001

ACFA work conference in Jefferson City

At our February 2001 ACFA work conference we will reevaluate all inspection procedures and develop a new employee-training workbook.

1.3 Ensure inspectors consistently follow inspection procedures to assure thorough inspections take place and that all violations are recorded and reported.

As stated in 1.1, the Animal Care Inspection Worksheet will be incorporated into the official inspection report. The work conference scheduled for February 2001 will stress the need to document all non-compliant items during an inspection; even those corrected the same day.

The ten federal animal welfare officials have 90% of their workload allotted to the oversight of commercial breeders in Missouri (10% of time spent with other classes of licensees – dealers & exhibitors). The eight state animal welfare officials have 55% of their time allotted to the oversight of commercial breeders in Missouri (45% allotted to the other classes of licensees).

FEDERAL	
10 FTE	1,744 Annual Working Hours
x 90 %	x 9 FTE
9 FTE	15,696 Hours – 1,107 Facilities = 14.18 Hours
STATE	
8 FTE	1,744 Annual Working Hours
x 55 %	x 4.4 FTE
4.4 FTE	7,673.6 Hours – 1,107 Facilities = 6.93 Hours

Federal animal welfare officials have more than twice the working hours of state inspectors per licensee per year to provide oversight of commercial breeders.

1.4 Take action to enforce penalties in order to ensure commercial breeders comply with provision of the Act.

The following documents are examples of actions taken to enforce penalties to ensure commercial breeders comply with provisions of the Act:

Section 273.329 – Attachment Two – Brown Case (Fail to Issue)

Section 273.333 - Attachment Three – Lutz (Hearing)

Section 273.335 (573.018), 273.329 – Attachment Four – Daugherty (Voluntary Surrender)

Section 273.333 – Attachment Five – Foster (Category V's)

The above examples were given of the different sections that allow for penalties or sanctions under state statutes.

The following is an overview of the procedures used by federal authorities that address penalties or sanctions under Federal Law:

According to federal animal care management, if a licensee does not correct a category IV by the next inspection, there may be a letter of warning issued and an investigation initiated by Investigative Enforcement Services (IES) or both. Once animal care management receives an investigative report by IES, management of animal care and IES decides upon a stipulation with penalties. IES personnel then try to negotiate a stipulated agreement with the licensee. If no agreement is reached between IES and the licensee, then the case is turned over to the Office of General Counsel (OGC). Attorneys with the OGC then go through the procedure to try to settle with the licensee through a consent decision. If a consent decision cannot be negotiated, the case may be scheduled for a hearing before an administrative law judge. If animal care management and IES are in agreement, cases may be sent directly to OGC and the stipulation process is bypassed. Of the cases closed in this fiscal year, there were no cases sent directly to the OGC.

A recap of the penalties and sanctions imposed on Missouri commercial breeders by federal authority for the fiscal year 2000 follows:

NUMBER	ACTION TAKEN	TYPE
4	No Action Taken	Denied & Declined – DD
16	Letters of Warning	Closed Ticket – TK
15	Stipulated Agreement	Stipulation – SP
4	Consent Decisions	Consent – CS
1	Default Decision	Judges Order w/No Response – DF
0	Decision & Order	Judges Order After Hearing - DO

APPENDIX III

35 found closure – remedy with IES & animal care management procedure.
5 found closure – remedy with OGC-consent decision & default decision.
0 cases received an evidentiary hearing before an administrative law judge or hearing officer.

However, Missouri law does not establish a separate investigative arm to parallel federal procedures when taking punitive action against a licensee. We are exploring the possibility of developing language in the Memorandum of Understanding (MOU) to utilize the IES investigator in our state to help develop investigative reports that might lead to an administrative hearing.

In addition, a MOU has been signed between the Missouri Administrative Hearing Commission (MHC) and the Missouri Department of Agriculture (MDA) to provide hearing officers for administrative appeals.

Institute formal procedures to increase coordination of inspections with federal officials to reduce unnecessary duplication of inspection efforts.

To date, the risk-based inspection worksheet provided to the federal animal welfare officials to direct their monthly activity is not a document that federal management will share with state management. The actual timing of documentation (receiving the inspection reports) of federal animal welfare official's activity is so inconsistent it makes coordination of inspection timing difficult.

Resume the Memorandum of Understanding agreement to use federal inspectors as agents for the state and use the federal inspection results in evaluating compliance with state laws.

The Memorandum Of Understanding agreement entered into on May 3, 1994, continues to be in full effect since the original date of signing. As the federal risk-based inspection procedure is fully implemented, we plan to revisit the MOU.

The benchmarking of state and federal inspections in the audit coupled with time availability assessments will be very useful in the administration of the animal care program. It is reassuring to management that although the statute only requires one inspection annually for licensure, which would have required 80 inspections in the two-year period of 40 facilities, 216 inspections were completed. This equates to 2.7 inspections per year or one inspection every 4.5 months.

APPENDIX III

The Missouri Department of Agriculture continues to partner with USDA to improve the inspection processes of both agencies, which ultimately improves the care and well being of animals reared in commercial breeding facilities. Management believes that the licensure and inspection of commercial breeding facilities and dealers should remain the highest priority in the administration of the Animal Care Program.

Ensure federal inspection reports are provided to and used by inspectors to enhance monitoring of facilities.

We will instruct our inspectors to review and use federal inspection forms when inspecting facilities. The logistics could best be carried out if the inspector asks for and reviews the last federal inspection report with the licensee before they commence their inspection.

Review the existing information system to correct deficiencies.

Improving the program's information system has been an on going project for the past two years. A committee of ACFA officers, office staff and computer personnel has continually worked to upgrade information systems that can help our staff. The printout for ACFA officers has been changed several times with all the information that they have requested being on the new printout.

Develop a management reporting system that will provide oversight over inspectors' activities, inspection results, financial matters and the status of facilities inspected.

This will be a high priority starting immediately to explore every possible way to fully automate a management reporting system that meets our internal needs as well as the needs of our external customers.



DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-08
February 13, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2001

www.auditor.state.mo.us

The following areas of concern were discovered as a result of an audit conducted by our office of the Department of Revenue, Division of Administration.

The Department of Revenue processes all financial accounting activity including budget, purchasing, revenues, and expenditures (on-line) using the Statewide Advantage for Missouri system (SAM II). The significance of the information processed through SAM II requires that controls be in place to adequately restrict access to the system. To provide access control over SAM II, employees are assigned a unique user identification code (user ID). The department is responsible for determining what each user is allowed to do in SAM II, and grants these permissions by assigning specific access rights to each user ID.

During our review of access to the SAM II system, we noted the following concerns:

- The department has not developed criteria for determining who is allowed access to SAM II, the purpose and level of the access, and who determines and grants the access. In addition, there are no policies for documenting and reporting management authorization of new access changes to existing access, or removal of current access, when an employee terminates or transfers.
- The department has not established policies and procedures to periodically review user access to SAM II. Consequently, a listing of SAM II users, user IDs, and access rights for each employee is not maintained. Periodic reviews are necessary for management to determine whether access privileges comply with stated criteria.

Our review of the Technology Services Bureau (TSB) disclosed the following:

- The Technology Services Bureau did not retain documentation showing how charges for the sale of information were determined.
- Information sales accounting duties are not adequately segregated.
- A periodic reconciliation of receipts to the SAM II system is not performed.
- The department understated both revenues and expenditures of the Department of Revenue Information Fund and circumvented the appropriation process by deducting software maintenance service charges from the amount the Technology Services Bureau charged to the provider to purchase motor vehicle information. Credit memos totaling approximately \$10,000 and \$20,000 were issued to the company during the years ended June 30, 2000, and 1999, respectively.

(over)

YELLOW SHEET

The final paycheck for the former department Deputy Director included \$6,000 for administrative leave in addition to his regular salary. The justification provided for this compensation appears to be related to overtime rather than administrative leave. Overtime is not generally granted to executive staff.

The Department of Revenue postage account and meter balances at June 30, 2000 and 1999, exceeded \$1million, which appeared excessive. The department has made no formal calculations of the minimum postage account and meter balances required. Excessive postage balances tie up state funds and result in a loss of interest income.

The performance bonding level of the Investment and Cash Management Office (ICMO) employees may not be adequate. Daily deposits reviewed ranged from \$1.5 to \$8.3 million. Each Investment and Cash Management Office employee is bonded for \$750,000.

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Carol Russell Fischer, Director
Department of Revenue
and
Mike Backer, Director
Division of Administration

We have audited the Department of Revenue, Division of Administration. The scope of this audit included, but was not necessarily limited to, the years ended June 30, 2000 and 1999. The objectives of this audit were to:

1. Review certain internal control procedures and management practices to determine the efficiency and effectiveness of those procedures and practices.
2. Review and evaluate the department's budget and planning process.
3. Review various department programs and expenditures.

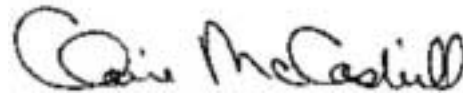
Our audit was conducted in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial and budgetary records, contracts, procedures manuals, and other pertinent procedures and documents, and interviewed various department personnel.

As part of our audit, we assessed the division's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Statistical Section is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in the audit of the Department of Revenue, Division of Administration.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Revenue, Division of Administration.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is cursive and somewhat stylized, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

September 7, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	Kimberly Spraggs, CPA
Audit Staff:	Karen Wirtmiller
	David Gregg
	Jeffrey Wilson
	Brittany Ebbert

MANAGEMENT ADVISORY REPORT SECTION

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION
SUMMARY OF FINDINGS

1. Department of Revenue Information Fund (pages 6-9)

The Technology Services Bureau did not retain documentation showing how the bureau determined its charges for the sale of information. Information sales accounting duties are not adequately segregated and a periodic reconciliation of receipts to the statewide accounting system is not performed. Accounts receivable records are not adequately monitored, and account write-offs and adjustments are not independently approved. In addition, the department understated both revenues and expenditures of the Department of Revenue Information Fund and circumvented the appropriation process by offsetting revenues from a vendor against expenditures to that vendor, by approximately \$10,000 and \$20,000 during the years ended June 30, 2000, and 1999, respectively.

2. Expenditures (pages 9-11)

The duties of processing payments and distributing checks are not adequately segregated. Some expenditures were not supported by documentation of prior approval as required by department policies. Proper approval was not obtained and bid documentation was not retained for relocation expenditures for two employees. There was no documentation to support \$6,000 paid to the retiring department deputy for administrative leave.

3. Postage Expenditures (pages 11-12)

The total department postage account and meter balances exceeded \$1 million, which appeared excessive.

4. Investment and Cash Management Office (ICMO) Procedures (pages 12-13)

The performance bonding level of ICMO employees is not adequate. In addition, the deposit log, indicating receipt of locked bank bags from various state agencies, is not complete for some deposits.

5. Information System Access Controls (pages 13-14)

Security standards documenting the criteria for granting, maintaining, and monitoring access to the Statewide Advantage for Missouri system (SAM II) have not been developed. In addition, user access is not periodically reviewed.

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1. Department of Revenue Information Fund
--

The Technology Services Bureau (TSB) of the Division of Administration provides information to private companies, government agencies, and the DOR. The TSB charges private companies and some government agencies for the cost of providing information, and deposits monies received into the DOR Information Fund (DORIF). The TSB deposited approximately \$259,000 and \$371,000 into the DORIF during fiscal years 2000 and 1999, respectively. During our review of the TSB, we noted the following areas where improvements are needed:

- A. Documentation supporting billing rates is not maintained. As a result, we were unable to determine the division's justification for the rates charged. In January 1999, the TSB reduced its billing rates, however documentation supporting the reduction of these rates was not retained.

The division should periodically review billing rates and maintain documentation of rate calculations to provide assurance that the charges for providing the information to outside users is reasonable.

- B. The duties of receiving, recording, and depositing receipts; preparing billings; maintaining accounts receivable records; and performing reconciliations are not adequately segregated. Currently, one individual is responsible for all of these accounting functions, with no independent supervisory review.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for and assets are properly safeguarded. Internal controls could be improved by segregating the duties of preparing billings, receiving and recording receipts, and reconciling accounting records. If proper segregation of duties cannot be achieved, at a minimum there should be a documented independent review of the reconciliations and accounting records.

The lack of a periodic, documented, independent review of the information sales process was also noted by the department's Internal Audit Section in a report issued in May 2000.

- C. All TSB receipts are recorded on a check log when received. The check log is reconciled to a TSB accounting system and a manual spreadsheet of deposits each month; however, there is no reconciliation of the check log and TSB accounting

records to deposits recorded on the Statewide Advantage for Missouri (SAM II) system. Reconciling the check log to deposits recorded on SAM II would provide assurance that all monies received by the TSB are properly deposited.

D. Our review of TSB's accounts receivable records revealed the following:

- 1) The TSB has not established formal procedures to follow in the collection of delinquent accounts receivable. The TSB's payment policy, which is communicated to entities requesting information, requires payment within 30 days of the billing date. As of June 30, 1999, there was \$50,000 due from customers, of which \$26,900 was over 90 days old.

We reviewed nine accounts with outstanding balances at June 30, 1999. Six of these balances have been paid in full as of December 14, 1999; however, payment ranged from 64 days to almost two years from the invoice date. One of these accounts was paid after being turned over to legal counsel, two of the balances were written off as uncollectible by TSB, and one had been turned over to legal counsel, but was uncollected at the time of our review. For each of the accounts reviewed, there was little or no documentation of collection efforts made by the TSB.

Proper follow-up on delinquent accounts is necessary to ensure all charges are collected on a timely basis. In addition, documentation of follow-up procedures taken to collect on delinquent accounts should be maintained.

During October 1999, TSB began sending periodic statements to customers with overdue balances, which has contributed to some improvement in collection of accounts receivable. The total amount due from customers at June 30, 2000 was \$23,500, of which \$5,600 was over 90 days old.

- 2) The TSB has not established formal procedures outlining the criteria or specific procedures to be followed in writing off delinquent accounts deemed as uncollectible.

As noted above, two accounts with receivable balances at June 30, 1999, were written off as uncollectible. In addition, we noted credit adjustments to another account. Explanations of why these accounts receivable were written off and credit adjustments were made were not adequately documented. In addition, authorization from someone independent of the billing function was not documented.

To ensure delinquent accounts are properly handled, the TSB should adopt policies for writing off delinquent accounts. In addition, adequate documentation and independent authorization of all accounts written off should be maintained.

- 3) Some customers have credit balances as a result of overpayments. At June 30, 2000, customer credit balances totaled approximately \$18,400. Several of the credit balances had existed in excess of one year. At the time of our review, the TSB had not investigated or resolved these credit balances. One customer account balance reviewed had a combined credit balance and security deposit totaling \$14,450 that had existed since May 1998. The TSB recently determined that this amount should be returned to the customer.

To ensure accounts receivables are handled properly, the TSB should periodically investigate large credit balances, and return the funds to the customer if necessary.

- E. For over 10 years, the TSB has deducted annual software maintenance service charges from the amount the TSB charges the provider of these services to purchase motor vehicle information. Credit memos totaling approximately \$10,000 and \$20,000 were issued to the company during fiscal years 2000 and 1999, respectively. As a result, the department understated revenues and expenditures of the DORIF, and circumvented the state's appropriation process.

WE RECOMMEND the department:

- A. Maintain documentation to support the TSB billing rates for the sale of information and periodically review the rates for adequacy.
- B. Ensure duties are properly segregated.
- C. Periodically reconcile the check log and accounting records with deposits recorded on the SAM II system.
- D.1. Implement formal procedures for the collection of delinquent accounts. In addition, documentation should be maintained of all collection efforts.
 2. Establish a formal policy for write offs and maintain documentation supporting all write offs and adjustments to account balances. In addition, independent approval of write offs and adjustments should be documented.
 3. Periodically investigate and resolve account credit balances.
- E. Transmit all revenues from the sale of information intact to the state treasury for deposit in the DORIF. In addition, expenditures for all items should be paid from appropriated funds instead of netted against revenues.

AUDITEE'S RESPONSE

- A. *We concur with this recommendation. Prior to implementing the price reduction, a detailed cost study was performed to ensure compliance with Section 610.026, RSMo. Due to changes in personnel, the documentation was not retained. The department will continue to perform cost studies to support changes in the pricing structure of information and will retain the documentation.*
- B. *We concur with this recommendation. While the department could not cost-justify segregating the responsibilities, a monthly independent documented review of the reconciliations and accounting records was implemented.*
- C. *We concur with this recommendation. The department has responded to this recommendation and has begun reconciling the check log and TSB accounting records to SAM II on a monthly basis.*
- D.1. *We concur with this recommendation. Although the department has not written formal procedures, TSB has consistently pursued the collection of delinquent accounts receivable since October 1999.*
2. *We concur with this recommendation. Department personnel are currently developing formal procedures for write-offs and adjustments. This will be completed by the end of the current fiscal year.*
3. *We concur with this recommendation. Department personnel are in the process of investigating and refunding large credits to customers.*
- E. *We concur with this recommendation. Action has been taken to remedy this situation.*

2. Expenditures

Our review of the expenditures of the DOR disclosed the following:

- A. The account clerks process payments on the Statewide Advantage for Missouri system (SAM II) and also receive and distribute the checks returned by the Office of Administration (OA).

To improve internal control over expenditures, duties, such as initiating payment vouchers and distributing payments, should be properly segregated. This concern was also noted by the department's Internal Audit Section in a report issued in April 1999.

- B. During our review of expenditures, we noted the following concerns related to expenditure approval:

- 1) Several expenditures reviewed were not supported by a purchase requisition. These included purchases such as food, employee training, and moving expenses. DOR's accounts payable policy requires that the division prepare and approve a purchase requisition to initiate a purchase of goods or services.
- 2) Seven of nine employee recognition expenditures reviewed did not include documentation of prior approval by the division director. A purchase requisition had been prepared for one of these expenditures; however, the requisition was not approved by the division director. The department's policy for payment of expenditures for employee recognition and special meeting events requires that such expenditures be approved in advance by the division director.

Failure to prepare a purchase requisition limits the department's ability to monitor and track expenditures. This concern was also noted by the department's Internal Audit Section in a report issued in April 1999.

- C. Prior approval by the division director was not documented for the payment of two relocation expenses totaling \$4,255. The department's policy for payment of relocation expenses requires prior approval from the division director.

In addition, documentation of written estimates from professional moving companies was not maintained for one relocation expenditure noted above. The policy requires three written estimates be obtained when a professional moving company is used. The DOR indicated estimates were obtained from various moving companies, but this documentation has been misplaced. Failure to obtain and retain the necessary and adequate approval documentation limits the department's ability to monitor and control relocation expenditures.

- D. The former department Deputy Director retired effective July 31, 1999. His final paycheck included a \$6,000 payment for 136 hours of administrative leave in addition to his regular salary. The department indicated the administrative leave was granted by the Department Director for additional time worked during the transition period. The justification provided for this compensation appears to be related to overtime rather than a paid leave situation. Overtime compensation is not generally granted to executive staff.

The department did not prepare and maintain adequate documentation to support the payment. Since documentation indicating dates and hours worked was not available, we could not determine if the additional payment was justified. Proper documentation is necessary to support unusual payroll transactions.

WE RECOMMEND the department:

- A. Properly segregate the responsibilities of processing expenditures and distributing checks.
- B. Ensure purchase requisitions are prepared and properly approved for all purchases of goods and services.
- C. Obtain prior approval and written estimates from moving companies for relocation expenses in accordance with the employee relocation policy.
- D. Ensure payments to department employees are adequately documented, justified, and in accordance with department policy.

AUDITEE'S RESPONSE

- A. *We concur with this recommendation. The department has segregated the duties of initiating and distributing payments to vendors.*
- B. *We concur with this recommendation. The department will make every effort to verify proper procedures are followed and approval is obtained for all procurements. The department will also revise procedures related to special events and food expenditures to mirror existing purchasing policies. These procedures will be revised within six months after the delivery date of this report.*
- C. *We concur with this recommendation. The department will make every effort to verify proper procedures are followed and approval is obtained for all employee relocation payments.*
- D. *We concur with this recommendation. The department will work to ensure payments to department employees are adequately documented, justified, and in accordance with department policy.*

3. Postage Expenditures

The DOR postage account and meter balances at June 30, 2000 and 1999, exceeded \$1 million, which appeared excessive. The department spent approximately \$7 million for postage during each of the years ended June 30, 2000 and 1999. Most postage is purchased through three postage accounts maintained at the Jefferson City post office and eight postage meters maintained by the DOR. The DOR makes periodic deposits to the postage accounts and the post office charges the accounts to pay various postage costs. Likewise, the DOR periodically purchases postage for the postage meters.

The large balances appear to be due to excessive deposits and purchases made throughout the year. The DOR made deposits to the postage accounts and purchases for the postage meters totaling approximately \$1 million in June 2000; however, only approximately \$411,000 was used in the subsequent month. A similar situation was noted in fiscal year 1999. At June 30, 2000, the department had approximately a three month postage supply on hand based on July usage. The DOR has made no formal calculations of the minimum postage account and meter balances required. Postage usage is projected every three weeks; however, these projections are not always used in making postage account deposits and meter purchases.

Excessive postage balances tie up state funds and result in a loss of interest income.

WE RECOMMEND the department maintain reasonable postage account and meter balances.

AUDITEE'S RESPONSE

We concur with this recommendation. The department will maintain postage account and meter balances that reflect anticipated needs.

4. Investment and Cash Management Office Procedures
--

The Investment and Cash Management Office (ICMO) receives deposits secured in locked bank bags from various state agencies. Deposits are approved and held by the ICMO before being deposited into the state treasury and various local bank accounts. During our review of the ICMO's depositing procedures, we noted the following:

- A. The performance bonding level of ICMO employees may not be adequate. Each ICMO employee is currently bonded for \$750,000. In a report issued August 7, 1998, the department's Internal Audit Section noted that the bonding level was not sufficient. The bonding level at that time was \$500,000 and was increased to the current level for all state employees by the Office of Administration (OA), Risk Management in October 1999. Although the bonding level has been increased, it appears the amount is still not sufficient to cover monies handled by the ICMO staff. Our review of selected deposits noted daily deposits handled by ICMO ranging from \$1.5 to \$8.3 million. The department, along with OA, Risk Management should evaluate the adequacy of the bond coverage and, if necessary, perform a cost benefit analysis of obtaining additional bonding.

Failure to adequately bond all persons with access to assets exposes the state to risk of loss.

- B. Upon transmittal of deposits to the ICMO, state agency delivery personnel complete and sign a deposit log documenting the date, deposit amount, and composition of the deposit. During our review of 40 deposits transmitted to the ICMO during the year

ended June 30, 2000, we noted the deposit log had not been signed by agency delivery personnel for seven deposits, although in each case the deposit information had been documented on the log.

Since the ICMO does not provide a receipt to the state agency, the signature on the deposit log is the only documentation of the transmittal of the deposit bank bag to the ICMO. Proper controls over state assets should include documentation of the possession of the bank bag during all phases of the depositing process.

WE RECOMMEND the department:

- A. Contact the Office of Administration, Risk Management to re-evaluate the performance bonding level of ICMO staff.
- B. Ensure the deposit log is signed by delivery personnel for each deposit received by ICMO.

AUDITEE'S RESPONSE

- A. *We concur with this recommendation. The department will contact the Office of Administration, Risk Management, to re-evaluate Investment and Cash Management Office (ICMO) performance bonding levels within one month after the delivery date of this report.*
- B. *We concur with this recommendation. The department will ensure that delivery personnel sign the deposit log for each deposit received by ICMO.*

5. Information System Access Controls
--

The DOR processes all financial accounting activity including budget, purchasing, revenues, and expenditures (on-line) using the Statewide Advantage for Missouri system (SAM II). The SAM II system includes over 570 on-line screens for data entry, inquiry, or modification. The significance of the information processed through SAM II requires that controls be in place to adequately restrict access to the system. To provide access control over SAM II, employees are assigned a unique user identification code (user ID). The DOR is responsible for determining what each user is allowed to do in SAM II, and grants these permissions by assigning specific access rights to each user ID. This control technique provides a method to limit employees' access rights, including data entry and document approval capabilities, to only functional areas of SAM II that are necessary for the employees to perform their assigned job duties. Therefore, controls over the issuance and maintenance of user IDs and access rights are critical to the effectiveness of system access controls.

During our review of access to the SAM II system, we noted the following concerns:

- A. The DOR has not developed criteria for determining who is allowed access to SAM II, the purpose and level of the access, and who determines and grants the access. In addition, there are no policies for documenting and reporting management authorization of new access, changes to existing access, or removal of current access, when an employee terminates or transfers. As a result, assurance is lacking that management properly authorized employee access and that employees' access is limited to appropriate SAM II data.

Security standards to document the criteria to be used in granting and maintaining access to SAM II represent the minimum control standards that should be in place to ensure that the DOR can safeguard its information assets and properly record authorized transactions. This is the first step and a key concept in the development of an adequate security architecture.

- B. The DOR has not established policies and procedures to periodically review user access to SAM II. Consequently, a listing of SAM II users, user IDs, and access rights for each employee is not maintained. As a result, management does not have an adequate method to periodically review user access rights. Periodic reviews are necessary for management to determine whether access privileges comply with stated criteria.

WE RECOMMEND the department:

- A. Develop security standards to document the criteria to be followed for granting, maintaining, and monitoring access to SAM II.
- B. Establish policies and procedures for periodically reviewing SAM II user access rights to ensure the rights comply with stated criteria.

AUDITEE'S RESPONSE

- A. *We concur with this recommendation. The department will develop security standards for granting, maintaining, and monitoring access to SAM II within six months after the delivery date of this report.*
- B. *We concur with this recommendation. The department will establish policies and procedures to periodically review SAM II user access rights within six months after the delivery date of this report.*

This report is intended for the information of the Department of Revenue, Division of Administration's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The Department of Revenue was created by Article IV, Section 12 of the Missouri Constitution as the central collection agency for state revenues. The Department of Revenue is also responsible for:

- 1) Administering and collecting state taxes;
- 2) Collecting certain taxes for local governments;
- 3) Titling and licensing motor vehicles, trailers, and boats; and
- 4) Licensing motor vehicle operators.

The Director of Revenue is responsible for all operations and policies of the department and is appointed by the Governor, with the consent of the Senate. On March 9, 1998, Quentin Wilson was appointed to the position of Director of Revenue. Effective January 9, 2001, Carol Russell Fischer was appointed as the Acting Director of Revenue.

The general counsel provides legal advice to the Director of Revenue, division directors, and other personnel within the department. Attorneys in the general counsel's office represent the department in the various courts and administrative tribunals in tax, drivers license, bankruptcy, personnel, and collection matters. On June 8, 1998, Carole Iles accepted the position of General Counsel.

The Division of Administration provides coordinated services to the divisions of Taxation and Motor Vehicle and Drivers Licensing and the Highway Reciprocity Commission in the following areas:

- 1) Budget;
- 2) Internal Audit;
- 3) Criminal and civil, internal and external investigations;
- 4) Accounting and purchasing;
- 5) Central stores and warehouse;
- 6) Computer security and e-commerce consultation;
- 7) Technical support, equipment maintenance, database administration, production control and information sales;
- 8) New automated system development and maintenance of existing departmental systems;
- 9) Archives for nonpermanent records;
- 10) Facilities management;
- 11) Vehicles;
- 12) Delivery services;
- 13) Mailroom;
- 14) Safety and telecommunications;
- 15) Receipt and deposit of state and nonstate funds;
- 16) Investment and cash management of nonstate funds;
- 17) Personnel;

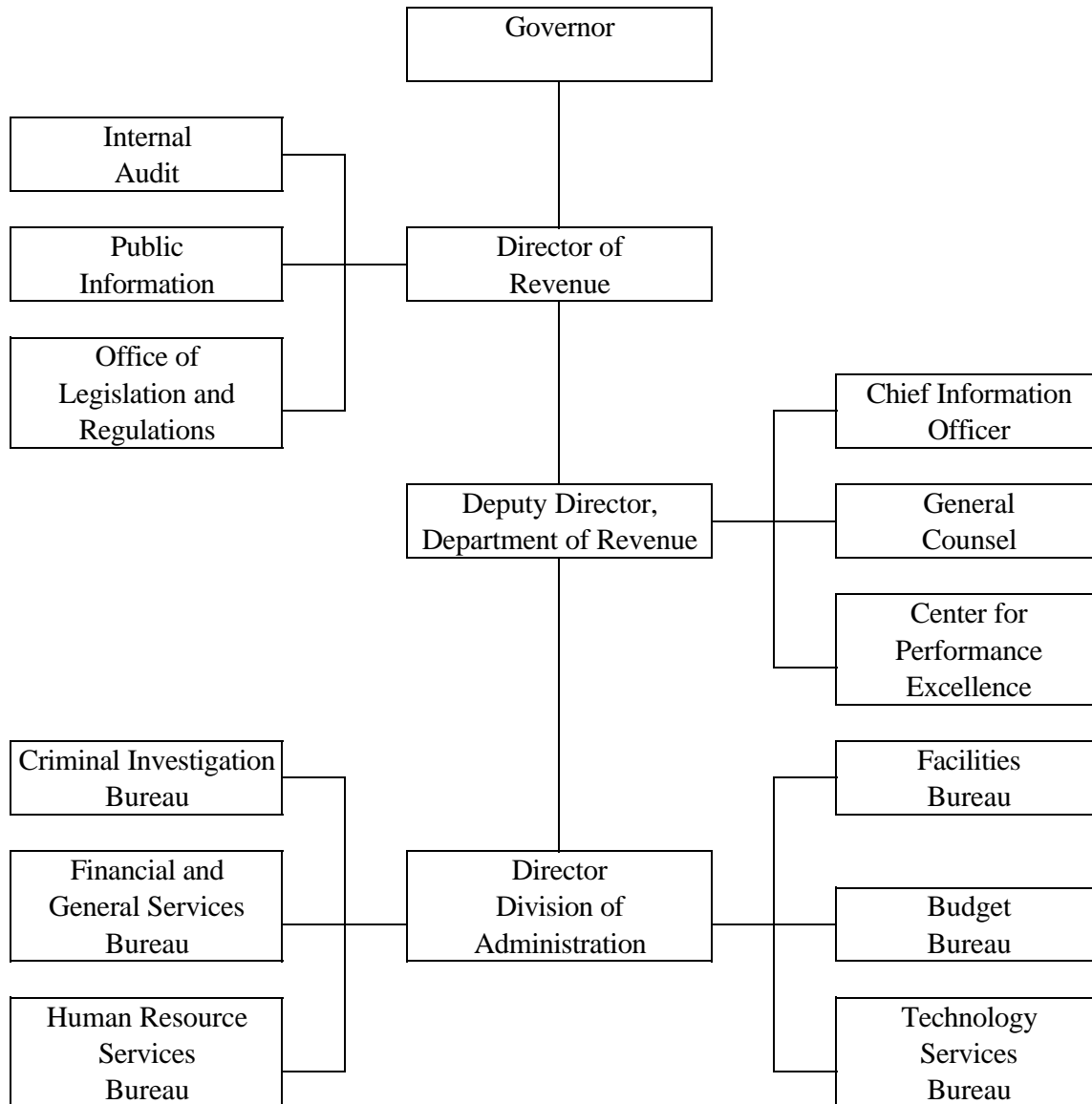
- 18) Payroll;
- 19) Human Relations;
- 20) Internal consultation and team facilitation;
- 21) Customer excellence, training; and
- 22) Affirmative Action.

Mike Backer has held the position of Director of Administration since June 28, 1993.

At June 30, 2000, the Department of Revenue had 1,850 employees, of which 242 were employed within the Division of Administration.

An organization chart follows:

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION
ORGANIZATION CHART
JUNE 30, 2000



Appendix A-1

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE			
Administration:			
Postage	\$ 4,024,793	3,898,633	126,160
Personal service	3,897,494	3,776,799	120,695
Expense and equipment	1,049,314	998,872	50,442
Motor Vehicle and Drivers Licensing:			
Personal service	229,272	222,109	7,163
Expense and equipment	91,080	88,348	2,732
Motor Vehicle and Drivers Licensing Branch Offices:			
Personal service	117,955	117,955	0
Expense and equipment	10,021	10,021	0
Taxation:			
Personal service	24,137,726	23,526,806	610,920
Expense and equipment	7,350,454	7,196,672	153,782
Payment of dues and fees to the Multistate Tax Commission	194,092	194,092	0
Total General Revenue Fund - State	41,102,201	40,030,307	1,071,894
DEPARTMENT OF REVENUE - FEDERAL FUND			
Administration expense and equipment	70,000	37,031	32,969
Motor Vehicle and Drivers Licensing:			
Personal service	158,782	0	158,782
Expense and equipment	398,925	0	398,925
Total Federal Fund	627,707	37,031	590,676
HEALTH INITIATIVES FUND			
Administration postage	4,350	4,042	308
Taxation:			
Personal service	38,673	38,673	0
Expense and equipment	4,365	4,342	23
Total Health Initiatives Fund	47,388	47,057	331
DIVISION OF AGING - ELDERLY HOME DELIVERED MEALS TRUST FUND			
Administration expense and equipment	10,800	10,800	0
Taxation personal service	10,041	10,041	0
Total Division of Aging - Elderly Home Delivered Meals Trust Fund	20,841	20,841	0

Appendix A-1

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
PETROLEUM STORAGE TANK INSURANCE FUND			
Taxation:			
Personal service	20,957	20,957	0
Expense and equipment	1,110	1,068	42
Total Petroleum Storage Tank Insurance Fund	22,067	22,025	42
MOTOR VEHICLE COMMISSION FUND			
Administration:			
Personal service	66,930	66,267	663
Expense and equipment	29,636	29,636	0
Motor Vehicle and Drivers Licensing:			
Personal service	233,821	233,234	587
Expense and equipment	318,760	318,760	0
Total Motor Vehicle Commission Fund	649,147	647,897	1,250
CONSERVATION COMMISSION FUND			
Taxation:			
Personal service	427,577	427,577	0
Expense and equipment	49,013	46,059	2,954
Total Conservation Commission Fund	476,590	473,636	2,954
DEPARTMENT OF REVENUE INFORMATION FUND			
Administration:			
Postage	158,731	158,731	0
Personal service	162,791	162,791	0
Expense and equipment	125,550	125,550	0
Motor Vehicle and Drivers Licensing:			
Personal service	228,299	227,299	1,001
Expense and equipment	230,871	230,871	0
Total Department Of Revenue Information Fund	906,242	905,241	1,001
HIGHWAY DEPARTMENT FUND			
Fees for entry of records into the federal commercial driver's license information system - expense and equipment	275,000	267,333	7,667
Attorney fees	15,000	1,781	13,219
Administration:			
Postage	3,815,344	3,700,386	114,958
Personal service	4,758,878	4,614,245	144,633
Expense and equipment	1,686,735	1,637,697	49,038

Appendix A-1

DEPARTMENT OF REVENUE
 DIVISION OF ADMINISTRATION
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 YEAR ENDED JUNE 30, 2000

	Appropriations	Expenditures	Lapsed Balances
Motor Vehicle and Drivers Licensing:			
Personal service	13,059,289	12,672,341	386,948
Expense and equipment	11,466,999	11,084,341	382,658
Implementation of a problem driver pointer system - expense and equipment	180,500	137,072	43,428
Expense and equipment	1,863,006	0	1,863,006 (1)
Motor Vehicle and Drivers Licensing Branch Offices:			
Personal service	4,253,401	4,253,401	0
Expense and equipment	363,556	361,523	2,033
Taxation:			
Personal service	1,987,997	1,483,625	504,372
Expense and equipment	1,245,088	1,138,078	107,010
Total Highway Department Fund	44,970,793	41,351,823	3,618,970
PETROLEUM INSPECTION FUND			
Taxation:			
Personal service	26,180	26,180	0
Expense and equipment	2,949	2,871	78
Total Petroleum Inspection Fund	29,129	29,051	78
Total All Funds	\$ 88,852,105	83,564,909	5,287,196

(1) Biennial appropriations set up in the current fiscal year are re-appropriations to the next year. After the June month-end processing has been completed, the unexpended appropriation balance for a biennial appropriation is established in the new fiscal year. Therefore, there is no lapsed balance for a biennial appropriation at the end of the first year.

Appendix A-2

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE			
Administration:			
Postage - expense and equipment	\$ 3,800,243	3,679,284	120,959
Personal service	3,418,578	3,408,533	10,045
Expense and equipment	1,716,903	1,654,388	62,515
Information Systems:			
Personal service	981,821	905,722	76,099
Expense and equipment	225,821	131,147	94,674
Motor Vehicle and Drivers Licensing:			
Personal service	286,532	270,064	16,469
Expense and equipment	91,080	88,348	2,732
Motor Vehicle and Drivers Licensing Branch Offices:			
Personal service	134,087	125,771	8,316
Expense and equipment	10,021	10,021	0
Taxation:			
Personal service	22,152,238	21,509,625	642,613
Expense and equipment	6,499,705	6,300,019	199,686
Payment of dues and fees to the Multistate Tax Commission	194,092	194,092	0
Total General Revenue Fund - State	39,511,121	38,277,013	1,234,108
DEPARTMENT OF REVENUE - FEDERAL FUND			
Administration expense and equipment	70,000	25,670	44,330
Motor Vehicle and Drivers Licensing:			
Personal service	151,598	2,978	148,620
Expense and equipment	398,925	9,376	389,549
Total Federal Fund	620,523	38,024	582,499
HEALTH INITIATIVES FUND			
Administration postage - expense and equipment	4,350	3,795	555
Taxation:			
Personal service	36,881	36,881	0
Expense and equipment	4,365	4,365	0
Total Health Initiatives Fund	45,596	45,041	555
DIVISION OF AGING - ELDERLY HOME DELIVERED MEALS TRUST FUND			
Information Systems expense and equipment	10,800	10,800	0
Taxation personal service	9,575	9,575	0
Total Division of Aging - Elderly Home Delivered Meals Trust Fund	20,375	20,375	0

Appendix A-2

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
UNDERGROUND STORAGE TANK INSURANCE FUND			
Administration expense and equipment	540	455	85
Taxation:			
Personal service	19,985	19,985	0
Expense and equipment	570	570	0
Total Underground Storage Tank Insurance Fund	21,095	21,010	85
MOTOR VEHICLE COMMISSION FUND			
Administration:			
Personal service	31,253	31,128	125
Expense and equipment	26,476	26,476	0
Motor Vehicle and Drivers Licensing:			
Personal service	223,805	206,198	17,607
Expense and equipment	307,284	307,281	3
Total Motor Vehicle Commission Fund	588,818	571,083	17,735
CONSERVATION COMMISSION FUND			
Taxation:			
Personal service	407,758	290,770	116,988
Expense and equipment	49,013	49,013	0
Total Conservation Commission Fund	456,771	339,783	116,988
DEPARTMENT OF REVENUE INFORMATION FUND			
Administration:			
Postage - expense and equipment	158,731	157,726	1,005
Personal service	126,496	84,268	42,228
Expense and equipment	278,466	271,236	7,230
Information Systems:			
Personal service	29,218	29,218	0
Expense and equipment	1,005	1,005	0
Motor Vehicle and Drivers Licensing:			
Personal service	217,969	215,722	2,247
Expense and equipment	76,950	76,950	0
Total Department of Revenue Information Fund	888,835	836,125	52,710

Appendix A-2

DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
YEAR ENDED JUNE 30, 1999

	Appropriations	Expenditures	Lapsed Balances
HIGHWAY DEPARTMENT FUND			
Fees for entry of records into the federal commercial driver's license information system - expense and equipment	250,000	225,154	24,846
Administration:			
Postage - expense and equipment	3,464,746	3,359,943	104,803
Personal service	4,101,734	4,084,426	17,308
Expense and equipment	2,207,859	2,173,061	34,798
Information Systems:			
Personal service	880,009	874,820	5,189
Expense and equipment	221,396	117,780	103,616
Motor Vehicle and Drivers Licensing:			
Personal service	12,048,270	11,723,226	325,044
Expense and equipment	10,520,797	10,276,000	244,797
Implementation of a problem driver pointer system - expense and equipment	480,500	141,634	0
Expense and equipment	1,863,006	0	1,863,006
Motor Vehicle and Drivers Licensing Branch Offices:			
Personal service	4,032,464	4,009,307	23,157
Expense and equipment	260,282	260,245	37
Taxation:			
Personal service	2,013,780	1,936,104	77,676
Expense and equipment	273,435	263,649	9,786
Total Highway Department Fund	42,618,278	39,445,349	3,172,929
PETROLEUM INSPECTION FUND			
Administration expense and equipment	2,160	875	1,285
Taxation:			
Personal service	24,966	23,996	970
Expense and equipment	789	789	0
Total Petroleum Inspection Fund	27,915	25,660	2,255
Total All Funds	84,799,327	79,619,463	5,179,864

* * * * *



HICKORY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-07
February 8, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Hickory, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Hickory County was a financial and compliance audit of various county operating funds.

The audit includes some matters upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

YELLOW SHEET

HICKORY COUNTY, MISSOURI

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C	Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual, Years Ended December 31, 1999 and 199811
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	<u>Prosecuting Attorney Training Fund</u>
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I	<u>Recorder's User Fee Fund</u> Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual, Years Ended December 31, 1999 and 199817
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HICKORY COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

To the County Commission
and
Officeholders of Hickory County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Hickory County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

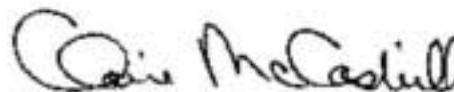
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Hickory County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Hickory County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Hickory County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31,

1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 12, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

September 12, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	David Holtmann, CPA
In-Charge Auditor:	Pamela Crawford, CPA
Audit Staff:	Sandi Ohern, CPA
	Rachael Simons
	Bryan Meadows



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Hickory County, Missouri

We have audited the special-purpose financial statements of various funds of Hickory County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated September 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

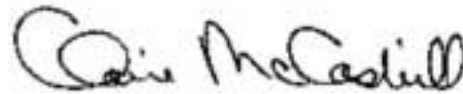
As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Hickory County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Hickory County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material

weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Hickory County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

September 12, 2000 (fieldwork completion date)

Financial Statements

Exhibit A-1

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 160,041	1,022,738	1,008,191	174,588
Special Road and Bridge	64,177	613,638	564,501	113,314
Assessment	17,144	101,055	101,019	17,180
Law Enforcement Training	589	1,674	1,065	1,198
Prosecuting Attorney Training	1,966	421	448	1,939
Law Enforcement (Drug)	20,912	317	17,465	3,764
Prosecuting Attorney Bad Check	4,269	2,787	4,820	2,236
Recorder's User Fee	23,179	7,887	3,890	27,176
Children's Special Trust	0	498	250	248
Law Enforcement POST Commission	1,132	1,032	1,057	1,107
John Sally Trust	31,790	2,366	8,424	25,732
Prosecuting Attorney Delinquent Tax	406	56	225	237
Sheriff's Fees	5,886	6,800	5,000	7,686
Noxious Weed	1,647	0	0	1,647
REAP Grant	0	19,000	11,455	7,545
Prosecuting Attorney Retirement	0	6,172	5,500	672
Health Center	76,781	251,784	251,452	77,113
Associate Circuit Division Interest	729	319	845	203
Circuit Clerk Interest	689	507	26	1,170
Law Library	750	3,135	3,356	529
Family Access	25	0	0	25
Total	\$ 412,112	2,042,186	1,988,989	465,309

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 56,496	985,572	882,027	160,041
Special Road and Bridge	74,558	575,715	586,096	64,177
Assessment	217	95,100	78,173	17,144
Law Enforcement Training	623	1,892	1,926	589
Prosecuting Attorney Training	1,856	467	357	1,966
Law Enforcement (Drug)	16,665	6,481	2,234	20,912
Prosecuting Attorney Bad Check	8,746	2,775	7,252	4,269
Recorder's User Fee	16,011	7,168	0	23,179
Children's Special Trust	248	274	522	0
Law Enforcement POST Commission	1,132	997	997	1,132
John Sally Trust	34,986	2,749	5,945	31,790
Prosecuting Attorney Delinquent Tax	361	45	0	406
Sheriff's Fees	1,675	4,839	628	5,886
Noxious Weed	0	10,000	8,353	1,647
Prosecuting Attorney Retirement	0	9,288	9,288	0
Law Enforcement Sales Tax	0	190,598	190,598	0
Local Emergency Planning Committee	5,729	0	5,729	0
Juvenile Detention	40	9,280	9,320	0
Law Enforcement DARE	257	975	1,232	0
Bullet-Proof Vest	6,962	497	7,459	0
Law Enforcement Block Grant	0	103	103	0
Annex Building	10,883	5,000	15,883	0
Health Center	77,814	265,412	266,445	76,781
Associate Circuit Division Interest	594	135	0	729
Circuit Clerk Interest	377	312	0	689
Law Library	497	3,240	2,987	750
Family Access	0	25	0	25
Total	\$ 316,727	2,178,939	2,083,554	412,112

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

HICKORY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 120,000	115,753	(4,247)	116,050	115,721	(329)
Sales taxes	613,748	630,599	16,851	395,000	397,774	2,774
Intergovernmental	86,600	84,229	(2,371)	88,931	88,313	(618)
Charges for services	140,737	144,779	4,042	94,713	126,407	31,694
Interest	8,230	10,186	1,956	6,000	8,672	2,672
Other	14,950	20,967	6,017	32,565	16,788	(15,777)
Transfers in	20,200	16,225	(3,975)	234,084	231,897	(2,187)
Total Receipts	1,004,465	1,022,738	18,273	967,343	985,572	18,229
DISBURSEMENTS						
County Commission	69,080	68,077	1,003	46,350	44,289	2,061
County Clerk	57,768	55,376	2,392	46,618	46,468	150
Elections	21,603	18,283	3,320	35,489	36,378	(889)
Buildings and grounds	58,200	43,400	14,800	58,825	42,624	16,201
Employee fringe benefits	62,360	56,572	5,788	54,268	43,552	10,716
County Treasurer	27,630	25,661	1,969	17,310	16,505	805
County Collector	68,499	59,491	9,008	57,179	54,364	2,815
Circuit Clerk and Ex Officio Recorder of Deeds	26,303	25,139	1,164	25,976	23,364	2,612
Associate Circuit Court	5,800	3,287	2,513	5,800	3,993	1,807
Court administration	11,140	10,586	554	10,666	6,043	4,623
Public Administrator	15,550	16,536	(986)	10,220	9,386	834
Sheriff	374,682	375,949	(1,267)	319,483	315,386	4,097
Jail	38,500	49,150	(10,650)	41,550	42,940	(1,390)
Prosecuting Attorney	60,118	60,323	(205)	44,115	44,380	(265)
Juvenile Officer	16,480	12,468	4,012	16,199	15,145	1,054
County Coroner	13,284	10,438	2,846	8,675	7,548	1,127
Juvenile Detention Center	55,827	15,093	40,734	51,089	21,868	29,221
Insurance	27,720	25,558	2,162	26,709	24,723	1,986
University Extension	25,610	25,610	0	21,900	21,900	0
Fire and rescue	10,000	10,833	(833)	10,000	9,167	833
Debt service	13,755	13,159	596	14,000	13,184	816
Other	21,060	15,447	5,613	9,840	7,820	2,020
Transfers out	11,755	11,755	0	26,000	31,000	(5,000)
Emergency Fund	31,034	0	31,034	29,150	0	29,150
Total Disbursements	1,123,758	1,008,191	115,567	987,411	882,027	105,384
RECEIPTS OVER (UNDER) DISBURSEMENTS	(119,293)	14,547	133,840	(20,068)	103,545	123,613
CASH, JANUARY 1	160,041	160,041	0	56,496	56,496	0
CASH, DECEMBER 31	\$ 40,748	174,588	133,840	36,428	160,041	123,613

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

HICKORY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 168,000	168,989	989	157,573	160,418	2,845
Intergovernmental	411,600	439,541	27,941	375,925	399,148	23,223
Interest	7,900	3,427	(4,473)	7,000	8,382	1,382
Other	1,000	1,681	681	3,000	7,767	4,767
Total Receipts	588,500	613,638	25,138	543,498	575,715	32,217
DISBURSEMENTS						
Salaries	166,804	168,734	(1,930)	166,048	156,329	9,719
Employee fringe benefits	25,788	21,078	4,710	19,347	15,565	3,782
Supplies	64,950	49,343	15,607	65,750	62,113	3,637
Insurance	10,256	3,826	6,430	7,000	7,000	0
Road and bridge materials	77,500	80,704	(3,204)	87,500	102,054	(14,554)
Equipment repairs	32,000	34,210	(2,210)	45,100	36,196	8,904
Equipment purchases	50,250	31,178	19,072	43,741	92,260	(48,519)
Construction, repair, and maintenance	11,500	20,185	(8,685)	23,403	7,745	15,658
Utilities	9,000	9,110	(110)	6,700	5,040	1,660
Maintenance building	1,500	3,947	(2,447)	28,900	33,233	(4,333)
Debt service	123,089	123,155	(66)	45,000	46,785	(1,785)
Other	29,500	5,031	24,469	28,812	7,776	21,036
Transfers out	14,000	14,000	0	14,000	14,000	0
Total Disbursements	616,137	564,501	51,636	581,301	586,096	(4,795)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(27,637)	49,137	76,774	(37,803)	(10,381)	27,422
CASH, JANUARY 1	64,177	64,177	0	74,558	74,558	0
CASH, DECEMBER 31	\$ 36,540	113,314	76,774	36,755	64,177	27,422

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

HICKORY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 ASSESSMENT FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	\$ 89,755	89,055	(700)	85,025	66,996	(18,029)
Charges for services	1,600	2,883	1,283	1,550	1,435	(115)
Interest	600	1,590	990	325	669	344
Other	0	1,044	1,044	0	0	0
Transfers in	6,483	6,483	0	26,000	26,000	0
Total Receipts	98,438	101,055	2,617	112,900	95,100	(17,800)
DISBURSEMENTS						
Assessor	104,307	101,019	3,288	80,558	78,173	2,385
Total Disbursements	104,307	101,019	3,288	80,558	78,173	2,385
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,869)	36	5,905	32,342	16,927	(15,415)
CASH, JANUARY 1	17,144	17,144	0	217	217	0
CASH, DECEMBER 31	\$ 11,275	17,180	5,905	32,559	17,144	(15,415)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

HICKORY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Charges for services	\$ 1,800	1,674	2,100	1,892	(208)	
Total Receipts	1,800	1,674	2,100	1,892	(208)	
DISBURSEMENTS						
Sheriff	1,900	1,065	2,700	1,926	774	
Total Disbursements	1,900	1,065	2,700	1,926	774	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	609	(600)	(34)	566	
CASH, JANUARY 1	589	589	623	623	0	
CASH, DECEMBER 31	\$ 489	1,198	23	589	566	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

HICKORY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Charges for services	\$ 500	421	780	467	(313)	
Total Receipts	500	421	780	467	(313)	
DISBURSEMENTS						
Prosecuting Attorney	725	448	525	357	168	
Total Disbursements	725	448	525	357	168	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(225)	(27)	255	110	(145)	
CASH, JANUARY 1	1,966	1,966	1,856	1,856	0	
CASH, DECEMBER 31	\$ 1,741	1,939	2,111	1,966	(145)	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

HICKORY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT (DRUG) FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Intergovernmental	\$ 0	0	5,147	5,147	0	
Interest	1,000	317	1,261	1,334	73	
Total Receipts	1,000	317	6,408	6,481	73	
DISBURSEMENTS						
Sheriff	21,073	17,465	23,073	2,234	20,839	
Total Disbursements	21,073	17,465	23,073	2,234	20,839	
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,073)	(17,148)	(16,665)	4,247	20,912	
CASH, JANUARY 1	20,912	20,912	16,665	16,665	0	
CASH, DECEMBER 31	\$ 839	3,764	0	20,912	20,912	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

HICKORY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	2,500	2,638	138	3,800	2,457	(1,343)
Interest	300	149	(151)	300	318	18
Total Receipts	2,800	2,787	(13)	4,100	2,775	(1,325)
DISBURSEMENTS						
Prosecuting Attorney	3,250	3,620	(370)	6,383	6,052	331
Transfers out	1,200	1,200	0	1,200	1,200	0
Total Disbursements	4,450	4,820	(370)	7,583	7,252	331
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,650)	(2,033)	(383)	(3,483)	(4,477)	(994)
CASH, JANUARY 1	4,269	4,269	0	8,746	8,746	0
CASH, DECEMBER 31	\$ 2,619	2,236	(383)	5,263	4,269	(994)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

HICKORY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEE FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	6,000	6,630	630	7,100	6,222	(878)
Interest	1,000	1,257	257	1,000	946	(54)
Total Receipts	7,000	7,887	887	8,100	7,168	(932)
DISBURSEMENTS						
Recorder of Deeds	9,700	3,890	5,810	4,100	0	4,100
Total Disbursements	9,700	3,890	5,810	4,100	0	4,100
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,700)	3,997	6,697	4,000	7,168	3,168
CASH, JANUARY 1	23,179	23,179	0	16,011	16,011	0
CASH, DECEMBER 31	\$ 20,479	27,176	6,697	20,011	23,179	3,168

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

HICKORY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CHILDREN'S SPECIAL TRUST FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Charges for services	\$ 250	215	264	265	1	
Interest	10	11	10	9	(1)	
Transfers in	272	272	0	0	0	
Total Receipts	532	498	274	274	0	
DISBURSEMENTS						
Other	250	250	522	250	272	
Transfers out	0	0	0	272	(272)	
Total Disbursements	250	250	522	522	0	
RECEIPTS OVER (UNDER) DISBURSEMENTS	282	248	(248)	(248)	0	
CASH, JANUARY 1	0	0	248	248	0	
CASH, DECEMBER 31	\$ 282	248	0	0	0	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

HICKORY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT POST COMMISSION FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Intergovernmental	1,000	1,032	32	960	997	37
Total Receipts	1,000	1,032	32	960	997	37
DISBURSEMENTS						
Training	1,000	1,057	(57)	960	997	(37)
Total Disbursements	1,000	1,057	(57)	960	997	(37)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(25)	(25)	0	0	0
CASH, JANUARY 1	1,132	1,132	0	1,132	1,132	0
CASH, DECEMBER 31	\$ 1,132	1,107	(25)	1,132	1,132	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

HICKORY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JOHN SALLY TRUST FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Interest	800	2,366	1,566	2,000	2,749	749
Total Receipts	800	2,366	1,566	2,000	2,749	749
DISBURSEMENTS						
Other	5,000	8,424	(3,424)	0	5,945	(5,945)
Total Disbursements	5,000	8,424	(3,424)	0	5,945	(5,945)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,200)	(6,058)	(1,858)	2,000	(3,196)	(5,196)
CASH, JANUARY 1	31,790	31,790	0	34,986	34,986	0
CASH, DECEMBER 31	\$ 27,590	25,732	(1,858)	36,986	31,790	(5,196)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

HICKORY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

Year Ended December 31,						
1999				1998		
		Variance				Variance
		Favorable				Favorable
		(Unfavorable)				(Unfavorable)
	Budget	Actual		Budget	Actual	
RECEIPTS						
Charges for services	\$ 23	36	13	30	25	(5)
Interest	15	20	5	15	20	5
Total Receipts	38	56	18	45	45	0
DISBURSEMENTS						
Prosecuting Attorney	225	225	0	225	0	225
Total Disbursements	225	225	0	225	0	225
RECEIPTS OVER (UNDER) DISBURSEMENTS	(187)	(169)	18	(180)	45	225
CASH, JANUARY 1	406	406	0	361	361	0
CASH, DECEMBER 31	\$ 219	237	18	181	406	225

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

HICKORY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S FEES FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Charges for services	5,000	6,800	1,800	16,139	4,839	(11,300)
Total Receipts	5,000	6,800	1,800	16,139	4,839	(11,300)
DISBURSEMENTS						
Sheriff	5,000	5,000	0	0	628	(628)
Transfers out	0	0	0	17,800	0	17,800
Total Disbursements	5,000	5,000	0	17,800	628	17,172
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	1,800	1,800	(1,661)	4,211	5,872
CASH, JANUARY 1	5,886	5,886	0	1,675	1,675	0
CASH, DECEMBER 31	\$ 5,886	7,686	1,800	14	5,886	5,872

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NOXIOUS WEED FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 0	0	0
Total Receipts	0	0	0
DISBURSEMENTS			
Noxious Weed	1,647	0	1,647
Total Disbursements	1,647	0	1,647
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,647)	0	1,647
CASH, JANUARY 1	1,647	1,647	0
CASH, DECEMBER 31	\$ 0	1,647	1,647

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
REAP GRANT FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 30,000	14,000	(16,000)
Transfers in	5,000	5,000	0
Total Receipts	35,000	19,000	(16,000)
DISBURSEMENTS			
Salaries	35,000	11,455	23,545
Total Disbursements	35,000	11,455	23,545
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	7,545	7,545
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	7,545	7,545

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY RETIREMENT FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	\$ 7,000	6,172	(828)
Total Receipts	7,000	6,172	(828)
DISBURSEMENTS			
Prosecuting Attorney	7,000	4,500	2,500
Transfers out	0	1,000	(1,000)
Total Disbursements	7,000	5,500	1,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	672	672
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	672	672

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT SALES TAX FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Sales taxes	190,598	190,598	0
Total Receipts	190,598	190,598	0
DISBURSEMENTS			
Transfers out	190,598	190,598	0
Total Disbursements	190,598	190,598	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LOCAL EMERGENCY PLANNING COMMITTEE FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Intergovernmental	1,690	0	(1,690)
Total Receipts	1,690	0	(1,690)
DISBURSEMENTS			
Civil defense	7,419	1,698	5,721
Transfers out	0	4,031	(4,031)
Total Disbursements	7,419	5,729	1,690
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,729)	(5,729)	0
CASH, JANUARY 1	5,729	5,729	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit T

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
JUVENILE DETENTION FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	9,280	9,280	0
Total Receipts	9,280	9,280	0
DISBURSEMENTS			
Transfers out	9,320	9,320	0
Total Disbursements	9,320	9,320	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(40)	(40)	0
CASH, JANUARY 1	40	40	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit U

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT DARE FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest income	25	25	0
Other	950	950	0
Total Receipts	975	975	0
DISBURSEMENTS			
Sheriff	0	1,168	(1,168)
Transfers out	1,232	64	1,168
Total Disbursements	1,232	1,232	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(257)	(257)	0
CASH, JANUARY 1	257	257	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit V

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
BULLET-PROOF VEST FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	394	394	0
Transfers in	103	103	0
Total Receipts	497	497	0
DISBURSEMENTS			
Sheriff	3,461	1,461	2,000
Transfers out	3,998	5,998	(2,000)
Total Disbursements	7,459	7,459	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,962)	(6,962)	0
CASH, JANUARY 1	6,962	6,962	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit W

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT BLOCK GRANT FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Other	103	103	0
Total Receipts	103	103	0
DISBURSEMENTS			
Transfers out	103	103	0
Total Disbursements	103	103	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit X

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ANNEX BUILDING FUND

	Year Ended December 31,		
	1998		
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Transfers in	5,000	5,000	0
Total Receipts	5,000	5,000	0
DISBURSEMENTS			
Building	15,883	15,768	115
Transfers out	0	115	(115)
Total Disbursements	15,883	15,883	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,883)	(10,883)	0
CASH, JANUARY 1	10,883	10,883	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Y

HICKORY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HEALTH CENTER FUND

		Year Ended December 31,					
		1999			1998		
				Variance Favorable (Unfavorable)			Variance Favorable (Unfavorable)
		Budget	Actual		Budget	Actual	
RECEIPTS							
Property taxes	\$	57,000	52,056	(4,944)	45,000	49,315	4,315
Intergovernmental		143,523	123,333	(20,190)	113,300	122,154	8,854
Charges for services		76,850	58,795	(18,055)	142,800	81,747	(61,053)
Interest		5,000	4,160	(840)	4,500	4,396	(104)
Other		31,427	13,440	(17,987)	7,450	7,800	350
Total Receipts		313,800	251,784	(62,016)	313,050	265,412	(47,638)
DISBURSEMENTS							
Salaries		230,700	191,682	39,018	232,900	201,365	31,535
Office expenditures		52,750	47,139	5,611	27,730	47,069	(19,339)
Equipment		14,500	5,098	9,402	3,400	5,206	(1,806)
Mileage and training		12,600	6,873	5,727	16,400	10,407	5,993
Other		3,250	660	2,590	28,700	2,398	26,302
Total Disbursements		313,800	251,452	62,348	309,130	266,445	42,685
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	332	332	3,920	(1,033)	(4,953)
CASH, JANUARY 1		78,314	76,781	(1,533)	76,844	77,814	970
CASH, DECEMBER 31		\$ 78,314	77,113	(1,201)	80,764	76,781	(3,983)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Z

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

Year Ended December 31,			
1999			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Interest	\$ 116	319	203
Total Receipts	116	319	203
DISBURSEMENTS			
Associate Circuit Division	845	845	0
Total Disbursements	845	845	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(729)	(526)	203
CASH, JANUARY 1	729	729	0
CASH, DECEMBER 31	\$ 0	203	203

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit AA

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

Year Ended December 31,			
1999			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Interest	\$ 320	507	187
Total Receipts	320	507	187
DISBURSEMENTS			
Circuit Clerk	800	26	774
Total Disbursements	800	26	774
RECEIPTS OVER (UNDER) DISBURSEMENTS	(480)	481	961
CASH, JANUARY 1	689	689	0
CASH, DECEMBER 31	\$ 209	1,170	961

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit AB

HICKORY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW LIBRARY FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 3,300	3,135	(165)
Total Receipts	3,300	3,135	(165)
DISBURSEMENTS			
Law Library	3,200	3,356	(156)
Total Disbursements	3,200	3,356	(156)
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	(221)	(321)
CASH, JANUARY 1	750	750	0
CASH, DECEMBER 31	\$ 850	529	(321)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

HICKORY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Hickory County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Noxious Weed Fund	1998
Prosecuting Attorney Retirement Fund	1998
Associate Circuit Division Interest Fund	1998
Circuit Clerk Interest Fund	1998
Law Library Fund	1998
Family Access Fund	1999 and 1998

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Special Road and Bridge Fund	1998
Prosecuting Attorney Bad Check Fund	1999
Law Enforcement POST Commission Fund	1999 and 1998
John Sally Trust Fund	1999 and 1998
Law Library Fund	1999

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The county's published financial statements for the years ended December 31, 1999 and 1998, included all funds presented in the accompanying financial statements.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Health Center Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance or by collateral securities held by the county's or board's custodial bank in the county's or board's name.

Schedule

HICKORY COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-Up on Prior Audit Findings

HICKORY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report issued for the two years ended December 31, 1997, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

SECTION ON OTHER MATTERS

HICKORY COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Hickory County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated September 12, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Hickory County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*. Nevertheless, the county should consider these matters and take appropriate corrective action.

1. Expenditures

The county did not solicit or advertise for bids for some purchases, including road and bridge equipment totaling \$66,267. The county did not always issue Form 1099 to applicable businesses or individuals. The county did not retain supporting documentation for some expenditures. In addition, the County Commission's approval of expenditures is not always documented.

2. Budgetary Procedures

Disbursements were made in excess of approved budgets for various county funds. Budgets were not prepared for some county funds.

3. Quarry Purchases

Each year, the county solicits bids for rock and gravel from the local quarries in Hickory County. The county has documented its award to the low bid quarry along with the award going to the quarry with the second lowest bid when it is closer to the job site (resulting in lower hauling costs). The Presiding Commissioner owns the property which is leased to the quarry company (second lowest bid) and he receives royalties from the quarry for the amount of materials mined from his property. The Presiding Commissioner directed any royalties received from the quarry for county purchases to be given to the local school district (which he thought would alleviate any possible conflict). Although the Presiding Commissioner abstained from any decisions to purchase gravel from this quarry in 1999, the Presiding Commissioner began participating in the vote to purchase gravel from the quarry in 2000. The county purchased approximately \$39,000 of gravel from the quarry during the first eight months of 2000. It is unclear whether his change in voting constitutes a potential conflict of interest.

4. Health Center

The method of payment is not always recorded on receipts and reconciled to the composition of bank deposits. Receipts are not deposited daily or when accumulated receipts exceed \$100. The original (top) copies of several blank receipt slips were removed from the receipt books and could not be located. In addition, some receipt slip numbers were skipped and not used but were not properly voided.

Actual receipts reported on the 1999 budget were understated by approximately \$9,900. The health center consistently over estimates its budgeted receipts and disbursements. For budgets to be of maximum assistance to the Health Center Board of Trustees and the general public, realistic amounts should be shown for budgeted receipts and disbursements.

The health center's fixed asset records are not properly maintained. Additions per the fixed asset records are not reconciled periodically to fixed asset purchases. Property tags are not always attached to assets designating the items as health center property.

This Letter on Other Matters is intended for the information of the management of Hickory County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.

* * * * *



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SHANNON COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1999

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-05
January 30, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2001

www.auditor.state.mo.us

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Shannon, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Shannon County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

The audited reconciled cash balances presented in the financial statements do not agree to the cash balances presented on the County Treasurer's semi-annual settlements or the county's budget documents, and those records do not even agree with each other. During our review of these documents, we noted the following concern:

- The County Clerk and County Treasurer do not reconcile their accounting records. As a result, errors on the semi-annual settlements prepared by the County Treasurer and errors on actual amounts reported on the budgets prepared by the County Clerk went undetected.
- The total of the ending cash balance for all funds on the semi-annual settlements is not reconciled to the county's reconciled bank balances. In addition, interest earned on Special Road and Bridge monies held in certificate of deposits is not properly recorded on the semi-annual settlement.

As of December 31, 1999, the Special Road and Bridge Fund is owed \$105,166 and \$20,866 by the General Revenue and Assessment Funds, respectively. As noted in our prior report, during 1997 the county began remitting employee payroll tax withholdings through an automatic withdrawal at the bank. The payroll taxes for all county employees were deducted from the Special Road and Bridge Fund's bank account. This process, which continued until early 1999 when a separate payroll account was opened, resulted in the General Revenue and Assessment Fund liability to the Special Road and Bridge Fund.

Special Road and Bridge Fund receipts are restricted revenues that are to be used only for expenses directly related to building and maintaining county roads and should not be used to pay payroll taxes of employees who are paid out of other county funds. This situation appears to have gone uncorrected due to the county's poor financial condition.

The county did not publish a financial statement for the year ended December 31, 1999. This is a significant violation of state law which is intended to inform the public of the county's financial activity on an annual basis.

Under state law, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts, disbursements, and beginning and ending balances for each fund.

The audit also includes some other matters upon which the county should consider and take appropriate corrective action.

Copies of the audit are available upon request.

SHANNON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

To the County Commission

and

Officeholders of Shannon County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 1999 and 1998, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

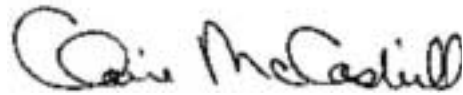
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Shannon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Shannon County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Shannon County, Missouri, and comparisons of such information with the corresponding

budgeted information for various funds of the county as of and for the years ended December 31, 1999 and 1998, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 31, 2000, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Claire McCaskill
State Auditor

August 31, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Darrick A. Fulton
Audit Staff:	Michael J. Monia
	Carl E. Zilch, Jr.
	Steven Re'



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission

and

Officeholders of Shannon County, Missouri

We have audited the special-purpose financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Shannon County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as finding number 99-3. We also noted certain immaterial instances of non compliance, which we have reported to the management of the county in the accompanying Letter on Other Matters.

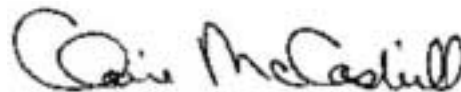
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Shannon County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over

financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings as finding numbers 99-1 and 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding number 99-1 to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the county in the accompanying Letter on Other Matters.

This report is intended for the information of the management of Shannon County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill
State Auditor

August 31, 2000 (fieldwork completion date)

Financial Statements

Exhibit A-1

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 45,188	754,291	782,057	17,422
Special Road and Bridge	890,524	786,556	739,763	937,317
Assessment	(1,047)	77,075	76,697	(669)
Law Enforcement Training	468	6,600	2,117	4,951
Prosecuting Attorney Training	5	887	0	892
Health Center	455,081	752,283	780,482	426,882
Senate Bill 40 Board	27,125	41,146	36,636	31,635
Recorder's User Fees	1,671	3,546	1,433	3,784
Special Law Enforcement	6,630	0	4,174	2,456
Shelter for Abused Victims	780	660	800	640
Prosecuting Attorney Sales Tax Collections	626	2,054	1,200	1,480
Sheriff Civil Fee	1,678	13,332	11,325	3,685
Law Library	2,576	2,292	3,414	1,454
Recycling Fund	337	1,265	1,340	262
Circuit Clerk Interest	1,489	888	0	2,377
Associate Circuit Division Interest	2,491	1,250	2,545	1,196
Sheriff Building	0	1,000	0	1,000
Federal Forfeiture	0	4,946	3,000	1,946
Total	\$ 1,435,622	2,450,071	2,446,983	1,438,710

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 122,944	660,770	738,526	45,188
Special Road and Bridge	689,760	788,195	587,431	890,524
Assessment	3,910	73,771	78,728	(1,047)
Law Enforcement Training	620	1,723	1,875	468
Prosecuting Attorney Training	(149)	516	362	5
Health Center	378,154	761,654	684,727	455,081
Senate Bill 40 Board	7,799	62,626	43,300	27,125
Recorder's User Fees	882	4,058	3,269	1,671
Special Law Enforcement	14,144	5,642	13,156	6,630
Shelter for Abused Victims	120	660	0	780
Drug Enforcement	(458)	458	0	0
Prosecuting Attorney Sales Tax Collections	635	1,265	1,274	626
Community Development Block Grant	41,937	1,200	43,137	0
Sheriff Civil Fee	0	5,115	3,437	1,678
COPS	(4,448)	4,448	0	0
Sheriff's Special	959	0	959	0
Sheriff's Transportation	926	0	926	0
Law Library	450	3,246	1,120	2,576
Recycling Fund	0	595	258	337
Circuit Clerk Interest	1,680	1,652	1,843	1,489
Associate Circuit Division Interest	2,888	1,137	1,534	2,491
Total	\$ 1,262,753	2,378,731	2,205,862	1,435,622

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SHANNON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 GENERAL REVENUE FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 131,500	75,805	(55,695)	117,200	79,161	(38,039)
Sales taxes	190,000	178,946	(11,054)	170,000	184,807	14,807
Intergovernmental	132,500	206,123	73,623	77,500	194,671	117,171
Charges for services	151,000	156,885	5,885	149,750	146,998	(2,752)
Interest	10,000	5,988	(4,012)	7,000	8,264	1,264
Other	8,700	9,816	1,116	8,120	21,595	13,475
Transfers in	26,400	120,728	94,328	25,200	25,274	74
Total Receipts	650,100	754,291	104,191	554,770	660,770	106,000
DISBURSEMENTS						
County Commission	63,198	62,599	599	36,868	37,281	(413)
County Clerk	45,260	44,985	275	37,766	37,823	(57)
Elections	1,000	113	887	22,676	20,473	2,203
Buildings and grounds	50,072	41,955	8,117	50,073	55,576	(5,503)
Employee fringe benefits	77,220	95,289	(18,069)	77,220	72,331	4,889
County Treasurer	25,404	23,443	1,961	17,194	16,976	218
County Collector	52,039	54,598	(2,559)	43,159	43,259	(100)
Ex Officio Recorder of Deeds	12,648	11,850	798	12,644	13,367	(723)
Circuit Clerk	7,300	4,748	2,552	7,300	6,179	1,121
Associate Circuit Court	7,580	7,483	97	7,580	8,378	(798)
Court administration	1,131	623	508	1,106	925	181
Public Administrator	11,417	12,309	(892)	11,417	12,784	(1,367)
Sheriff	132,579	193,450	(60,871)	132,579	187,190	(54,611)
Jail	25,231	34,523	(9,292)	25,231	38,857	(13,626)
Prosecuting Attorney	56,002	56,755	(753)	40,927	43,989	(3,062)
Juvenile Officer	42,637	40,013	2,624	43,592	40,812	2,780
County Coroner	7,747	10,663	(2,916)	7,747	10,315	(2,568)
Public Defender	1,065	1,320	(255)	1,075	1,075	0
Other	45,369	53,688	(8,319)	44,819	70,500	(25,681)
Transfers out	14,500	31,650	(17,150)	7,500	18,000	(10,500)
Emergency Fund	15,000	0	15,000	10,000	2,436	7,564
Total Disbursements	694,399	782,057	(87,658)	638,473	738,526	(100,053)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(44,299)	(27,766)	16,533	(83,703)	(77,756)	5,947
CASH, JANUARY 1	70,250	45,188	(25,062)	84,978	122,944	37,966
CASH, DECEMBER 31	\$ 25,951	17,422	(8,529)	1,275	45,188	43,913

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

SHANNON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 SPECIAL ROAD AND BRIDGE FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 122,500	94,579	(27,921)	65,000	124,241	59,241
Intergovernmental	629,900	647,741	17,841	635,000	633,065	(1,935)
Interest	10,000	36,728	26,728	0	29,903	29,903
Other	0	7,508	7,508	0	986	986
Total Receipts	762,400	786,556	24,156	700,000	788,195	88,195
DISBURSEMENTS						
Salaries	212,000	243,620	(31,620)	215,693	207,512	8,181
Employee fringe benefits	60,500	58,476	2,024	57,645	48,647	8,998
Supplies	118,000	125,456	(7,456)	127,200	106,595	20,605
Insurance	18,260	16,808	1,452	16,708	17,365	(657)
Equipment repairs	0	16,450	(16,450)	0	0	0
Distributions to cities	0	26,245	(26,245)	0	25,444	(25,444)
Equipment purchases	144,140	48,190	95,950	65,904	73,924	(8,020)
Construction, repair, and maintenance	136,000	77,347	58,653	107,500	76,678	30,822
Other	11,100	10,043	1,057	9,350	9,666	(316)
Emergency fund	100,000	0	100,000	100,000	0	100,000
Transfers out	22,800	117,128	(94,328)	21,600	21,600	0
Total Disbursements	822,800	739,763	83,037	721,600	587,431	134,169
RECEIPTS OVER (UNDER) DISBURSEMENTS	(60,400)	46,793	107,193	(21,600)	200,764	222,364
CASH, JANUARY 1	876,992	890,524	13,532	382,416	689,760	307,344
CASH, DECEMBER 31	\$ 816,592	937,317	120,725	360,816	890,524	529,708

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

SHANNON COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

Year Ended December 31,						
1999			1998			
		Variance			Variance	
		Favorable			Favorable	
		(Unfavorable)			(Unfavorable)	
	Budget	Actual	Budget	Actual		
RECEIPTS						
Intergovernmental	\$ 63,200	46,425	63,250	55,771	(7,479)	
Transfers in	12,500	30,650	7,500	18,000	10,500	
Total Receipts	75,700	77,075	70,750	73,771	3,021	
DISBURSEMENTS						
Assessor	75,276	76,697	74,478	78,728	(4,250)	
Total Disbursements	75,276	76,697	74,478	78,728	(4,250)	
RECEIPTS OVER (UNDER) DISBURSEMENTS	424	378	(3,728)	(4,957)	(1,229)	
CASH, JANUARY 1	(363)	(1,047)	4,363	3,910	(453)	
CASH, DECEMBER 31	\$ 61	(669)	635	(1,047)	(1,682)	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

Year Ended December 31,			
1999			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Charges for services	\$ 1,700	6,600	4,900
Total Receipts	1,700	6,600	4,900
DISBURSEMENTS			
Sheriff	2,000	2,117	(117)
Total Disbursements	2,000	2,117	(117)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	4,483	4,783
CASH, JANUARY 1	468	468	0
CASH, DECEMBER 31	\$ 168	4,951	4,783

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 500	887	387
Total Receipts	500	887	387
DISBURSEMENTS			
Prosecuting Attorney	500	0	500
Total Disbursements	500	0	500
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	887	887
CASH, JANUARY 1	0	5	5
CASH, DECEMBER 31	\$ 0	892	892

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

SHANNON COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
 HEALTH CENTER FUND

	Year Ended December 31,					
	1999			1998		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 35,000	39,294	4,294	4,000	11,182	7,182
Intergovernmental	647,000	688,137	41,137	649,300	650,885	1,585
Charges for services	2,400	4,119	1,719	5,100	2,385	(2,715)
Interest	21,000	20,433	(567)	18,000	20,065	2,065
Other	250	300	50	5,000	77,137	72,137
Total Receipts	705,650	752,283	46,633	681,400	761,654	80,254
DISBURSEMENTS						
Salaries	526,490	538,632	(12,142)	469,882	519,096	(49,214)
Office expenditures	69,000	60,441	8,559	66,700	66,480	220
Equipment	23,600	28,341	(4,741)	18,800	23,314	(4,514)
Mileage and training	20,000	18,752	1,248	20,000	18,996	1,004
Other	64,000	134,316	(70,316)	104,200	56,841	47,359
Total Disbursements	703,090	780,482	(77,392)	679,582	684,727	(5,145)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,560	(28,199)	(30,759)	1,818	76,927	75,109
CASH, JANUARY 1	384,217	455,081	70,864	376,526	378,154	1,628
CASH, DECEMBER 31	\$ 386,777	426,882	40,105	378,344	455,081	76,737

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

Year Ended December 31,			
1999			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Charges for services	\$ 4,000	3,546	(454)
Total Receipts	4,000	3,546	(454)
DISBURSEMENTS			
Recorder	4,000	1,433	2,567
Total Disbursements	4,000	1,433	2,567
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,113	2,113
CASH, JANUARY 1	1,671	1,671	0
CASH, DECEMBER 31	\$ 1,671	3,784	2,113

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHELTER FOR ABUSED VICTIMS FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 500	660	160
Total Receipts	500	660	160
DISBURSEMENTS			
Contractual agreements	800	800	0
Total Disbursements	800	800	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	(300)	(140)	160
CASH, JANUARY 1	780	780	0
CASH, DECEMBER 31	\$ 480	640	160

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY SALES TAX COLLECTIONS FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Charges for services	\$ 1,200	2,054	854
Total Receipts	1,200	2,054	854
DISBURSEMENTS			
Transfer out	1,200	1,200	0
Total Disbursements	1,200	1,200	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	854	854
CASH, JANUARY 1	626	626	0
CASH, DECEMBER 31	\$ 626	1,480	854

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF CIVIL FEE FUND

Year Ended December 31,			
1999			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Charges for services	\$ 4,000	13,332	9,332
Total Receipts	4,000	13,332	9,332
DISBURSEMENTS			
Sheriff	8,000	11,325	(3,325)
Total Disbursements	8,000	11,325	(3,325)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,000)	2,007	6,007
CASH, JANUARY 1	4,383	1,678	(2,705)
CASH, DECEMBER 31	\$ 383	3,685	3,302

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECYCLING FUND

Year Ended December 31,			
1999			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Charges for services	\$ 600	1,265	665
Total Receipts	600	1,265	665
DISBURSEMENTS			
Operating expenses	600	1,340	(740)
Total Disbursements	600	1,340	(740)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(75)	(75)
CASH, JANUARY 1	337	337	0
CASH, DECEMBER 31	\$ 337	262	(75)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CIRCUIT CLERK INTEREST FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Interest	\$ 1,200	888	(312)
Total Receipts	1,200	888	(312)
DISBURSEMENTS			
Supplies	2,680	0	2,680
Total Disbursements	2,680	0	2,680
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,480)	888	2,368
CASH, JANUARY 1	1,480	1,489	9
CASH, DECEMBER 31	\$ 0	2,377	2,377

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSOCIATE CIRCUIT DIVISION INTEREST FUND

Year Ended December 31,			
1999			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Interest	\$ 1,136	1,250	114
Total Receipts	1,136	1,250	114
DISBURSEMENTS			
Supplies	2,500	2,545	(45)
Total Disbursements	2,500	2,545	(45)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,364)	(1,295)	69
CASH, JANUARY 1	2,438	2,491	53
CASH, DECEMBER 31	\$ 1,074	1,196	122

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

SHANNON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF BUILDING FUND

Year Ended December 31,			
1999			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Transfer in	\$ 2,000	1,000	(1,000)
Total Receipts	2,000	1,000	(1,000)
DISBURSEMENTS			
Supplies	0	0	0
Total Disbursements	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,000	1,000	(1,000)
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 2,000	1,000	(1,000)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

SHANNON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Shannon County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1999, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	1998
Prosecuting Attorney Training Fund	1998
Senate Bill 40 Board Fund	1999 and 1998
Recorder's User Fees Fund	1998
Special Law Enforcement Fund	1999 and 1998
Shelter for Abused Victims Fund	1998
Drug Enforcement Fund	1998
Community Development Block Grant Fund	1998
Sheriff Civil Fee Fund	1998
COPS Fund	1998
Sheriff's Special Fund	1998
Sheriff's Transportation Fund	1998
Law Library Fund	1999 and 1998
Recycling Fund	1998
Sheriff Building Fund	1999
Circuit Clerk Interest Fund	1998
Associate Circuit Interest Fund	1998

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue Fund	1999 and 1998
Assessment Fund	1999 and 1998
Law Enforcement Training Fund	1999
Health Center Fund	1999 and 1998
Sheriff Civil Fee Fund	1999
Recycling Fund	1999
Associate Circuit Division Interest Fund	1999

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

As of August 31, 2000, the county had not published its financial statement for the year ended December 31, 1999. The county's published financial statement for the year ended December 31, 1998, did not include the Health Center or Senate Bill 40 Funds.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1999, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 1999 and 1998, were entirely covered by federal depository insurance, by collateral securities held by the county's custodial bank in the county's name, or by commercial insurance provided through a surety bond.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed for the county at those times although not at year-end.

Of the Health Center Board's bank balance at December 31, 1999, \$464,096 was covered by federal depository insurance, by collateral securities held by the Health Center Board's custodial bank in the Health Center Board's name, or by commercial insurance provided through a surety bond, and \$4,142 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances for the Health Center Board were substantially higher at those times than such amounts at year-end.

The Health Center Board's deposits at December 31, 1998, were entirely covered by federal depository insurance, by collateral securities held by the Health Center Board's custodial bank in the Health Center Board's name, or by commercial insurance provided through a surety bond.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Senate Bill 40 Board's deposits at December 31, 1999 and 1998, were entirely covered by federal depositary insurance.

3. Prior Period Adjustment

The Special Road and Bridge Fund cash balance at January 1, 1998, as previously stated has been increased by \$25,413 to reflect interest earned on a certificate of deposit during the two years ended December 31, 1997, not previously included.

Schedule

SHANNON COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 1999 AND 1998

This schedule includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

99-1.	County Financial Records and Procedures
--------------	--

The audited reconciled cash balances presented in the financial statements do not agree to the cash balances presented on the County Treasurer's semi-annual settlements or the county's budget documents, and those records do not even agree with each other. During our review of these documents, we noted the following concerns:

- A. The County Clerk and County Treasurer do not reconcile their accounting records. As a result, errors on the semi-annual settlements prepared by the County Treasurer and errors on actual amounts reported on the budgets prepared by the County Clerk went undetected.

Section 51.150.1, RSMo 1994, requires the County Clerk to keep regular accounts with the County Treasurer. To provide the type of check-and-balance system required by state law, to ensure errors and omissions are detected on a timely basis, and to provide accurate financial reporting, the County Clerk and the County Treasurer should regularly reconcile their accounting records.

- B. The County Treasurer uses his fund ledgers to prepare the semi-annual settlements (SAS). The SAS is a report to the County Commission of the receipts and disbursements and ending cash balances of all funds and shows the reconciliation of total cash balances to the bank account balances. The following concerns were noted:

- The total of the ending cash balance for all funds on the SAS is not reconciled to the county's reconciled bank balances.
- Interest earned on Special Road and Bridge Fund monies held in certificates of deposit (CD's) is not properly recorded on the SAS. Interest is not recorded by the County Treasurer until the CD is cashed or redeemed, resulting in untimely recording of the related interest. In addition, purchases and redemptions of CD's are included in actual revenues and expenditures on the semi-annual settlements, which overstate both the sources and uses of county funds. These errors have been corrected in the financial statements presented in this report.

WE RECOMMEND:

- A. Accounting records of the County Clerk and County Treasurer should be periodically reconciled and all reconciling items documented. In addition, the County Clerk should maintain an account book for all county funds.
- B. The County Treasurer reconcile the SAS to the bank account balances and record interest earned in a timely manner.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

- A. *The County Clerk and the County Treasurer indicated they have implemented reconciliation procedures. The County Clerk indicated she will begin maintaining account books for all funds during 2001.*
- B. *The County Treasurer indicated he will implement this recommendation immediately.*

99-2. County Payroll Tax Procedures
--

As of December 31, 1999, the Special Road and Bridge Fund is owed \$105,166 and \$20,866 by the General Revenue and Assessment Funds, respectively. As noted in our prior report, during 1997 the county began remitting employee payroll tax withholdings through an automatic withdrawal at the bank. The payroll taxes for all county employees were deducted from the Special Road and Bridge Fund's bank account. This process, which continued until early 1999 when a separate payroll account was opened, resulted in the General Revenue and Assessment Fund liability to the Special Road and Bridge Fund.

Special Road and Bridge Fund receipts are restricted revenues that are to be used only for expenses directly related to building and maintaining county roads and should not be used to pay payroll taxes of employees who are paid from county funds. This situation resulted, at least in part, from the county's poor financial condition. See also Letter on Other Matters number 1.

WE RECOMMEND the County Treasurer obtain a transfer order to reimburse the Special Road and Bridge Fund for employee withholdings from the General Revenue Fund and Assessment Fund.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk and the County Treasurer indicated they will implement this recommendation within the first six months of 2001.

99-3. County Published Financial Statements
--

The county did not publish a financial statement for the year ended December 31, 1999. In addition, the county's published financial statement for the year ended December 31, 1998

did not include the Senate Bill 40 Board Fund and the Health Center Fund. This is a significant violation of state law which is intended to inform the public of the county's financial activity on an annual basis.

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts, disbursements, and beginning and ending balances for each fund.

WE RECOMMEND the County Commission ensure complete financial statements are prepared and published annually.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk and the County Treasurer indicated the 1999 financial statement was published in September 2000. They also indicated future financial statements will be published on a timely basis and will include the Health Center and Senate Bill 40 Funds.

Follow-Up on Prior Audit Findings

SHANNON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT OF FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Shannon County, Missouri, on certain findings in our prior audit report issued for the two years ended December 31, 1997. The findings are those that *Government Auditing Standards* requires to be reported for an audit of financial statements.

2. Reconciliation of County Records

The County Clerk did not maintain an account book with the County Treasurer for some funds, and documentation was not maintained to indicate that their records were reconciled. As a result, numerous differences were noted between the County Treasurer's and County Clerk's records.

Recommendation:

The County Clerk maintain an account book for all county funds. Accounting records of the County Clerk and County Treasurer should be periodically reconciled and all reconciling items documented.

Status:

Not implemented. See finding number 99-1.

3. County Treasurer's Controls and Procedures

- A. The total of the ending cash balance for all funds on the Treasurer's semi-annual settlement did not agree to the bank reconciliation portion of the settlement. In addition, the Treasurer's semi-annual settlement did not document the reconciliation between the total ending cash balance and the balance in the bank accounts.
- B. The payroll taxes for all county employees were deducted from the Special Road and Bridge Fund's bank account. As a result, as of December 31, 1997, liabilities of \$24,319 and \$7,385 were due from the General Revenue Fund and the Assessment Fund, respectively, to the Special Road Fund's bank account for withholdings paid on behalf of employees paid by those funds.

Recommendation:

- A. Prepare a complete and accurate semi-annual settlement and promptly post correcting entries to the fund ledgers.
- B. Open a new bank account to account for all payroll withholdings. In addition, the County Treasurer should obtain a transfer order to reimburse the Special Road and

Bridge Fund for employee withholdings from the General Revenue Fund and Assessment Fund.

Status:

- A. Not implemented. See finding number 99-1.
- B. Partially implemented. While the county opened a new account in 1999, no transfer of funds was made. See finding number 99-2.

SECTION ON OTHER MATTERS

SHANNON COUNTY, MISSOURI LETTER ON OTHER MATTERS

We have audited the special-purpose financial statements of various funds of Shannon County, Missouri, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 31, 2000.

We did not review the operations of elected officials with funds other than those presented in the special-purpose financial statements. The operations of such officials will be reviewed and reported on during the state auditor's next scheduled audit of the county.

This Letter on Other Matters presents matters other than the findings, if any, reported in the accompanying Schedule of Findings. These matters resulted from our audit of the special-purpose financial statements of Shannon County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with Government Auditing Standards. Nevertheless, the county should consider these matters and take appropriate action.

1. County Financial Condition

The county has experienced a significant decline in the cash balance of the General Revenue Fund over the past several years. The cash balance in the General Revenue Fund has decreased from \$122,944 as of December 31, 1997 to \$17,422 as of December 31, 1999. For 2000, the county budgeted revenues of \$678,900 and expenditures of \$693,128, resulting in an estimated ending cash balance of \$3,194. Also, at December 31, 1999, the General Revenue Fund owed \$105,166 to the Special Road and Bridge Fund for payroll taxes, as noted in finding number 99-2.

The County Commission should review expenditures and reduce discretionary amounts as much as possible. In addition, the County Commission should review budgetary and accounting controls and attempt to maximize all revenues, and if necessary, consider other revenue sources such as sales tax.

2. Budgetary Reporting and Procedures

Disbursements were made in excess of approved budgets for some county funds. Budgets were not prepared for some special revenue funds. The Special Road and Bridge Fund budgeted disbursements significantly exceeded actual disbursements for 1999 and 1998.

3. County Clerk's Procedures

The County Clerk does not maintain an account book with the County Collector. Section 51.150.2, RSMo 1994, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury.

4. County Treasurer's Procedures

The Treasurer distributes all interest earned from the general bank account to the General Revenue Fund rather than to the various funds which are held in the account. Also, while the Treasurer performs monthly bank reconciliations, he does not maintain adequate documentation to support his reconciling items.

5. Payroll Records and Policies

Road and Bridge employees are the only county employees required to prepare time sheets. Time sheets are necessary to determine compliance with the Fair Labor Standards Act. No centralized leave records are maintained to document vacation and sick leave and compensatory time earned, taken and accumulated. In addition, the county does not have a written policy regarding overtime worked by county employees.

6. Special Road and Bridge Fund Tax Distribution

The county distributes Special Road and Bridge Fund property taxes to various applicable cities in the county; however, the county does not have a written agreement with these cities, does not monitor these distributions to ensure they are used only for road and bridge purposes as required by state law, and does not reflect these payments on its budget.

7. Senate Bill 40 Board

The Senate Bill 40 Board did not prepare a formal budget for each of the two years ended December 31, 1999. In addition, the Board has not updated its contract with Three Rivers Sheltered Workshop since 1993 and has not reviewed the audit on the Three Rivers Sheltered Workshop.

8. Property Record and Procedures

The County department officers or their designees do not maintain adequate general fixed assets records or perform annual physical inventories in accordance with Section 49.093 RSMo Cumulative Supp. 1999. Adequate general fixed asset records and inventory procedures are necessary to meet statutory requirements, safeguard county assets, and provide a basis for determining proper insurance coverage.

9. Interfund Transfers

No documentation is maintained to indicate approval of interfund transfers and to support amounts transferred. Documentation of transfers made between funds is necessary to ensure all transfers are approved by the County Commission and properly recorded in county financial records.

10. Schedule of Expenditures of Federal Awards

The county's schedule of expenditures of federal awards (SEFA) contained various errors and omissions for the years ended December 31, 1999 and 1998. The SEFA should be accurately prepared to ensure all federal awards are properly recorded.

This letter on Other Matters is intended for the information of the management of Shannon County, Missouri, and other applicable government officials. However, this letter is a matter of public record and its distribution is not limited.



**AUDIT OF
GENERAL OBLIGATION BOND
SALES PRACTICES**

From The Office Of State Auditor
Claire McCaskill

Report No. 2001-04
January 29, 2001

Missouri taxpayers will pay \$83.2 million more than necessary because general obligation bonds were not bid competitively which resulted in excess interest costs.

www.auditor.state.mo.us

PERFORMANCE AUDIT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2001

www.auditor.state.mo.us

Missouri's general obligation bond market has been virtually closed to competition and the privately sold bonds have cost taxpayers an estimated \$83.2 million in excess interest costs since 1997.

An audit of general obligation bond sale practices disclosed that Missouri taxpayers could be better served. Our audit focused on general obligation bonds rated AA and AAA, which are considered the most secure of all municipal debt. Governments use general obligation bonds to finance services and projects for the citizenry. They pay back the bonds with taxpayer's property taxes and other general revenue. Unlike revenue bonds (where payment comes from user fees), general obligation bond debt is guaranteed by the government entity that issues the bonds. Therefore, government entities that issue these bonds should strive for the lowest cost, which are generally provided through competitive sales.

Most bonds were not sold competitively

An average of 87 percent of Missouri's general obligation bonds sold since 1993 were issued without the benefit of competitive bidding. Had these bonds been sold competitively based on the interest rates competitive issues received, the Missouri taxpayers would have saved \$83.2 million in excess interest costs.

Political subdivision officials placed reliance on private firms to negotiate sales, which increased costs to taxpayers

Local officials such as school superintendents and city administrators have too often relied upon the advice of familiar bond negotiators instead of seeking open bids assuring the most competitive rate of return for taxpayers. Although Missouri's general obligation bonds have historically attracted a nationwide market because of the state's high credit and management rating, officials opted to forego competitive sales and allow private sale bond buyers to negotiate the sales. The exclusion of potential buyers reduces the competition for bonds and results in higher interest rates, and overall costs to the issuing political subdivision. Bond issues of sufficient size and credit standing attract substantial interest in the underwriting market nationwide, which makes them attractive to competition. Nevertheless, Missouri private bond sales are more than double national averages even though it is one of the strongest bond markets in the nation.

(over)

YELLOW SHEET

Missouri's private bond sales are going to only a few private bond buyers

Of the 41 underwriters who bought bonds since 1997, 23 bought only in private sales, 9 bought only in competitive sales, and 9 bought in both private and competitive sales. However, 3 of the 41 underwriters bought about two-thirds of the total purchases. The average interest rates fluctuated widely for the 515 bond issues sold since 1997 and included in our study, even when the features of the bonds such as credit ratings, sale dates, and average life were similar.

Appearance of conflict of interest

In most private sales, the bond underwriters who purchased the bond issues also served as the financial advisor to the local officials such as school superintendents and city administrators. This presents, at a minimum, an appearance of a conflict of interest. The best interest of the local community and the bond underwriter are in direct opposition making it difficult for both interests to be served by the same person.

We make several recommendations to help protect the financial interests of both Missouri's taxpayers and political subdivisions such as school districts and cities. Overall, local officials should more actively strive for a competitive process when issuing general obligation bonds. This includes competitively selecting an underwriter, financial advisor, and bond counsel. Reintroducing open and fair competition for general obligation bonds will more than likely result in significant savings through lower interest costs.

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CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden
And
Members of the General Assembly

The State Auditor's Office audited general obligation bond sales practices in Missouri. The audit focused on general obligation bonds (which are considered the most secure of all municipal debt) sold by political subdivisions under Revised Missouri Statute §108.170. General obligation bonds are guaranteed by the entity that issues them, and payment of the debt comes from property taxes and other general revenue. The bonds are an important financing tool for these political subdivisions—a category that primarily includes school districts, municipalities, and counties. These subdivisions use bond revenue to finance public purpose projects such as school buildings, roads, and other worthwhile projects at reduced costs through benefits offered by the bond market.

The objectives of the audit were to (1) determine to what extent financing costs differed between general obligation bond issues sold competitively and privately and (2) assess the practices used during the bond sales.

General obligation bonds sold without competition between 1997 and 2000 incurred an estimated \$83.2 million in excess interest costs that will be borne by the taxpayers. Missouri's general obligation bond market is heavily weighted toward private negotiated sales at the expense of competition. By comparison to national trends, Missouri does not fare well. Missouri sells 87 percent of the general obligation bonds without competition, while nationally only 49 percent of all general obligation bonds are sold without competition.

The current trend of negotiating sales without competition has resulted in Missouri virtually closing its borders to outside bidders. When general obligation bonds were competitively bid, companies outside of Missouri's borders won 44 percent of the bids because their bids were the most competitive.

Missouri taxpayers would be better served by their local governmental entities if general obligation bonds were open to competitive bids nationwide.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

October 27, 2000 (fieldwork completion)

The following auditors participated in the preparation of this report:

Director of Audits:	William D. Miller, CIA
Assistant Director:	Kirk R. Boyer
Audit Staff:	Cynthia L. Freeman
	Renee C. Alvarez
	Randal A. Schenewerk

RESULTS AND RECOMMENDATIONS

1. Missouri Taxpayers Will Pay An Estimated \$83.2 Million in Excess Interest Costs Because General Obligation Bonds Were Not Sold Competitively

An average of 87 percent of Missouri's general obligation bonds were sold privately without the benefit of competition between 1993 and 2000. Our audit focused on general obligation bonds which are considered the most secure of all municipal debt. The majority of these bonds were rated AA and AAA. Governments use general obligation bonds to finance services and projects for the citizenry. They pay back the bonds with taxpayer's property taxes and other general revenue. Unlike revenue bonds (where payment comes from user fees), general obligation bond debt is guaranteed by the government entity that issues the bonds. Therefore, government entities that issue these bonds should strive for the lowest cost, which are generally provided through competitive sales. The decisions on whether to sell the bonds privately or competitively are typically made by school superintendents, or city and county administrators who are the officials of the political subdivisions. Nationally, only 49 percent of general obligation bonds were sold privately over this time period. Bond sales commit taxpayers of a school district or community to many years of indebtedness. Nevertheless, privately negotiated bond sales are occurring without the benefit of competitive bidding. In these private sales, local officials have too often relied upon the advice of familiar bond negotiators instead of seeking open bids assuring the most competitive rate of return for taxpayers. If the \$1.7 billion in bonds sold privately since 1997 had been sold at the rates and terms obtained by the bonds sold competitively, there would have been an interest savings of an estimated \$83.2 million. This excess interest cost could have been used to further fund schools, roads, or other worthwhile projects. As a result taxpayers are left with more debt to pay for less services.

Background

General obligation bonds are an important financing tool to political subdivisions—a category that primarily includes school districts but also includes counties, municipalities, and districts such as library, fire protection, road, and nursing homes—as well as state agencies. These political subdivisions use bond revenue to finance public-purpose projects such as building schools, roads, environmental facilities, and other worthwhile projects at reduced costs through benefits offered by the bond market. These projects and the funding of them must have voter approval before either process can begin.

General obligation bonds are backed by the full faith, credit and taxing power of the issuer. In other words, the school district or municipality will pay the principal and interest of the bond debt with the real estate and personal property tax collected from the taxpayers. Because the issuer backs these bonds, they are favored more by the investor and therefore generally receive more favorable interest rates than other bonds.

The Government Financial Officers Association (GFOA) recommends the use of a competitive process to select the services of the financial advisor. Under the facts and circumstances contained in our study population, a competitive process can be used for bond counsel, and underwriter, once a governing body identifies a need to finance a public-purpose project.

The financial advisor conducts a debt analysis for the issuer. The advisor will consider factors such as project size and purpose, source(s) of the debt service payments, and the amount of funding needed. The financial advisor prepares debt structuring and sizing recommendations. The advisor also assists the issuer in identifying a prudent bond maturity structure that will not create potential hardship or unnecessary interest costs.

The bond counsel prepares resolutions authorizing the sale of bonds and related matters consistent with recommendations from the financial advisor. The issuer's governing body then adopts the resolution authorization to issue bonds.

The proposed project must be approved by a minimum of four-seventh's vote during a regular election. Once approved by the taxpayers, the issuer, assisted by the financial advisor or knowledgeable staff member, can continue structuring the bonds for sale.

The underwriter's role is to purchase the bonds for resale to the secondary market, (i.e., investors). The underwriters retain a fee or commission for purchasing the bonds for resale. This amount can vary depending on the underwriter and dollar amount of the bond issue. GFOA recommends that the underwriter be competitively selected, particularly in private sales.

The GFOA recommends that local government bond issuers strive for the lowest overall cost of financing

Political subdivisions sell bonds either competitively or privately. GFOA recommends that these political subdivisions ensure that the appropriate method of sale is evaluated based on market conditions and the risks involved. The issuer should maintain thorough records about the process to demonstrate that the sale decision was equitable and defensible.

In a competitive sale, the political subdivision, or issuer, of the bonds prepares the issue for sale with the assistance of a financial advisor or knowledgeable staff member. When the issue is ready for sale, a competitive bid process is conducted in which underwriters submit bids with the most competitive interest rates and terms at which they would purchase the bonds. There may be a discount or premium applied to the bonds as well.¹ The issuer sells the bonds to the underwriting firm that has submitted the bid for the purchase of the bonds resulting in the most competitive borrowing cost. The borrowing cost analysis includes the underwriting fee to be paid at closing, discount or premium amounts, bond maturity periods and amounts, and the interest rates to be paid over time. The selected underwriter then immediately offers the bonds for resale to the final investors.

In a private sale, the underwriting firm is selected in advance of the actual sale of the bonds. The underwriter participates in preparing the issue for marketing, and has the

¹ A bond discount is the amount below face value at which a bond is sold. A bond is sometimes sold at a discount when the interest rate on the bond is below the prevailing market interest rate, the issuer has financial problems, and/or the bond has a long maturity period. A premium is the amount in excess of face value at which a bond is sold. A bond may be sold at a premium if the interest rate on the bond exceeds the market interest rate or it is from a financially strong issuer.

opportunity to measure investor interest in the bonds through a “pre-marketing” process. When the issuer actually sells its bonds to the underwriter, the final interest rates, underwriting fees, discount or premium amounts, and maturity periods have been mutually agreed to after a certain level of investor interest has been established. As such, underwriters do not submit bids with the best interest rates and terms at which they are willing to purchase the bonds. Without a competitive bid for underwriters, it is difficult for issuers to promote, or give the appearance of, fairness and equity in a private sale process.

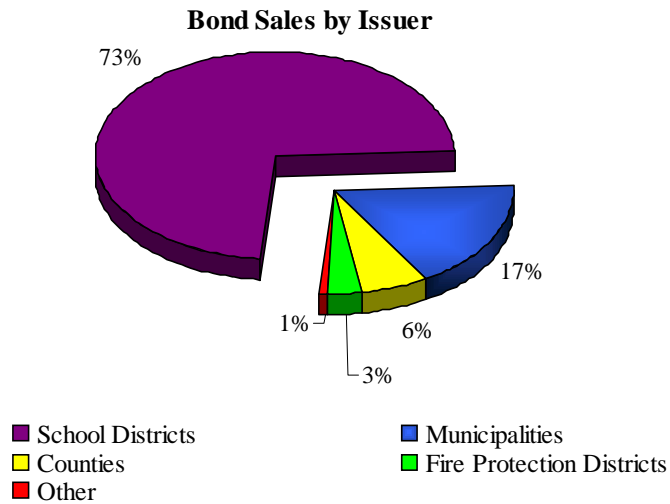
In either type of sale, the issuer should manage the compensation to underwriters by setting a cap on fees and expenses and reviewing information on recent purchases by the underwriter. Issuers should be aware that they have a legitimate role in selecting an underwriter and pricing the bonds. In addition, GFOA recommends that the issuer evaluate the bond sale after its completion to assess whether costs (including underwriter compensation) and pricing of the bonds (true interest cost both overall and for each maturity) were fair given the level of effort and market conditions.

Missouri laws allow local political subdivisions to choose how bonds can be sold

The current law allows political subdivisions to competitively or privately sell general obligation bonds. Revised Missouri Statute §108.170 allows privately negotiated sales to occur at interest rates up to 10 percent and at not less than 95-percent of the face value (or discounted no more than 5 percent)². Historically, municipal bond interest rates have only exceeded the 10 percent level one brief period in the last 100 years, making this law virtually immaterial. But, the law allows for nearly all bond sales to be privately negotiated because the intended restriction (rates up to 10 percent) is in reality not a restriction because the interest rates are not that high.

As shown in the following chart, school districts issued about three-fourths of the 515 general obligation bonds in our study population. Revised Missouri Statute §177.086 requires competitive bids on school construction projects over \$12,500. Thus, Missouri law requires projects typically funded by bond proceeds to be competitively bid, but does not require competition on funding of these projects (i.e., bond issues).

² The statute states that a competitive sale may not exceed an interest rate of 14 percent.



Source: SAO analysis of results from our study population.

A review of bond statutes in the eight states bordering Missouri revealed a disparity in how general obligation bonds are regulated. For school districts, three states allow them to choose a method of sale, and five states require competitive bid. Two of the eight states also require cities and counties to competitively bid.

Most Missouri general obligation bonds were privately sold

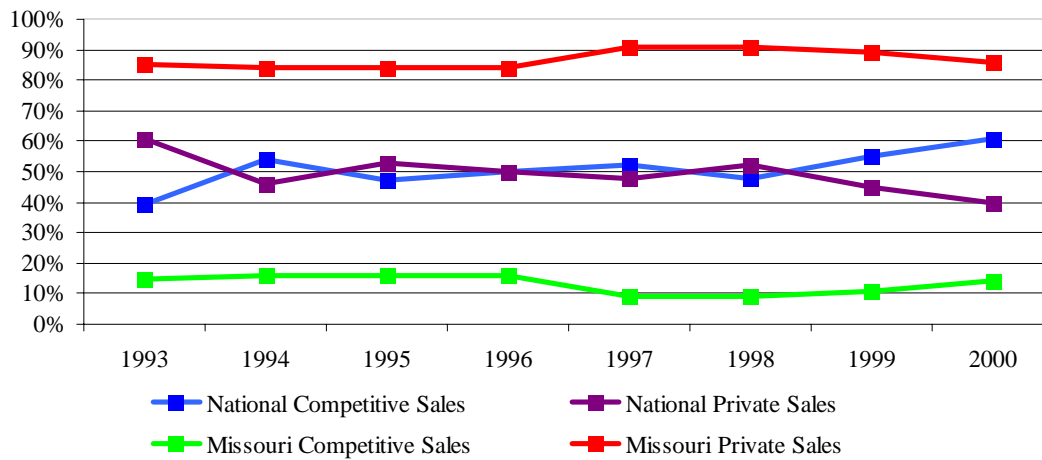
Eighty-nine percent of the general obligation bonds issued since 1997 were privately sold. Since 1993, these private sales have averaged 87 percent per year. Thus, Missouri issuers used private sales without the benefit of public competition.

Private sales significantly outnumber competitive sales

Missouri private bond sales substantially exceeded national averages

Nationally, private (noncompetitive) bond sales averaged 49 percent between 1993 and 2000 compared to an average of 87 percent in Missouri as shown in the following chart.

Number of Missouri and National General Obligation Bond Sales Since 1993



Source: SAO and Thompson Financial Securities Data

Note: Missouri and national data excludes bond issues by state agencies.

As the chart shows, the national competitive and private sales are fairly balanced while Missouri sales are not. The number of Missouri private sales substantially exceeded national private sales each year during the 8-year period. Further, Missouri's private sales have remained constantly high with little or no movement toward competitive sales. This illustrates that Missouri's bond market is virtually closed to competition.

Political subdivisions would have saved an estimated \$83.2 million through more competitive interest rates and bond structuring.

There are significant differences in interest costs between competitive and private sales. These differences were observed in virtually every means of comparison such as average interest rates, average life, length of term, and credit ratings.

Competitive sales had consistently lower interest rates than private sales.

The interest rates for Missouri's general obligation bond issues—both competitive and private—were lower than the national averages based on a comparison of Missouri's general obligation bond interest rates to The Bond Buyer's Weekly Index.³ This is an indication of Missouri's strong and highly regarded bond market. However, private sales in Missouri had an average interest rate of 5.2175 percent and competitive sales an average rate of 4.8393 percent—a difference of 0.3782 percent. Applying this average interest rate difference and the same features of bonds sold competitively over this period to the \$1.7 billion in bonds sold privately, we calculated an estimated \$83.2 million in excess interest costs as shown below. *(See Appendix II, page 27 for more detailed description of this interest cost calculation for the bond issues in our study population.)*

**\$83.2 million
in excess
interest costs**

Calculation of the Estimated Interest Cost Difference Between Private and Competitive Sales in Our Study Population

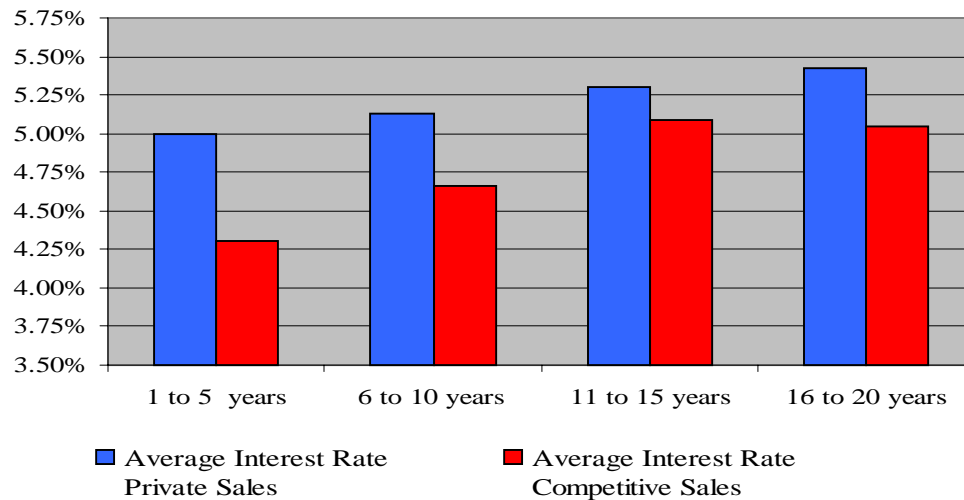
	Dollar Amount of Bonds	Average Interest Rate	Average Life	Estimated Interest Costs
Privately Sold Bonds	\$1.7 billion X	5.2175% X	10.4344 years =	\$ 941.6 million
Privately Sold Bonds at Competitive Rates and Life	\$1.7 billion X	4.8393% X	10.2557 years =	\$ 858.4 million
Difference				\$ 83.2 million

The average life had a distinct effect on interest rates.

Bond issues competitively sold had significantly lower interest rates than those of privately sold issues. Generally, the longer the average life of the bond issue, the higher the interest rate and vice versa. For the 515 bond issues in our study population, the interest rates increased steadily as the average life increased for both competitive and private sales. However, as shown in the table below, the competitive sale interest rates, at every interval, were significantly lower than those of the private sale issues.

³The Bond Buyer Index is compiled weekly from a computation of both competitive (public) and private (negotiated) sales nationwide.

General Obligation Bond Issues By Average Life With Average Interest Rates



A similar condition existed regarding the length of the term and interest rates.⁴ It should be noted, however, that two bond issues may have the same length of term but greatly different average lives. (*See Appendix II, page 31 for more detailed information on the average life and length of term of the bond issues in our study population.*)

The average life and length of the term are as important to bond issue costs as any other loan or debt financing feature. The longer money is borrowed, the more interest the borrower is required to pay. Thus, the prudent borrower should borrow money for as short of time as necessary. Most local officials who privately sold bond issues told us that the length of the term and the interest rates were a secondary concern to them. Their primary concern was ensuring the payment was structured to meet their future budgetary revenues and expenditures. An analogy to this thinking would be a car salesman asking the buyer how much car payment the buyer can afford to pay. To keep the payment low, the buyer finances over a longer period and pays more interest.

Bond underwriters may benefit more from the credit ratings and bond insurance than the political subdivisions who paid for them

Credit ratings and bond insurance are important factors in the interest rate a bond issuer is offered for their bonds. The credit ratings involve a judgment about the future risk potential of the bond. In turn, the credit rating a bond issuer receives affects the interest rate demanded on the bond issue by the underwriters and secondary investors. That is, the higher the bond rating, the lower the interest rate demanded on the market. Once the

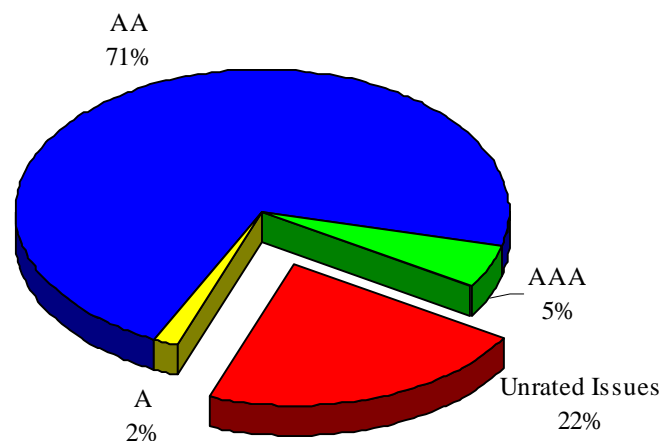
⁴ The length of term is the number of years and months from the date of issue to the last principal and interest payment. The average life is the period of time the total amount of the loan is in effect. The average life is computed by multiplying the number of years that each maturity will run by the amount of that maturity, totaling these sums, and then dividing that amount by the total amount of the bond issue. This is basically a weighted average calculation and is used to accurately determine the true effective interest rate.

credit rating is determined, the issuer can decide whether bond insurance is needed. A higher credit rated issue will be readily accepted in the market with lower interest costs and, thus, not need bond insurance.

There is room to question whether credit ratings and bond insurance were fully beneficial to some bond issuers who used private sales. If the credit rating was obtained in time for it to be a factor in determining a private sale interest rate to the issuer, it may have benefited the issuer. However, if the interest rate was already agreed upon before a rating was received or insurance obtained, it was of no benefit to the bond issuer. In such instances, the issuer bore the expense of the rating or insurance and the underwriter benefited.

Bond issuers obtained credit ratings in 78 percent of the 515 bond issues in our study population. Of these, most were rated AA or AAA as shown in the following chart. GFOA representatives stated that ratings as strong as these favor competitive sales.

Frequency of Bond Sales by Credit Rating

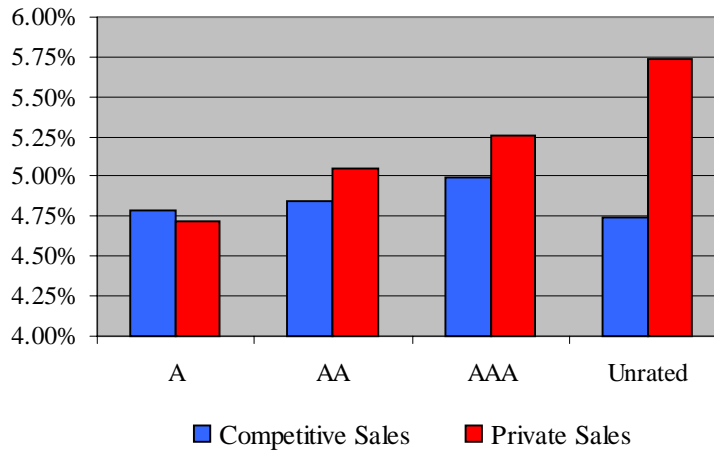


Source: SAO bond issue analysis

Although there may be justification for not having a credit rating on a bond issue, credit rated issues had significantly lower average interest rates than non-rated issues, as shown in the following chart. However, higher credit ratings (i.e., AAA) did not produce lower interest rates compared to lower credit ratings (i.e., A) as expected. Credit ratings should help reduce the interest rates applied to bond issues, especially ratings of A or better,⁵ because investors generally prefer bonds involving less risk and therefore, seek out high-quality issues.

⁵ An "A" credit rating indicates the issuer has a strong capacity to pay principal and interest, although somewhat more susceptible to the adverse affects of changes in circumstances and economic conditions than higher ratings such as AA or AAA. As the rating increases the projected strength of an issuers capacity to pay principal and interest increases accordingly.

Interest Rates of Rated and Unrated Issues by Type of Sale



Source: SAO bonds analysis

Issuers paid for bond insurance in over 75 percent of the bonds in our study population. In most cases, the issuer had a very satisfactory bond rating, and there was not any documented rationale for purchasing bond insurance. According to GFOA, bond insurance should be paid only when an issuer has no bond rating or a poor bond rating.

Issuers were encouraged to buy insurance

The higher credit ratings and bond insurance did not always produce relatively better interest rates for the bond issuers in our study population. The data showed that A rated bonds received lower interest rates than either AA or AAA ratings, and AA rated issues had lower interest rates than AAA issues. The progressive increase in the interest cost of these bond issues, when the reverse was expected, requires more analysis. One factor may have been the relatively small number of issues rated in the A and AAA categories. Another factor may be the condition of the market in general when some bond issues were sold. The cost of credit ratings, and possibly the cost of insurance to achieve them are factors in the overall cost of the issue. Obviously, if the cost of the credit rating (and insurance) equals or exceeds the expected benefit of securing a lower interest cost, it may not be a worthy expenditure.

Why did officials of Missouri political subdivisions choose private sales?

Some school superintendents and city administrators stated that they chose to privately sell the bonds due to timing (ability of the underwriter to target the best time to sell based on interest rates), dollar size of the issue, or other factors. Some financial advisors, bond counsels, and underwriters agreed with this position. However, other financial advisors, and bond counsels, and bond issuers who used the competitive sale stated these factors are actually better for choosing a competitive method.

A financial advisor and a bond counsel stated that timing is not necessarily a controlling factor in choosing the method of sale. Since both types of sale require advance planning, financial review and budgeting, and an election, predicting a favorable sale or interest rate on a future date is no more favorable for a private sale than a competitive sale. Almost all of the school superintendents and city administrators we interviewed who privately sold bonds stated the underwriter's original interest rate quote was the final rate. In private sales, this interest rate is agreed upon before the sale. So, although they said timing was a factor in choosing the private sale method, timing of the sale was not a factor.

Reasons for private sale do not hold up under scrutiny

Most school superintendents and city administrators stated their prior experience with an underwriter was another reason they privately sold bonds. This practice and comfort level with an underwriter perpetuated the use of private sales without considering the benefit of competitive sales. In these instances, the officials have not fully exercised their responsibility to the taxpayers by trusting underwriters to conduct their bond business instead of making underwriters compete for their business.

The school superintendents and city administrators who used private sales for bond issues used competitive bids for construction projects, partly because competitive bids were required by law (state law requires school districts to competitively bid construction projects over \$12,500) and partly because they saved money. A mayor stated that, in his experience, competitively bidding projects saves his city money, but he was not aware that competitive bidding could be done in bond sales and his underwriter (who served as his financial advisor) did not inform him of this option. Although only 11 percent are bid competitively, some school superintendents and city administrators who competitively bid their bond issues used the same practice in the bond process as in construction projects, because they needed to ensure they obtained fair and equitable services in obtaining underwriting services as any other procurement process.

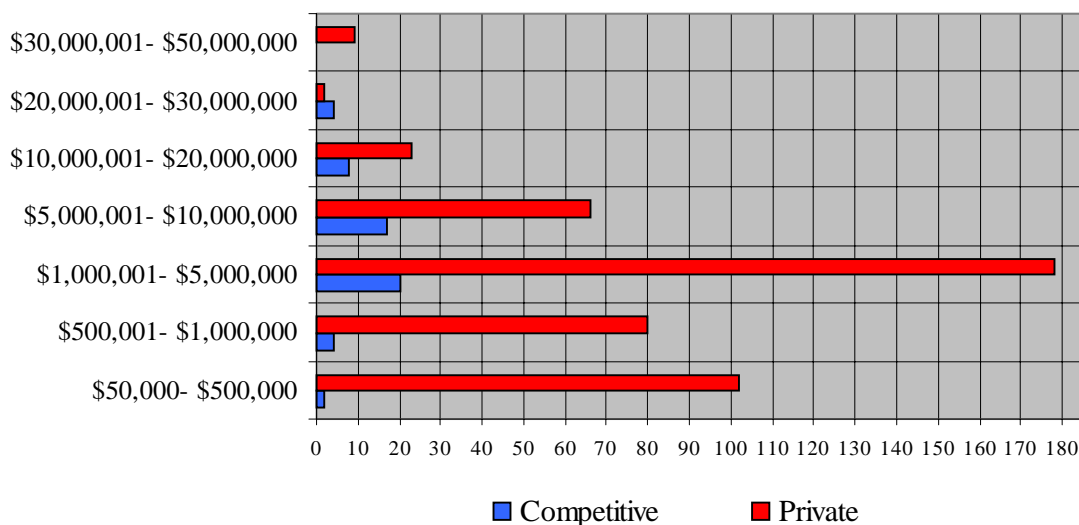
The GFOA acknowledges that a divergence of views exist in the public finance community as to the relative merits of competitive and privately negotiated sales, but favors the competitive method.

There are varying views on what conditions make private, negotiated sales favorable

Bond counsel and financial advisors from one firm told us that private sales are favorable to small localities that have either not previously issued bonds or have poor, or no credit rating. These advisors agreed, however, that larger dollar issues are more favorable for competitive bid.

Private sales in our study population ranged from \$50,000 to \$46.3 million and competitive sales ranged from \$280,000 to \$24 million. Industry views would expect private sales to favor smaller bond issues and competitive sales to favor larger issues. As expected, private sales favored smaller bond issues under \$1 million. However, contrary to expectations, the larger issues did not typically result in competitive sales, as shown in the following chart.

Comparison of the Size of Private and Competitive Bond Sales Since 1997



Source: SAO bond issue analysis.

Private sales provide some flexibility in limited situations.

Some school superintendents, city administrators, and financial advisors stated that private bond sales provide flexibility in structuring more complex issues such as refunding issues.⁶ Although we did not analyze advanced refunding separately, the financial advisors said that advanced refunding by small school districts might need to be handled in a private sale. However, at least two larger school districts in our study population handled an advanced refunding in a competitive sale. The need for advanced refunding should diminish, however, with reasonable call dates. *(See appendix II for further details on refunding and advanced refunding.)*

Advanced refunding can be an important tool to achieve interest cost savings, change burdensome bond covenants, or restructure debt payments on existing bonds to avoid a default or (in extreme circumstances) an unacceptable tax or rate increase. Debt management practices should anticipate the potential for a refunding in the future. When bonds are issued, the issuer should pay careful attention to sales practices that will affect flexibility of the management of long-term debt.⁷ When a change may be desirable and regular refunding is not possible, advanced refunding may prove to be valuable in reducing interest costs. Advanced refundings, which are limited in number by federal tax law, must be carefully planned to be successful.

⁶ A refunding is issuing new bonds to retire existing bonds before their maturity. Advanced refunding is calling in old bonds and issuing new bonds in advance of a call date, or where a call date was not included in the original issue.

⁷ Some of these practices might include optional redemption provisions, call provisions that permit the redemption of bonds in any order of maturity or on any date, and on callable bonds priced as close to par as possible at the time of original issue.

Aside from advanced refunding, almost all of the 515 general obligation bonds in our study population, including refunding issues, were structured as traditional serial bonds. Most issues in our study population had provisions for calling bonds for redemption that should provide flexibility in the management of long-term debt.

According to financial advisors, bond counsels, and underwriters we interviewed, another reason for privately negotiating a sale is the flexibility for selling the bonds to local investors. GFOA acknowledges that in a negotiated sale, the issuer may indicate the secondary market where the bonds are sold. However, all of the school superintendents and city administrators we interviewed said that they do not attempt to target the final purchaser (i.e. the investor). Selling their bonds to local investors was not a primary concern to them. For example, one school superintendent told us that he does not give any direction to the bond underwriter regarding to whom the bonds should be sold. Rather, he leaves the bond marketing completely to the underwriter to obtain the best investors for purchasing the issue. The officials told us their concern was getting the most favorable rate and payment schedule for their bonds.

Missouri local officials were not properly advised during private bond sales

One of the most important aspects of bond sales is the cost of borrowing or bond pricing. Unlike a competitive sale where bond pricing is specified in the request for bid proposals, bond pricing in a privately negotiated sale requires a much greater degree of issuer involvement. The issuer should negotiate both the yields on the bonds and the underwriter's compensation, which includes the sales commission, management fee, underwriting risk, and other expenses. An issuer's success in negotiating the price of its bonds would depend on the ability and willingness to devote sufficient time to understanding the market and the historical performance of their bonds, or hiring an independent financial advisor.

Public
officials were
uninformed

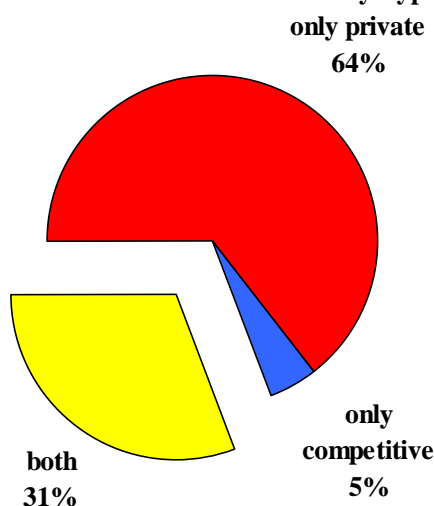
The estimated \$83.2 million in additional interest costs in private sales illustrates the lack of oversight by the issuer and the influence of the underwriters. Without an independent financial advisor, fiscal planning and debt management in bond issues becomes the responsibility of officials such as school superintendents, county administrators and city administrators. However, most of these officials told us they do not have the necessary knowledge or time needed to independently analyze and monitor bond sales; this is especially evident in the smaller political subdivisions with limited staff resources. Some comments were:

- Underwriters often play the “good ol’ boy” and can be as charming as they need to be at times to make local officials feel they are receiving the best service and rate there is.
- It does not matter who the financial advisor (even if it is the underwriter) is as long as they get a good rate. The initial interest rate quoted by the underwriter was the rate received and the district did not check the competitiveness of the interest rate.

It has become relatively simple for bond underwriters to control the bond issuing process and provide advice to the issuer, rather than the issuer taking control and hiring an independent financial advisor to assess the underwriter’s recommendations. The following chart clearly demonstrates the type of influence the underwriters have in preferring private (noncompetitive) sales. Some underwriters purchased both types of sales, but underwriters who bought only private sales purchased about two-thirds of total sales. Six underwriters bought 78 percent of all issues sold. (See Appendix II, page 36 for further discussion.)

Six
underwriters
bought 78% of
all issues sold

Breakdown of Underwriter Purchases by Type of Sale



Source: SAO bond analysis

Almost all of the local officials such as school superintendents, county administrators and city administrators we interviewed (who privately sold bond issues) said they placed their trust and reliance on their underwriters when issuing bonds. They accepted the initial noncompetitive interest rate quoted to them by their underwriter. As such, there was no negotiation between the local officials and the bond underwriters on what a fair market interest rate would be. The officials were not familiar with the potential savings through competition and relied on underwriters to manage their bond sales. In light of our results, several of these school superintendents and city administrators told us they would be more inclined to obtain competitive bids before issuing their next general obligation bonds.

The underwriters’ advice reduced the likelihood of favorable interest rates by eliminating competition through private bond sales. As such, the Missouri bond market became virtually closed to competition, which has left taxpayers with excess costs. Had local officials obtained

sound advice from an independent financial advisor, there is a greater possibility there would have been more competition and lower interest costs.

Conclusion

Bond issuers—typically school boards, county administrators and city councils—need to consider the particular circumstances of their prospective bond offering before deciding on a method of sale. More importantly, they are responsible to their entity and the taxpayers to ensure that fair and openly competitive services are procured. Bond issues of sufficient size and credit standing attract substantial interest in the underwriting market. Taxpayer's interests are generally well served when the bonds are competitively sold and open to public review. Nevertheless, Missouri's private bond sales are more than double national averages even though it is one of the strongest bond markets in the nation. Since 1997, 89 percent of Missouri's 515 general obligation bonds sold were issued without the benefit of competitive bidding. This is alarming given these private sales have left Missouri taxpayers an estimated \$83.2 million in additional debt.

Missouri's laws are not effective and are contradictory in ensuring that the taxpayers of this state are adequately protected. State law requires that state agency general obligation bonds be competitively bid, except for highway bonds, and requires school districts to competitively bid construction projects over \$12,500. However, state law does not require general obligation bonds issued by political subdivisions to be competitively bid.

Governing bodies of political subdivisions such as school boards and city councils must ensure prudent decisions are made on when to privately negotiate bond sales with underwriters and when to competitively bid sales. Thus, the vast number of private bond sales and excessive costs raise questions of fairness.

Recommendations

We recommend the State:

- 1.1 Board of Education encourage school districts to pursue fair and open competition in bond sales.
- 1.2 Provide bond financing and debt structuring assistance to local governments, if requested.
- 1.3 Provide a centralized bond authority under the supervision of the Board of Fund Commissioners for political subdivisions to seek advice and counsel regarding method of sale (private or competitive) before issuance of general obligation bonds.

2. Private Bond Sales Provide Taxpayers Little Assurance That Public Officials Safeguarded Their Interest or Adequately Promoted Fair and Open Competition.

Bond underwriters, who purchased bonds offered by issuers, served as financial advisors to the issuers prior to the sale of the bonds. This occurred because issuers were not familiar with the bond market or the procedures for issuing bonds and relied on advice from the underwriters. A conflict of interest occurs when a bond underwriter attempts to advise a school superintendent, city administrator, or other local official in the planning of a bond issue he expects to privately purchase. Thus, it is difficult for both interests to be justly served by the same person when the market is virtually closed to competition and the cost of issuance is shown to be higher for private bond sales than competitive sales. While Missouri laws do not restrict or require the use of financial advisors, the GFOA and Municipal Securities Rulemaking Board cautions against using the bond purchaser, or underwriter, as a financial advisor.

GFOA recommends competitive selection of underwriters

A competitive practice promotes fairness and objectivity, allows the issuer to compare respondents and helps the issuer to obtain the best price and level of service. Issuers should have a clear understanding of their needs and should carefully develop a request for proposal that complies with state and local bidding requirements.

Underwriters
should be
selected
competitively

In a private bond sale, the GFOA recommends that government entities follow several steps to promote equity and fairness in the sale process as follows:

- Government entities should use a competitive process to obtain the underwriter's services for the private sale process.
- The issuer should
 - Remain actively involved in each step of the negotiation and sale processes to uphold public trust.
 - Ensure that either an employee or an outside advisor (other than the underwriter) is familiar with bond markets, and experienced with structuring the bond issue, pricing, and monitoring sales activities.
 - Avoid using a firm to serve as both the financial advisor and underwriter of an issue because of potential conflicts of interest.

Local officials generally use bond underwriters as financial advisors, which presents potential conflicts of interest.

For privately sold bonds in 1999, 79 percent of the local officials stated they used a financial advisor to assist them in issuing bonds. Most of these officials indicated they used an outside financial advisor through noncompetitive means. Almost all of the officials also stated that the underwriter was the same firm as their financial advisor, or they did not know the difference. Most bond issuers lacked prudent information about issuing bonds.

Financial advisors were not independent

The President of the Missouri Chapter of the GFOA stated that it is not an appropriate practice for underwriters to serve as financial advisors on the same sale. The President stated there should be a separation of duties in these cases.

Some school district and city officials we interviewed also favored separating the duties. Some of there comments were:

- One reason we use a competitive selection for underwriters is to eliminate a potential conflict of interest. When an underwriter serves as financial advisor and prepares a debt schedule, the underwriter might tend to be a little generous to themselves on their commissions or interest costs.
- We firmly believe in separating the financial advisor from the underwriter. The current financial advisor has expressed an interest in being the underwriter on future sales, but the district prohibits this practice.
- We would never use a financial advisor as an underwriter for the same issue because using the same firm for both duties “clouds” their objectiveness and this conflict should be avoided. This stance is much to the dismay of the underwriters because they prefer to handle both duties.

Bond underwriters’ practices varied in the 515 bond issues sold since 1997, making it difficult for bond issuers such as school districts and cities to ensure fair and equitable practices.

Average interest rates fluctuated widely among underwriters in the 515 bond issues sold since 1997, even when the structure of the bonds such as credit ratings, sale dates, average life were similar. Of the 41 underwriters who bought bonds since 1997, we found that 23 bought only in private sales, 9 bought only in competitive sales, and 9 bought in both private and competitive sales.

Many underwriting companies have privately purchased general obligation bonds exclusively while other companies have participated in both private and competitive sales. Three of the 41 underwriting firms purchased two-thirds of the 515 bond issues since 1997—two of these companies did not have any competitive sales. When companies participated in both types of

3 firms bought 2/3 of the 515 bonds sold since 1997

sales, we found they had bid lower interest rates on competitive sales than they paid for private sales by 0.4258 percent. The average interest rates varied by type of sale as shown in the following table.

Average Interest Rates by Type of Sale Purchased and by Underwriters

	Underwriters who bought:			
	Only private issues	Both types of issues: Private Competitive		Only competitive issues
Number of issues	332	128	31	24
Average interest rate	5.1889%	5.2926%	4.8668%	4.7729%

Source: SAO bond issue analysis.

Missouri is becoming a closed market.

Historically, Missouri's general obligation bonds attracted a nationwide market because of the state's high credit and management rating. A Bond Buyer source stated there continues to be a high demand for Missouri bonds nationwide, yet few are offered outside the state. The President of the Missouri Chapter of GFOA concurred there is a high demand for Missouri bonds. However, private sale bond buyers, or underwriters, have practically closed the Missouri bond market to potential out-of-state bidders. With one exception (a suburban Kansas City company with an office in Kansas), Missouri underwriting companies handled all Missouri bond issues privately sold.

Underwriters restricted Missouri's bond market

The exclusion of potential buyers (including out-of-state buyers) reduces the competition for bonds and results in higher interest rates, and overall costs to the issuing political subdivision. An analysis of the 55 competitively sold bond issues between 1997 and 2000 showed that out-of-state underwriting companies were successful 44 percent of the time in competitive sales where notification was given to all interested bidders nationwide. In addition, their interest rates were well below the rates being offered by Missouri-only companies for similar issues. *(See Appendix II, page 36 for a detailed analysis of the 515 general obligation bonds bought by underwriting companies between 1997 and 2000.)*

Out of state firms won 44% of bids for bonds

Local officials told us they follow the advice of bond underwriters in privately negotiating sales. One underwriter (whose firm bought 20 percent of the 515 bond issues) told us that they would not bid on any competitive sales under \$1 million. A different underwriter told a superintendent that his issue was too small to competitively bid—that no underwriters would bid in a competitive sale. However, from our study population, there were six other bond issuers similar to this school district that competitively sold similar sized bonds under \$1 million.

Conclusion

Private bond sales raise concerns of higher borrowing costs and not promoting fair or open competition. This condition flourishes when local officials do not ensure they obtain unbiased advice during bond sales. Furthermore, these officials did not follow recommended practices during private bond sales. They recognize that advice is needed, but sought assistance from bond underwriters who have a vested interest of their own. An independent financial advisor could better serve the issuers and likely reduce interest costs.

Missouri bond issuers should seek to keep as much of its bond sale discussions and decision-making in the full view of the public as possible. Many local officials are not well informed about debt financing or do not believe they have the time to adequately oversee the bond sale. As a result, they are urged by bond underwriters to privately negotiate sales, and readily agree to this without realizing the potential adverse impact on the taxpayers. Most of the officials we interviewed did not keep adequate records about the bond sale negotiations to demonstrate whether their actions were fair or equitable.

Recommendations

We recommend

- 2.1 The General Assembly consider revising statute 108.170 governing general obligation bond sales in the state to require financial advisors that are independent from the underwriting firm in private or negotiated sales. In addition, the statute should require that underwriters be competitively selected in private or negotiated sales.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objectives

The objectives for this audit were to (1) determine to what extent interest costs differed between general obligation bond issues sold competitively versus privately and (2) assess the practices used during the bond sales.

Scope

The scope of our review is the general obligation bond sales registered with the State Auditor's Office (SAO) between January 1997 and August 2000. Political subdivisions in Missouri—school districts, counties, municipalities and other districts such as library and fire—are required to register any general obligation bond sale with the SAO. However, under Section 108.300, RSMo, any county of the first classification, or city or school district with a population over 65,000 is not required to register their bond issues with the SAO, although some of these entities continue to do so.

We excluded state level general obligation bond sales from our review since all but the Highway Commission is required to competitively bid these sales. The Highway Commission had not issued any general obligation bonds at the time of our review.

Methodology

To determine the extent to which the nature of the bond sale affected the interest cost, we conducted a detailed review of the general obligation bonds issued between January 1997 and August 2000. During this period, 515 general obligation bond issues of \$50,000 or more, totaling \$2.1 billion, were registered with the SAO.

We reviewed the records on file at the SAO that were submitted by each political subdivision issuing bonds. Specifically, we reviewed the transcript that contained the resolutions, legal opinions, bond documents and related information. These records contained data such as the number of bond years, discounts or premiums, call features, names of bond purchasers (underwriters), credit ratings, and the corresponding Bond Buyer Index rate for each bond issue. We calculated the net interest cost, the average interest rate, and average life. We also categorized each issue by the type of sale—competitive or private (noncompetitive) to assess what affect these factors may have had on the interest cost.

We also obtained information on the average weekly interest rates from The Bond Buyer, a New York publication that follows and reports on the bond market, for each week in the 44-month study period. We obtained any available credit ratings from Moody's Municipal and Governments Manual (1998, 1999, and 2000) for bond issues that were unrated in SAO records.

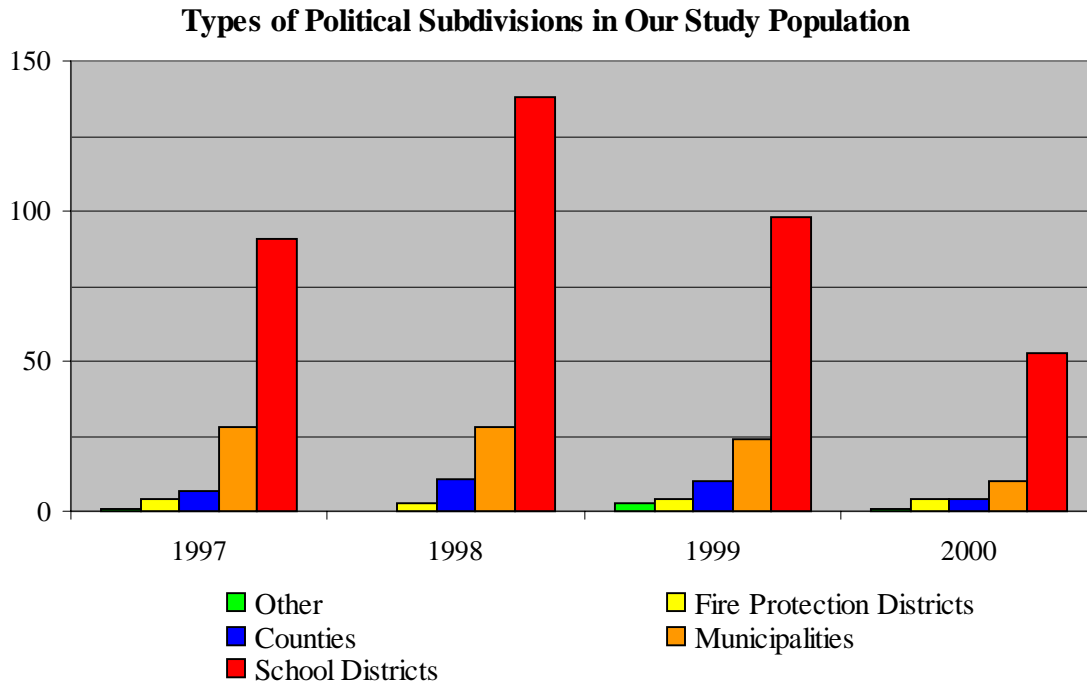
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We computed average interest rates for competitive and private sales for comparison purposes. We compared these average interest rates to the weekly Bond Buyer averages. The Bond Buyer distributions contained entries for each week in which competitive or private bond sales occurred.

We provide a more detailed description of our analysis and the results in Appendix II, page 27.

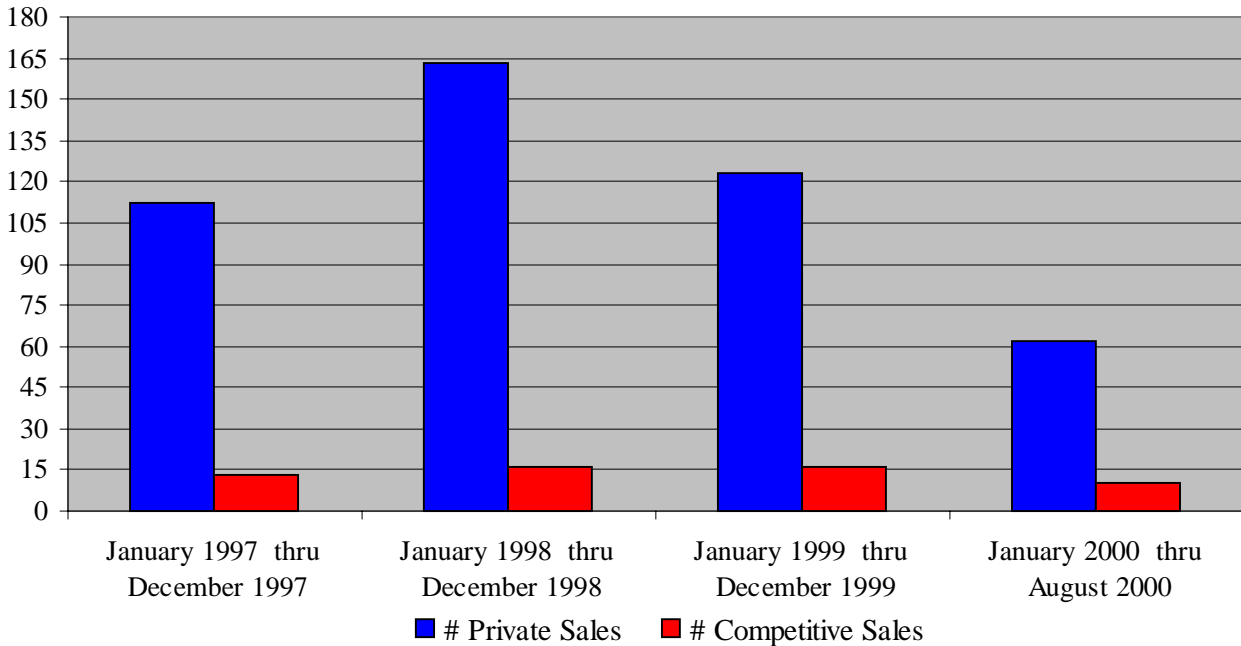
Composition of the Study Population

Political subdivisions in Missouri registered 515 general obligation bond issues of \$50,000 or more, totaling \$2.1 billion, with the SAO between January 1997 and August 2000. Of these, 55 issues were sold competitively totaling \$410.4 million and the other 460 were sold privately totaling \$1.7 billion as shown in the following chart.



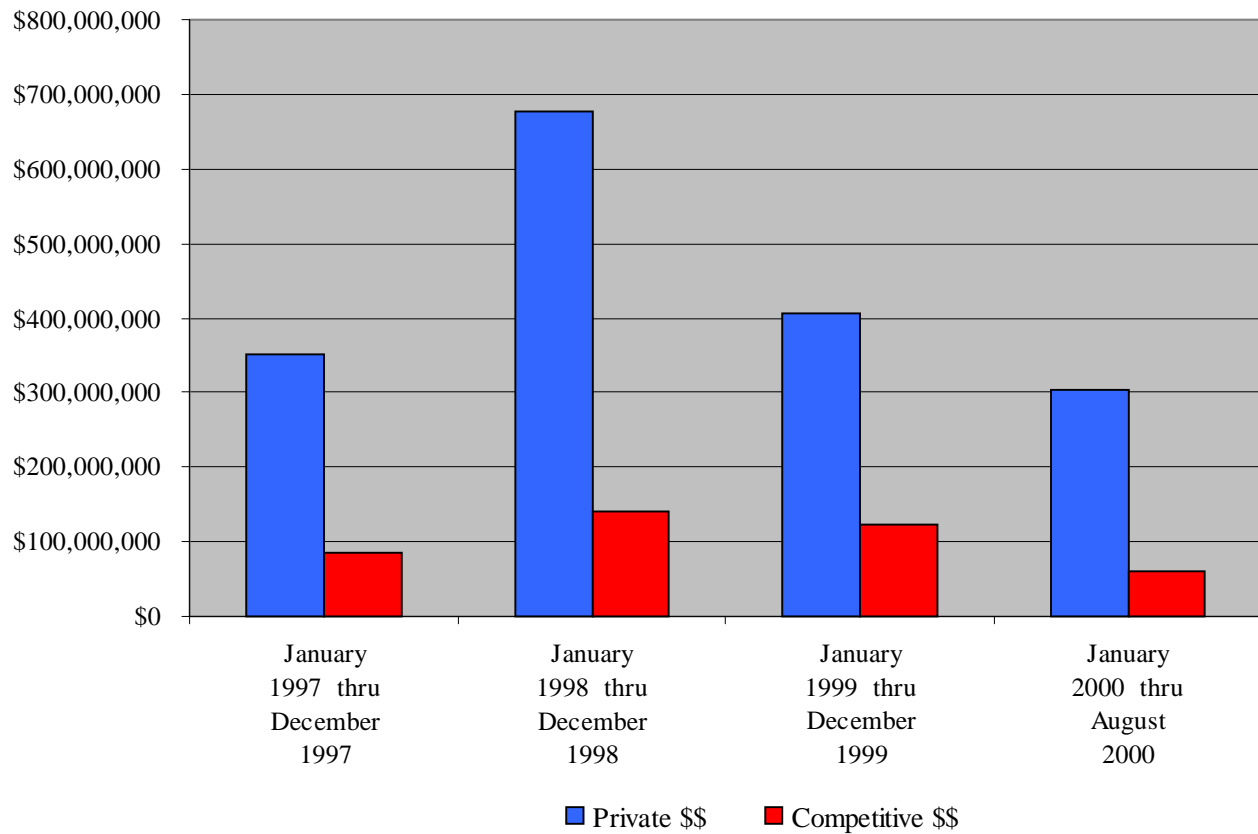
Source: SAO analysis of results from our study population.

Private sales ranged from a low of 77 percent of the total sales in 1999 to a high of 83 percent during the first eight months of 2000. Competitive sales, obviously, were the reverse with 23 percent in 1999 and 17 percent of the total in 2000. The following chart shows the distribution of bond issues by type of sale by year.

Number of General Obligation Bond Sales by Year

Source: SAO analysis of results from our study population.

The dollar volume of bond sales fluctuated substantially between 1997 and 2000, particularly between 1997 and 1998, as shown in the following chart. Total bonds issued during 1997 amounted to \$434.9 million. This figure increased to \$818.1 million in 1998. The large increase was due, undoubtedly, to a large number of issuers taking advantage of lower interest rates that were available in 1998. Also, in 1998, the debt ceiling for school districts was increased from 10 percent to 15 percent. Private sale portion of total dollar amount of the sales ranged from a low of 77 percent in 1999 to a high of 83 percent during the first eight months of 2000. Competitive sales, obviously, were the reverse with 17 percent of the total in 2000 and 23 percent in 1999. The following chart illustrates this.

Value of General Obligation Bond Sales by Year

Source: SAO analysis of the results from our study population.

The average dollar amount of the bond issues shows that competitive sales were larger, on average, than private sales. Numerically, competitive sales accounted for only 11 percent of the total number, but it accounted for 19 percent of the total dollar value. This indicated that the dollar value of competitive sale issues, on average, were larger than private sales. This fact notwithstanding, the 10 largest issues in the study population were by private (noncompetitive) sale. The following table illustrates this point.

Average Size of General Obligation Bond Sales by Type of Sale

Type of Sale	Dollar Range	Number of Issues	Average Size
Competitive	\$280,000 to \$24 million	55	\$7.5 million
Private	\$50,000 to \$46.3 million	460	\$3.8 million
All issues	\$50,000 to \$46.3 million	515	\$4.2 million

Source: SAO analysis of results from our study population.

Audit steps used to assess bond issuance practices.

- Reviewed the general obligation bonds issued during calendar years 1993 to 2000 as reported in the SAO Bond Registration Reports to determine the extent to which bond issues were competitively or privately sold.
- Excluded bond issues of less than \$50,000, state agencies issued bonds (because of the state's requirement for competitive bid), and levee districts (they do not fit a true bond-single day issue).
- Obtained national general obligation bond sale data for 1993 through October 2000 from Thomson Financial Securities Data, a subsidiary of The Bond Buyer.
- Conducted a detailed review of 17 bond issues representing \$228.9 million from political subdivisions in 1999.
- Selected bond issues from both strata—competitively bid and private sales—for comparison purposes. This group of issuers included school districts and cities from metropolitan and rural areas with a wide range in the dollar amount of the issue.
- Compared bond issues that were privately sold to those competitively bid to determine what justification, if any, the jurisdictions had for selecting the method of sale. We interviewed officials responsible for these bond issues such as school district superintendents and city administrators—mayors, city managers, and finance directors--from the following political subdivisions:

Carthage R-IX School District
City of Chesterfield
City of Clayton
Columbia Library District
Columbia School District
City of East Lynne
Independence School District
Joplin R-XIII School District
Kirkwood R-7 School District
City of Lee's Summit
Northwest R-1 School District
Park Hill School District
Parkway C-2 School District
Rockwood R-6 School District
City of Rolla
City of St. Peters
Strasburg C-3 School District

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- Requested selected information from all bond issuers who privately sold bonds in 1999 and conducted telephone interviews with selected officials who responded to clarify their responses. Of the 150 political subdivisions we contacted, 98 local officials responded.
- Interviewed various competitive and private sector bond representatives and experts such as financial advisors, bond counsel, a credit rating agency official, a bond market researcher, and a bond underwriter.
- Interviewed two GFOA representatives including the President of the Missouri Chapter and one of the national executive board members. These interviews also provided us a perspective of their views on general obligation bond oversight, and possible options to protect Missouri's taxpayers.
- Contacted officials of finance and budget offices to obtain the debt financing requirements in the eight states bordering Missouri. These states include Arkansas, Iowa, Illinois, Kansas, Kentucky, Nebraska, Oklahoma, and Tennessee.

We conducted our audit between July and October 2000 in accordance with generally accepted government auditing standards.

ANALYSIS OF INTEREST COSTS ON PRIVATE AND COMPETITIVE BOND SALES

This appendix provides a detailed analysis of the 515 general obligation bonds registered with the State Auditor's office between 1997 and 2000. This analysis compares selected features of Missouri general obligation bond issues to determine to what extent the nature of the sale—competitive or private—affected the interest cost.

By every means of comparison, competitive sale issues had significantly lower interest rates than private (noncompetitive) issues. We analyzed the interest rates for the two types of sales during this period by credit ratings, length of term, and average life of the issues. We found no consistent relationship between interest rates and the size of the issue.

The greatest influence on interest rates, in any type of sale, is the condition of the bond market. Interest rates rise and fall with other economic factors to a greater extent than they do with the factors under consideration in this review. However, those general economic factors equally affect both competitive and private sales and are not a consideration in a comparison of the two types of sales.

Competitive sale average interest rates were significantly lower than private sale rates during every year of our review.

Weighting the calculation of average interest rates to take into consideration the number of sales at the average interest rate for each year, the overall average interest rates were found to be:

Private sales	5.2175 %
Competitive sales	4.8393 %
Difference	0.3782 %

An average interest rate was calculated for each bond issue in our study population by dividing the total number of bond years into the net interest cost. The amount of any discount was added to the net interest cost, and the amount of any premium was deducted from net interest cost. We used interest rates, so determined, to make selected comparisons.

The data revealed a variation in interest rates from 3.7946 percent for a competitive sale in 1998 to 8.7952 percent for a private sale in 1999. The average interest rate for all 515 issues, competitive and private sales combined, was 5.1773 percent. Private sales averaged 5.2175 percent and competitive sales 4.8393 percent. The following table shows a comparison of these rates as well as a comparison of the rates for each year of the review.

Comparison of Average Interest Rates By Type of Sale and Year

Type of Sale	1997	1998	1999	2000
Private	5.5027%	4.8593%	5.0825%	5.9133%
Competitive	5.0455%	4.5497%	4.5861%	5.4396%
Difference	0.4572%	0.3096%	0.4964%	0.4737%

Source: SAO analysis of results from our study population

Differences of the same magnitude as shown above were found to exist in distributions of interest rates by average life, length of term, credit rating, and in the Bond Buyer Index comparisons.

Bond Buyer Index comparisons to private and competitive sales

Both private and competitive sales in Missouri obtained lower interest rates than those reported in the Bond Buyer Index. Overall, Missouri sales had an average interest rate of 5.1773 percent compared to 5.3133 percent for the Bond Buyer Index rates. Missouri private sale interest rates were slightly lower (0.0893 percent) than the Bond Buyer Index. Missouri competitive sale interest rates were significantly lower (0.5282 percent) than Bond Buyer Index. This margin of difference is even greater than that shown in the direct comparison of Missouri competitive and private sales (0.3782 percent) that was used to compute an estimated interest cost savings of \$83.2 million.

We compared distributions of bond sale interest rates to distributions of Bond Buyer Index reports for corresponding weeks. (Professionals appraise bond market trends by referencing national market reports such as those of Moody's Investor Services, The Daily Bond Buyer, and others.) Separate distributions were made for total sales, private sales, and competitive sales. Each distribution is an independent tabulation; thus, the Bond Buyer Index rates are unique for each distribution. The sale dates of all bond issues, whatever the type of sale, vary and the Index rates vary accordingly.

The Bond Buyer Index is compiled from a combination of both competitive (public) and noncompetitive (private) sales. The weekly averages are not reported by type of sale, consequently the figures from the Index have a closer correlation to all Missouri sales than to either competitive or private sales displayed separately. The greatest value of the Index rates to this review is to provide a national standard to which Missouri interest rates may be compared. The national index is not as likely to show the wide fluctuations in rates that may occur in sales of a single state. It provides a more reliable standard for comparison.

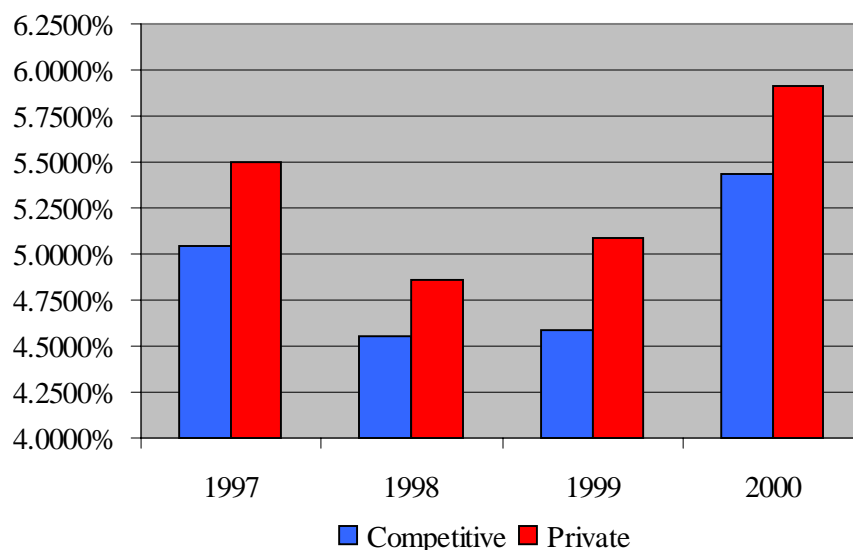
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A weekly municipal bond average interest rate from the Bond Buyer Index was tabulated for each week in which a Missouri general obligation bond sale occurred. When more than one sale occurred in a given week, the Bond Buyer rate was repeated accordingly. If three sales occurred during a single week, the Bond Buyer rate for the week was tabulated three times. These Bond Buyer averages were tabulated in the same manner as Missouri sales and were found to range from 4.75 percent to 5.98 percent, a spread of slightly less than 1.25 percent between 1997 and 2000. The average for Bond Buyer rates during this period was 5.3133 percent.

During the same period, interest rates of Missouri bond sales varied much more widely than the Bond Buyer Index rates. The lowest Missouri rate was 3.7946 percent for a competitive sale in 1998, and the highest was 8.7952 percent for a privately placed issue in 1999---a spread of 5 percent.

The above table shows that Missouri bond issue interest rates had a considerably wider range than the issues reported by the Bond Buyer Index. It is also noted that the wide range of rates were more pronounced in Missouri private sales than in competitive sales. Competitive sale rates were all within a spread of 2.3 percent, while private sale rates covered a span of 4.75 percent as shown in the following table.

Interest Rates by Type of Sale



Source: SAO analysis of results from our study population

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Credit rated bond issues had significantly lower average interest rates than unrated issues.

Although there may be certain circumstances for an issue to not be rated, credit rated bond issues had significantly lower average interest rates than unrated issues. The average interest rate for rated and unrated issues was 5.0385 percent and 5.6846 percent, respectively—a difference of 0.6461 percent. This difference would make a sizable reduction in the net interest cost of any bond issue.

Credit ratings were used in 404 issues (78 percent) of the 515 bond issues. Larger issues had a greater tendency to be rated, although the Missouri Direct Deposit Program was seen as an incentive for rating smaller issues as well. Of the \$2.1 billion of bonds issued since 1997, 78 percent were credit rated ranging from A to AAA ratings as follows:

- 26 issues were rated AAA,
- 370 issues were rated AA,
- 8 issues were rated A, and
- 111 issues were not rated.

It is the general expectation of credit rating agencies and bond issuers alike that credit ratings will help to reduce the interest rates applied to bond issues. Conventional wisdom says that “the higher the credit rating, the lower the interest rate.” Our analysis only confirmed that credit ratings helped reduced interest rates, but higher credit ratings did not produce lower interest rates than other credit ratings.

There is a significant difference between the average interest rates of credit rated bond issues and non-rated issues, but the higher credit ratings did not produce relatively better interest rates for the bond issuers in this review. In fact, the reverse was found to be true. The eight “A” rated issues in our study population had an average interest rate of 5.0325 percent, and the 26 “AAA” rated issues had an average interest rate of 5.2060 percent. One contributing factor to higher rated bonds having higher interest rates may be the relatively small number of frequencies in the “A” and “AAA” cells of the distribution. Another factor may be the condition of the market in general when some of these issues were sold.

The cost of a credit rating, and perhaps the cost of insurance to achieve them, is a consideration in some instances. If the cost of the rating and/or bond insurance equals or exceeds the expected benefit it may not be a worthy expenditure. There is also room to question whether ratings are fully beneficial to some bond issuers who use private sales. If the credit rating is obtained in time for it to be a factor in the determination of private sale interest rates to the issuer, it may be of benefit. If, on the other hand, the interest rate has already been agreed upon before a rating is received or insurance obtained, it is of no benefit to the issuing agency. In this case, the issuer bears the expense of the rating or insurance, and the purchaser receives the benefit.

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Credit ratings were identified, where they existed, for the bond issues in this review. All ratings of the same value were recorded in the same way without regard to the identity of the rating agency or whether the rating had been obtained independently or with the use of credit enhancement (insurance) assistance. Moody, Standard & Poor, and Fitch issued ratings in varying numbers. Rating categories were designated simply A, AA, AAA without adding the subscripts that frequently accompany them. In a few instances rating information was not found and it was assumed that no rating existed. Issuer reports, bond issue transcripts, and Moody's Municipal and Governments Manual were the primary sources of rating information.

Credit ratings were widely used for 515 bond sales reported between 1997 and 2000. Further, 355 of the 460 private sale issues (77 percent) were rated and 111 issues (22 percent) did not receive credit ratings. The number of competitive sale issues was smaller but the percentage of issues rated was higher. Of the 55 competitive sales, 49 sales (89 percent) received credit ratings. Of the unrated issues, 6 were competitive sales, and 105 were private sales.

Average Interest Rates For Credit Rated and Unrated Bond Issues by Type of Sale

Rating	Number of Competitive Issues	Number of Private Issues	Average Rate for Competitive Sales	Average Rate for Private Sales	Overall Average Rate for Both Types of Sales
A	6	2	4.7856%	4.7213%	4.7695%
AA	38	332	4.8425%	5.0543%	5.0325%
AAA	5	21	4.9895%	5.2575%	5.2060%
Total & Avgs	49	355	4.8505%	5.0644%	5.0385%
Unrated	6	105	4.7473%	5.7382%	5.6846%

Source: SAO analysis of results from our study population

Interest rates for lengths of term and average life of bond issues were significantly lower for competitive sales than for private sales

Lengths of term and average life are both terms that refer to the time during which a bond issue is outstanding. They do not, however, describe the same aspects of time. Length of term may be described as the number of years and months from the date of issue to the date of the last principal and interest payment. The average life of an issue is the average period of time for which the full amount of the loan is in effect. It is determined by dividing the number of bond years by the number of bonds. Two bond issues may have the same length of term, but greatly different average lives. Any schedule of maturities spanning a 20-year period would have a length of term of 20 years. The average life would depend upon the arrangement of maturities

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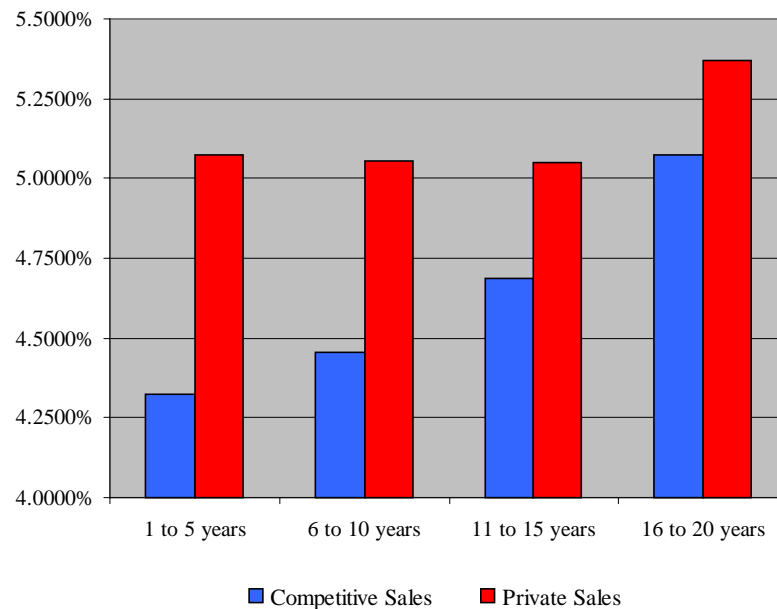
within the 20-year period. If large principal payments are made during the early part of the 20 years, the average life will be shorter than if the same amounts are scheduled for payment late in the 20 periods. Bond issues in this study were compared on both lengths of term and average life.

Length of Term

The length of term for Missouri general obligation bonds is generally limited by statute to no more than 20 years. Arrangement of the maturities within the specified limit is the prerogative of the board or commission of the issuing entity. In many cases, periods of less than 20 years are desirable for repayment of funds. Issues of 10 years, or less, are generally referred to as short-term bonds and those of more than 10 years are designated as long-term.

It is expensive to share debt liquidation too far into the future as shown in the following table.

Average Interest Rates by Length of Term and Type of Sale



Source: SAO analysis of results from our study population

The previous table shows the relationship between length of term and average interest rate. Among competitive sale issues, each increase in the length of term intervals carried a corresponding increase in average interest rates. The average interest rate increased with each increase in the interval of years from 4.357 percent in the 1-5 year group to 5.0725 percent in the 16 to 20 year interval.

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The respective increases were 0.1304 percent, 0.2307 percent and 0.3857 percent. This trend was not as evident in private sales where average interest rates remained virtually unchanged during the first three time periods before making a jump of 0.3188 percent in the last interval.

Number of Sales by Length of Term

<u>Length of Term</u>	<u>Total All Issues</u>	<u>Competitive Sales</u>	<u>Private Sales</u>
1 to 5 years	28	2	26
6 to 10 years	86	9	77
11 to 15 years	135	15	120
16 to 20 years	266	29	237
Total	515	55	460

Source: SAO analysis of results from our study population

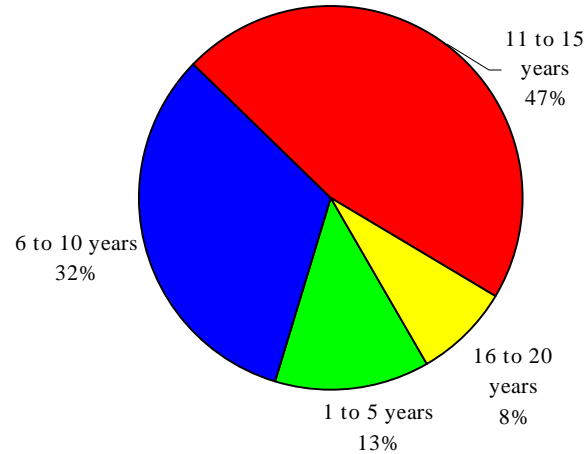
Once again, competitive sale interest rates were observed to be significantly lower during all four time periods than private sale interest rates. The differences were 0.7470 percent, 0.5998 percent, 0.3649 percent and 0.2980 percent respectively. The overall difference in average interest rates between competitive and private sales for the whole distribution was 0.3785 percent. The average interest rates for this distribution and the percentage of difference between private and competitive sales are the same as for those of the study in general.

Average Life

The average life of a bond issue has a distinct and quantifiable effect on its interest rate. Generally, the longer the average life of the issue, the higher the interest rates, and vice versa. As shown in the following chart, we distributed the 515 bond issues on a table with 5-year intervals, and a range of 1 to 20 years and found that the number of issues increased with each succeeding time period until the top interval of 16 to 20 years was reached. There was a sharp decline in the number of issues in the top interval. This was true of both competitive and private sales.

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Percent of Issues By Average Life



Source: SAO analysis of results from our study population

As the average life increased, interest rates also increased steadily at all intervals. This was true of both competitive and private sales except in the 16 to 20 year interval of competitive sales where a slight decrease occurred, due, perhaps, to the fact that only two sales were included in this cell and such a small frequency did not provide fully reliable data.

Average Life by Type of Sale

Years	Total	Competitive Sales		Private Sales	
		Number of Issues	Average Life years	Number of Issues	Average Life years
1 to 5 years	67	8	4.2269	59	2.7032
6 to 10 years	167	17	8.2865	150	6.8931
11 to 15 years	239	28	12.8677	211	12.6521
16 to 20 years	42	2	17.0908	40	17.3669

Source: SAO analysis of results from our study population

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It was also noted that competitive sale interest rates, at every interval, were significantly lower than those of the private sale issues. The difference ranged from a low of 0.2152 percent in the 11-15 year interval to 0.6899 percent in the 1-5 year interval. The weighted average difference for all intervals combined was 0.3785 percent.

Discounts and premiums have become widely used

A discount is defined as “acceptance by the issuer of an amount that is less than the face value of the bonds.” Missouri statutes permit discounts that are no more than five percent of the face value of the bonds.

On the noncompetitive (private sale) issues, underwriters in 408 of the 460 issues (89 percent) did not pay the issuers full face value for their bonds. The discounts on these bond issues ranged from \$792 to \$331,175 with an average discount of \$34,328. The total value lost through discounts on private sales was \$15.8 million.

Discounting of issues was not a factor in private sales alone; 30 of the 55 competitive sales (55 percent) also were discounted. Competitive sale discounts ranged from \$1,677 to \$214,365 with an average of \$53,811. The total of discounts on competitive sales was \$1.6 million.

The total of discounts on private and competitive sales combined was \$17.4 million. Bond underwriters typically argue that by using discounts, the interest rates can be lowered and the overall cost to the issuing district reduced. Interest rates on discounted issues reported elsewhere in this review give some indication that such a relationship may be possible, but the overall cost of issuance would need to be considered to make that determination.

A premium is defined as “payment by the purchaser of an amount that is higher than the face amount of the bonds.” We found that 31 transcripts in the 460 privately sold issues showed payment of a premium. Reported premiums on private sales amounted to \$7 million and averaged \$227,779 for each issue in which they occurred. Of the \$7 million reported, \$6 million was paid as a part of 20 refunding bond issues.

Reported premiums on 11 of the 55 competitive sale issues amounted to only \$5,178. Nine of the 11 premiums were for less than \$240 each. The average of premiums on all competitive sales was \$471. None of the competitive sale premiums were paid in connection with a refunding bond issue.

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Bond underwriters offered more competitive interest rates in competitive sales than private sales

Average interest rates fluctuated widely among the bond issues, even when factors such as credit ratings, sale dates, and average life were similar. Our analysis confirmed that there are significant cost related factors in the transactions for Missouri bond issues that are identified with the practices of some of the primary bond underwriters. For example, of the 41 underwriters who bought general obligation bond issues between 1997 and 2000,

- 23 bought only private sale issues;
- 9 bought only competitive sale issues; and
- 9 bought both competitive and private sale issues.

As shown in the following table, competitive sale interest rates were significantly lower in all comparisons. Underwriters who bought bond issues through competitive sale only had a 0.4160 percent lower average interest rate when compared to underwriters who only bought issues through private sale.

Types Of Sales and Average Interest Rates by Underwriter

	Underwriters who bought:			
	Only private issues	Both types of issues		Only competitive issues
		Private	Competitive	
Number of issues	332	128	31	24
Average interest rate	5.1889%	5.2926%	4.8668%	4.7729%

Source: SAO analysis of results from our study population

The underwriters that bought both competitive and private sale issues bid lower average interest rates for competitive sale issues than for private sales. As shown in the above table, these underwriters bid more competitively on the publicly bid issues than they were in privately placed issues by 4.8688 percent to 5.2926 percent or a difference of 0.4258 percent. Again, this difference in average interest rate would make a significant reduction in the net interest cost of any bond issue.

Forty-one underwriters purchased the 515 bond issues in our study population. Three of these underwriters bought 323 issues, 314 of them (97 percent) through private (noncompetitive) sales. These three underwriters accounted for 63 percent of the total bond purchases. The following table shows the number of issues and average interest rates for all 41 underwriters who bought the 515 general obligation bonds since 1997.

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Number of Sales and Average Interest Rates By Bond Underwriters

Buyer Number	Number of Issues	Private Average Interest Rate	Number of Issues	Competitive Average Interest Rate
1	1	5.2500%		
2	24	5.1207%	2	5.1145%
3	1	4.9770%		
4	6	5.3417%		
5	1	5.0000%		
6	1	8.1120%		
7	1	5.2404%		
8	2	5.2890%	2	5.3526%
9	1	6.0000%		
10	1	5.3169%		
11	1	6.2500%		
12	1	5.4534%		
13	1	5.6930%	2	4.3579%
14	1	7.1284%		
15	5	6.0122%	4	4.7471%
16			3	4.9230%
17	6	5.2903%		
18	5	4.7715%		
19	3	4.8354%	6	4.7877%
20			1	4.1333%
21	101	5.1392%		
22			7	4.8629%
23			3	4.5765%
24	15	6.2137%		
25	142	4.8857%		
26	2	5.3225%		
27	36	5.8856%		
28	1	4.7217%		
29			1	5.1759%
30	1	4.8642%		
31	1	4.4753%	1	5.2505%
32	2	4.6466%	1	4.7069%
33			1	4.5235%
34			7	4.6981%
35	1	5.7500%		
36			1	6.1204%
37	9	5.3282%	1	4.4496%
38	5	5.3879%		
39	71	5.3671%	9	5.0296%
40	10	5.0969%	3	4.5808%
41	1	5.5000%		

Source: SAO analysis of results from our study population

Changes in the Missouri bond market are cause for concern

Private sale bond underwriters of Missouri have practically closed the Missouri bond market to out-of-state bidders. The number and percentage of private (noncompetitive) bond sales in Missouri has increased dramatically in recent years. Since 1997, 460 of the 515 issues (89 percent) were sold by private sales. This is an exact reversal of the competitive/private sale ratio in previous studies and substantially above the 49 percent average private sales nationwide. The data also showed a trend toward the participation of fewer bond underwriters in the Missouri bond market as discussed in the previous section.

Historically, Missouri general obligation bonds have attracted a nationwide market but, at the present time, the participation of out-of-state buyers is very limited. With only one apparent exception (a suburban Kansas City company with offices on the Kansas side), 460 of the 515 bond issues were sold to Missouri companies without the benefit of competitive bids. Exclusion of potential buyers reduces the competition for bonds and results in higher interest rates and overall costs to the issuing governmental agencies.

In competitive sales, where notification was given to all interested bidders, out-of-state companies were the successful bidders in 24 of the 55 sales, a success rate of 44 percent. The average interest rate of competitive sale bids by out-of state bidders was 4.8075 percent, a figure slightly lower than the average rate offered for competitive sales by in-state bidders.

Bond Sales from January 1997 - August 2000

Appendix III

	Bond Issued By	Bond Reg. Number	Type of Sale	Amount of Issue	Date of Issue	Discount or (Premium)	Net Interest	Cost	Average Interest Rate	Underwriter
1	Meramac Valley R-III SD	23371	Public	\$ 2,000,000	01/01/1997	\$ -	\$ 1,552,456		5.3983%	8
2	Callaway Co. R-III SD	23372	Private	\$ 825,000	01/08/1997	\$ 10,425	\$ 388,550		5.1015%	25
3	N Callaway Co. R-I SD	23373	Private	\$ 2,950,000	01/15/1997	\$ 35,850	\$ 1,717,582		5.3115%	25
4	Sni-Valley Fire Prot Dist	23374	Private	\$ 720,000	01/01/1997	\$ 7,200	\$ 304,371		5.4498%	8
5	Cooper Co. RSD 4	23379	Private	\$ 710,000	01/01/1997	\$ 14,200	\$ 488,128		5.8157%	27
6	Callaway Co.	23380	Private	\$ 125,000	01/15/1997	\$ 3,576	\$ 42,257		5.4457%	39
7	Eldon Admin Unit SD R-I	23381	Private	\$ 6,850,000	01/29/1997	\$ 95,900	\$ 5,091,662		5.5931%	25
8	City of Woodson Ter	23382	Private	\$ 1,400,000	02/01/1997	\$ 13,300	\$ 559,943		5.1277%	19
9	City of Branson West	23383	Private	\$ 1,163,600	01/01/1997	\$ 50,000	\$ 910,644		6.2831%	27
10	Harrisonville R-IX SD	23384	Private	\$ 999,999	02/01/1997	\$ (9,889)	\$ 548,377		5.8596%	15
11	City of Marshall	23385	Private	\$ 383,214	01/01/1997	\$ -	\$ 314,693		6.4424%	24
12	City of Marshall	23386	Private	\$ 189,474	01/01/1997	\$ -	\$ 154,759		6.4435%	24
13	Sunrise R-IX SD	23387	Private	\$ 1,150,000	02/06/1997	\$ 12,450	\$ 753,434		5.5056%	25
14	Pacific Fire Proct Dist	23388	Private	\$ 2,000,000	02/01/1997	\$ 30,000	\$ 1,332,689		5.3169%	10
15	Laclede Co.	23389	Private	\$ 78,000	02/01/1997	\$ -	\$ 64,117		6.5000%	24
16	Washington SD	23390	Private	\$ 11,400,000	02/01/1997	\$ 199,500	\$ 9,035,990		5.4527%	17
17	City of Chesterfield	23391	Public	\$ 14,230,000	02/15/1997	\$ -	\$ 7,857,550		5.1759%	29
18	Park Hill SD	23392	Private	\$ 35,110,000	01/01/1997	\$ 282,825	\$ 25,330,158		5.4141%	39
19	Wellsville Middletown SD R-I	23393	Private	\$ 545,000	02/20/1997	\$ 5,500	\$ 78,690		4.6516%	25
20	Kirksville SD R-III	23394	Private	\$ 7,850,000	02/15/1997	\$ 86,350	\$ 3,652,199		5.0846%	21
21	City of St. Peters	23395	Public	\$ 7,170,000	02/26/1997	\$ 53,201	\$ 2,092,368		4.5695%	2
22	Ft Zumwalt SD	23396	Public	\$ 5,000,000	02/01/1997	\$ -	\$ 3,518,104		5.3070%	8
23	Community R-VI SD	23397	Private	\$ 1,250,000	03/04/1997	\$ 14,295	\$ 834,464		5.3665%	25
24	City of Kidder	23398	Private	\$ 96,000	03/01/1997	\$ 4,800	\$ 80,925		6.6441%	27
25	Independence SD	23399	Private	\$ 14,700,000	02/15/1997	\$ 170,520	\$ 12,894,189		5.3930%	39
26	Excelsior Springs SD 40	23400	Private	\$ 5,000,000	03/01/1997	\$ 39,347	\$ 3,232,040		5.3067%	39
27	Camden Co.	23401	Private	\$ 130,000	03/01/1997	\$ 4,761	\$ 97,603		5.9587%	39
28	W. Nodaway Co. SD R-I	23403	Private	\$ 915,000	03/01/1997	\$ 14,400	\$ 480,017		5.2843%	25
29	Pleasant Hill	23404	Private	\$ 60,253	03/15/1997	\$ 3,013	\$ 26,323		6.5496%	27
30	Roscoe C-I SD	23405	Private	\$ 398,500	03/01/1997	\$ 7,970	\$ 295,047		5.6718%	21
31	St. Charles SD	23406	Private	\$ 6,999,980	04/01/1997	\$ 60,314	\$ 3,469,917		5.2457%	2
32	Richmond SD R-XVI	23407	Private	\$ 3,775,000	04/15/1997	\$ 46,575	\$ 1,514,250		5.0578%	25
33	Lexington SD R-V	23408	Private	\$ 3,800,000	03/01/1997	\$ 47,512	\$ 2,826,087		5.5582%	21
34	City of Leadwood	23409	Private	\$ 300,000	04/15/1997	\$ (8,043)	\$ 103,599		5.7132%	39
35	City of Trimble	23410	Private	\$ 340,000	04/15/1997	\$ 17,000	\$ 289,225		6.5682%	27
36	Gainsville SD R-V	23411	Private	\$ 1,294,999	04/30/1997	\$ 7,245	\$ 918,421		5.4610%	15
37	Atchison Co. RSD R-III	23412	Private	\$ 500,000	04/15/1997	\$ 10,000	\$ 176,039		5.8312%	27
38	Cape Girardeau SD 63	23414	Private	\$ 13,999,844	04/15/1997	\$ 126,647	\$ 9,526,261		5.6516%	2
39	Callaway Co. R-III SD	23415	Private	\$ 540,000	05/01/1997	\$ 9,100	\$ 383,058		5.6374%	25
40	Kingsville SD R-I	23416	Private	\$ 625,000	04/15/1997	\$ 12,500	\$ 365,759		6.0570%	27
41	Palmyra SD R-I	23417	Private	\$ 5,000,000	05/20/1997	\$ 62,500	\$ 3,785,929		5.6809%	25
42	Bell City SD R-II	23418	Private	\$ 400,000	05/20/1997	\$ 6,000	\$ 89,499		5.2270%	25
43	Weaubleau R-III SD	23419	Private	\$ 1,220,000	05/21/1997	\$ -	\$ 940,546		5.6938%	21
44	Warsaw RSD R-IX	23420	Private	\$ 2,000,000	05/15/1997	\$ 25,000	\$ 1,173,600		5.3494%	21
45	City of Louisiana	23421	Private	\$ 3,000,000	05/22/1997	\$ 15,000	\$ 2,189,874		5.8234%	15
46	Benton Co. R-III SD	23423	Private	\$ 1,200,000	05/15/1997	\$ 14,400	\$ 510,720		5.2634%	21
47	Warrensburg R-VI SD	23424	Private	\$ 3,800,000	05/01/1997	\$ 30,630	\$ 2,063,314		5.3870%	39
48	Pleasant Hope SD R-VI	23426	Private	\$ 1,755,000	05/15/1997	\$ 19,305	\$ 1,373,156		5.6095%	21
49	Ozark RSD 6	23427	Private	\$ 5,000,000	05/15/1997	\$ 60,000	\$ 4,692,543		5.6522%	21
50	Andrew Co.	23428	Private	\$ 195,000	05/01/1997	\$ (510)	\$ 146,101		5.9791%	37
51	Smithville R-II SD	23429	Private	\$ 2,750,000	05/15/1997	\$ 34,375	\$ 967,709		5.1107%	21
52	Bayless CSD	23430	Private	\$ 7,000,000	06/05/1997	\$ 87,500	\$ 4,944,213		5.5916%	25
53	Washington Co. RSD R-III	23431	Private	\$ 4,000,000	06/05/1997	\$ 60,000	\$ 2,782,171		5.6825%	25
54	Liberty SD 53	23432	Private	\$ 13,500,000	05/15/1997	\$ 109,810	\$ 5,804,818		5.2120%	21
55	Hollister RSD R-5	23433	Private	\$ 3,155,000	05/15/1997	\$ 63,100	\$ 3,205,560		5.8865%	27
56	Lamar SD R-I	23434	Private	\$ 5,200,000	06/01/1997	\$ 52,000	\$ 3,522,994		5.4726%	21
57	Monett SD R-I	23435	Public	\$ 3,560,000	06/10/1997	\$ 17,746	\$ 1,749,023		5.0683%	22
58	Monett SD R-I	23436	Public	\$ 695,000	06/10/1997	\$ 3,445	\$ 360,871		5.0585%	22
59	Jackson Co. CSD 4	23437	Private	\$ 10,000,000	06/10/1997	\$ 98,500	\$ 5,725,184		5.4241%	25
60	Humansville SD R-IV	23438	Private	\$ 600,000	06/11/1997	\$ 8,945	\$ 338,822		5.3753%	25

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	Bond Issued By	Bond Reg. Number	Type of Sale	Amount of Issue	Date of Issue	Discount or (Premium)	Net Interest	Cost	Average Interest Rate	Underwriter
61	Everton SD R-III	23439	Private	\$ 545,000	06/12/1997	\$ 9,500	\$ 374,571		5.6735%	25
62	Spring Bluff R-XV SD	23440	Private	\$ 930,000	06/01/1997	\$ 11,160	\$ 759,909		5.6363%	21
63	Bolivar R-I SD	23441	Private	\$ 4,825,000	06/01/1997	\$ 36,742	\$ 3,594,515		5.4621%	39
64	Franklin Co. CSD 2	23442	Private	\$ 3,725,000	06/01/1997	\$ 46,563	\$ 2,532,979		5.4050%	21
65	Maryville SD R-II	23443	Private	\$ 9,485,000	06/01/1997	\$ 85,365	\$ 7,106,604		5.4709%	21
66	Webb City R-VII SD	23444	Private	\$ 4,500,000	06/20/1997	\$ 54,000	\$ 3,851,127		5.5046%	21
67	Ft Osage SD R-I	23445	Private	\$ 9,874,673	06/01/1997	\$ 110,086	\$ 8,677,325		5.9022%	39
68	Spokane SD R-VII	23446	Private	\$ 720,000	06/01/1997	\$ 7,200	\$ 437,475		5.3876%	21
69	City of Olivette	23447	Private	\$ 3,360,000	06/10/1997	\$ 21,840	\$ 1,652,093		5.1282%	8
70	City of Lone Jack	23448	Private	\$ 190,000	06/15/1997	\$ 4,522	\$ 28,990		5.6279%	39
71	Hickory Co. R-I SD	23449	Private	\$ 960,000	06/01/1997	\$ 11,520	\$ 658,998		5.3972%	21
72	Clay/Canton Co. RSD R-I	23450	Private	\$ 3,000,000	06/01/1997	\$ 33,000	\$ 1,841,301		5.2466%	39
73	Jennings SD	23451	Private	\$ 2,300,000	06/01/1997	\$ 40,145	\$ 1,740,688		5.3477%	39
74	Jennings SD	23452	Private	\$ 710,000	06/01/1997	\$ (13,886)	\$ 325,081		5.2923%	39
75	Dora SD R-III	23453	Private	\$ 360,000	06/26/1997	\$ 8,685	\$ 247,959		5.6163%	25
76	East Prairie R-II SD	23454	Private	\$ 1,700,000	06/26/1997	\$ 25,166	\$ 1,120,568		5.3933%	25
77	East Prairie R-II SD	23455	Private	\$ 185,000	06/26/1997	\$ 2,739	\$ 20,265		4.9317%	25
78	City of Raymore	23456	Private	\$ 2,500,085	07/01/1997	\$ (215,346)	\$ 1,610,927		6.1889%	39
79	City of Lee's Summit	23457	Public	\$ 12,000,000	07/01/1997	\$ 64,290	\$ 3,127,940		4.6135%	40
80	Stone Co.	23458	Public	\$ 3,775,000	07/01/1997	\$ 83,407	\$ 2,846,905		6.1204%	36
81	Ste. Genevieve Co. RSD R-2	23459	Public	\$ 1,200,000	07/01/1997	\$ -	\$ 907,029		5.2505%	32
82	Riverview Gardens SD	23460	Private	\$ 12,099,503	07/01/1997	\$ 124,266	\$ 7,395,456		5.1887%	2
83	City of Hamilton	23461	Private	\$ 648,900	07/30/1997	\$ 18,900	\$ 449,646		5.8307%	27
84	Lafayette Co. RSD R-7	23462	Private	\$ 3,210,000	07/01/1997	\$ 55,242	\$ 1,855,738		5.1858%	39
85	Franklin Cnty SD R-II	23463	Private	\$ 800,000	07/29/1997	\$ 10,745	\$ 296,339		5.0217%	25
86	Johnson Co.	23464	Private	\$ 122,000	07/15/1997	\$ 1,220	\$ 24,599		5.2609%	39
87	City of Centralia	23465	Private	\$ 350,000	07/15/1997	\$ 7,700	\$ 261,722		5.6227%	39
88	S. Platte Fire Protect Dist	23466	Private	\$ 200,000	08/01/1997	\$ 1,500	\$ 28,447		4.5759%	40
89	Hurley R-I SD	23467	Private	\$ 530,000	08/01/1997	\$ 10,600	\$ 438,932		5.7837%	21
90	Cassville SD R-IV	23468	Private	\$ 3,085,000	08/26/1997	\$ 60,588	\$ 1,466,446		5.0023%	25
91	Cole Co. R-II SD	23469	Private	\$ 950,000	08/27/1997	\$ 12,284	\$ 586,205		5.1532%	25
92	Camden Co.	23471	Private	\$ 126,000	09/01/1997	\$ 3,150	\$ 85,975		5.7935%	39
93	New Haven SD	23472	Private	\$ 560,000	09/03/1997	\$ 5,686	\$ 99,269		4.7228%	25
94	Troy R-III SD	23473	Private	\$ 7,700,000	09/10/1997	\$ 89,900	\$ 4,342,069		5.1625%	25
95	Locust Creek Township	23474	Private	\$ 100,000	09/01/1997	\$ 1,000	\$ 20,956		5.0551%	40
96	Braymer C-4 SD	23475	Private	\$ 550,000	09/24/1997	\$ (28,636)	\$ 191,928		5.5489%	27
97	Francis Howell SD	23476	Private	\$ 8,275,000	09/15/1997	\$ 80,681	\$ 4,319,456		5.0031%	37
98	Olympian Village	23477	Private	\$ 150,000	09/15/1997	\$ 7,500	\$ 73,146		6.4069%	27
99	City of Sullivan	23478	Private	\$ 1,270,000	09/01/1997	\$ (7,256)	\$ 314,976		5.0023%	39
100	Clayton SD	23479	Public	\$ 21,400,000	09/15/1997	\$ -	\$ 12,400,940		4.8866%	34
101	Jefferson City SD	23480	Private	\$ 7,845,000	09/01/1997	\$ 67,902	\$ 1,932,962		4.7108%	39
102	Norborne SD R-VIII	23481	Private	\$ 765,000	09/15/1997	\$ 9,047	\$ 488,655		5.2926%	39
103	Forsyth R-III SD	23482	Private	\$ 2,674,890	09/30/1997	\$ 26,749	\$ 1,722,692		5.4172%	15
104	Thornfield RSD No. 1	23483	Private	\$ 250,000	09/15/1997	\$ 5,000	\$ 177,884		6.0192%	27
105	Ritenour SD	23484	Private	\$ 9,474,898	10/01/1997	\$ (428,987)	\$ 6,089,777		5.4711%	2
106	City of Warrenton	23485	Private	\$ 162,931	10/17/1997	\$ -	\$ 154,330		7.1284%	14
107	Parkway C-2 SD	23486	Private	\$ 9,170,390	10/16/1997	\$ (602,977)	\$ 5,859,468		5.7977%	2
108	City of Platte City	23487	Private	\$ 656,000	10/01/1997	\$ -	\$ 459,823		7.5000%	15
109	Rolla SD 31	23488	Private	\$ 4,735,000	10/29/1997	\$ 59,320	\$ 2,131,129		4.9945%	25
110	Osage Beach Fire Dist	23489	Private	\$ 2,350,000	10/29/1997	\$ 48,194	\$ 1,166,247		5.4656%	26
111	Clinton SD	23490	Private	\$ 1,250,000	11/01/1997	\$ 18,750	\$ 592,233		4.9761%	21
112	Farmington R-VII SD	23491	Private	\$ 5,620,000	11/05/1997	\$ 64,220	\$ 2,428,897		4.9392%	25
113	City of Camdenton	23492	Private	\$ 735,000	11/01/1997	\$ 11,025	\$ 179,547		4.9960%	39
114	St. James SD R-I	23493	Private	\$ 1,665,000	11/05/1997	\$ 23,780	\$ 705,595		4.9527%	25
115	Kirkwood SD R-7	23494	Public	\$ 5,800,000	11/01/1997	\$ (34)	\$ 3,733,439		4.9515%	22
116	City of Washington	23495	Private	\$ 2,910,000	11/01/1997	\$ 29,100	\$ 1,029,553		5.2981%	24
117	City of Washington	23496	Private	\$ 1,470,000	11/01/1997	\$ 24,756	\$ 509,774		5.1925%	24
118	Fulton SD	23498	Public	\$ 2,600,000	12/03/1997	\$ 10,660	\$ 431,660		4.2172%	19
119	Macks Creek SD R-V	23499	Private	\$ 1,200,000	12/04/1997	\$ 13,100	\$ 632,839		5.0126%	25
120	Jefferson Co. CSD 6	23500	Public	\$ 5,000,000	12/01/1997	\$ (150)	\$ 3,696,061		4.9745%	22

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121	Randolph Co Library Dist	23501	Private	\$ 1,225,000	12/01/1997	\$ 15,313	\$ 199,884		4.6579%	21
122	Purdy SD R-II	23502	Private	\$ 970,000	12/17/1997	\$ 12,475	\$ 323,020		4.8001%	25
123	Earth City Levee District	23503	Private	\$ 2,435,000	12/19/1997	\$ 46,505	\$ 847,005		5.3449%	38
124	Excelsior Springs SD 40	23504	Private	\$ 2,600,000	01/01/1998	\$ 19,387	\$ 1,488,232		4.9071%	39
125	Scott Co. R-II SD	23505	Private	\$ 720,000	12/03/1997	\$ 7,725	\$ 143,224		4.6562%	25
126	Gasconade Co. RSD R-2	23506	Private	\$ 5,800,000	01/08/1998	\$ 55,500	\$ 1,669,792		4.5680%	25
127	City of Seligman	23507	Private	\$ 250,000	12/01/1997	\$ 10,000	\$ 188,950		6.3353%	27
128	Jackson Co. CSD 4	23508	Private	\$ 5,000,000	01/07/1998	\$ 46,290	\$ 1,324,454		4.6229%	25
129	SD City of Indep.	23509	Private	\$ 900,000	01/01/1998	\$ 46	\$ 358,877		4.5113%	39
130	Odessa RSD R-7	23510	Private	\$ 3,484,995	01/01/1998	\$ (527,182)	\$ 2,277,692		4.7890%	39
131	Ozark RSD 6	23511	Private	\$ 1,500,000	01/01/1998	\$ 19,500	\$ 637,294		4.6265%	21
132	Portageville SD	23512	Private	\$ 1,000,000	01/01/1998	\$ 13,000	\$ 298,126		4.5643%	21
133	Callaway Co.	23513	Private	\$ 133,000	01/01/1998	\$ 2,660	\$ 42,879		5.2409%	39
134	Lincoln Co. RSD R-IV	23514	Private	\$ 1,460,000	01/29/1998	\$ 19,535	\$ 499,559		4.4684%	25
135	Galena R-II SD	23515	Private	\$ 430,000	01/29/1998	\$ 5,115	\$ 238,334		4.7778%	25
136	Clinton Co. R-III SD	23516	Private	\$ 2,155,000	02/01/1998	\$ 25,860	\$ 694,830		4.5091%	21
137	Francis Howell SD	23517	Private	\$ 5,450,000	02/01/1998	\$ 54,500	\$ 3,090,014		4.7459%	37
138	Windsor CSD C-1	23518	Private	\$ 4,400,000	02/26/1998	\$ 31,000	\$ 1,451,914		4.4450%	25
139	W. St. Francois Co. R-IV SD	23519	Private	\$ 860,000	02/26/1998	\$ 10,785	\$ 409,643		4.6753%	25
140	Pettis Co.	23520	Private	\$ 75,000	02/27/1998	\$ 1,500	\$ 24,392		5.3276%	39
141	Clayton SD	23521	Private	\$ 15,700,396	03/01/1998	\$ (644,614)	\$ 8,777,565		4.9354%	2
142	Jackson Co. RSD 4	23522	Private	\$ 25,000,000	03/04/1998	\$ 238,145	\$ 12,674,258		4.6891%	25
143	Boone Co.	23523	Public	\$ 355,000	03/01/1998	\$ 1,677	\$ 89,604		4.3700%	13
144	Camden Co.	23524	Private	\$ 144,000	03/01/1998	\$ 3,600	\$ 100,046		5.5892%	39
145	City of Fremont Hills	23525	Private	\$ 390,000	03/01/1998	\$ 6,825	\$ 231,410		5.2533%	39
146	City of Grandview	23526	Private	\$ 3,215,000	03/01/1998	\$ 33,758	\$ 1,844,543		4.8669%	39
147	Marshfield RSD R-1	23527	Private	\$ 1,225,000	03/18/1998	\$ 8,000	\$ 104,081		4.2532%	25
148	Cape Girardeau RSD R-II	23528	Private	\$ 6,045,000	03/25/1998	\$ 63,995	\$ 3,727,474		4.8746%	25
149	City of Westboro	23529	Private	\$ 120,000	03/01/1998	\$ 6,000	\$ 72,847		6.4296%	27
150	City of Kirkwood	23530	Public	\$ 2,000,000	04/01/1998	\$ 7,700	\$ 418,436		4.1830%	19
151	Pleasant Hill R-III SD	23531	Private	\$ 5,750,000	03/25/1998	\$ 60,750	\$ 3,121,537		4.7754%	25
152	Lindbergh R-8 SD	23532	Private	\$ 11,900,000	04/15/1998	\$ 68,068	\$ 6,952,515		4.7584%	38
153	Stone Co. RSD R-IV	23533	Private	\$ 6,945,000	04/01/1998	\$ 69,450	\$ 5,151,479		5.0170%	21
154	City of Kirkwood	23534	Private	\$ 4,675,000	04/01/1998	\$ (232,301)	\$ 1,887,295		4.6353%	32
155	Scott Co. Central SD	23535	Private	\$ 450,000	04/22/1998	\$ 7,265	\$ 94,341		4.5220%	25
156	N. St. Francois Co. R-I SD	23536	Private	\$ 5,235,000	04/22/1998	\$ 55,085	\$ 2,892,410		4.8120%	25
157	Ft Osage SD R-I	23537	Private	\$ 4,095,000	04/01/1998	\$ 50,049	\$ 835,122		4.4722%	39
158	City of Chillicothe	23538	Private	\$ 130,683	03/30/1998	\$ -	\$ 72,469		6.2500%	11
159	West Platte R-II SD	23539	Private	\$ 3,825,000	04/01/1998	\$ 45,900	\$ 1,660,054		4.7456%	21
160	Strasburg C-3 SD	23540	Private	\$ 699,999	04/30/1998	\$ (32,636)	\$ 537,616		5.6807%	27
161	Mt. Vernon R-V SD	23541	Private	\$ 1,500,000	04/30/1998	\$ 17,000	\$ 753,567		4.7591%	25
162	Morgan Co.	23542	Private	\$ 96,000	05/01/1998	\$ 1,920	\$ 61,616		5.5510%	39
163	University City SD	23543	Private	\$ 7,792,455	05/01/1998	\$ (583,778)	\$ 4,340,060		5.3590%	2
164	Francis Howell SD	23544	Private	\$ 33,525,000	05/01/1998	\$ 293,344	\$ 23,156,817		5.0652%	37
165	Cass Co. R-V SD	23545	Private	\$ 925,000	05/01/1998	\$ 9,250	\$ 418,848		4.7352%	21
166	Windsor CSD C-1	23546	Private	\$ 4,000,000	05/06/2000	\$ 49,500	\$ 1,974,367		4.7773%	25
167	Clever RSD No. R-V	23547	Private	\$ 1,650,000	04/01/1998	\$ 24,750	\$ 1,263,133		5.0805%	21
168	Clever RSD No. R-V	23548	Private	\$ 50,000	04/01/1998	\$ 750	\$ 5,598		4.8328%	21
169	Jackson Co. RSD 7	23549	Private	\$ 46,300,000	05/12/1998	\$ 57,812	\$ 22,666,582		5.0126%	39
170	Jefferson Co. CSD 7	23550	Public	\$ 5,000,000	05/01/1998	\$ -	\$ 3,445,677		4.7713%	16
171	Troy R-III SD	23551	Private	\$ 3,400,000	05/13/1998	\$ 41,700	\$ 2,041,165		4.9760%	25
172	Otterville RSD R-VI	23552	Private	\$ 980,000	05/15/1998	\$ 19,600	\$ 653,724		5.4123%	27
173	Nodaway Co. SD R-4	23553	Private	\$ 560,000	05/15/1998	\$ 11,200	\$ 317,532		5.4420%	27
174	Camden Co.	23554	Private	\$ 570,000	05/15/1998	\$ 11,400	\$ 392,519		5.6577%	39
175	Raymondville RSD 7	23555	Private	\$ 370,000	05/15/1998	\$ 7,400	\$ 179,545		5.4757%	27
176	City of Chesterfield	23556	Public	\$ 10,215,000	05/19/1998	\$ -	\$ 4,910,315		4.8604%	39
177	Braymer C-4 SD	23557	Private	\$ 760,000	05/01/1998	\$ 7,600	\$ 611,106		5.1082%	40
178	Jackson Co. RSD R-VI	23558	Private	\$ 2,100,000	05/19/1998	\$ 24,800	\$ 1,145,179		4.8845%	25
179	Barton Co. RSD II	23559	Private	\$ 1,000,000	05/01/1998	\$ 17,500	\$ 450,618		4.8075%	18
180	Warren Co. RSD R-III	23560	Private	\$ 8,000,000	05/21/1998	\$ 85,500	\$ 4,907,921		5.0554%	25

Bond Sales from January 1997 - August 2000

Appendix III

	Bond Issued By	Bond Reg. Number	Type of Sale	Amount of Issue	Date of Issue	Discount or (Premium)	Net Interest	Cost	Average Interest Rate	Underwriter
181	Moberly SD No. 81	23561	Private	\$ 8,100,000	05/21/1998	\$ 86,600	\$ 5,624,575		5.0901%	25
182	City of Sweet Springs	23562	Private	\$ 200,000	05/15/1998	\$ 10,000	\$ 147,714		5.8994%	27
183	City of Farmington	23563	Private	\$ 900,000	05/01/1998	\$ 9,000	\$ 286,083		4.6068%	17
184	Wellington-Napoleon R-IX SD	23564	Private	\$ 1,625,000	05/27/1998	\$ 18,625	\$ 1,003,614		5.0992%	25
185	Arcadia Valley R-II SD	23565	Public	\$ 2,160,000	05/15/1998	\$ 13,198	\$ 1,239,113		4.7702%	39
186	Ritenour SD	23566	Private	\$ 9,000,000	05/29/1998	\$ 102,395	\$ 3,535,629		4.6320%	2
187	Normandy SD	23567	Private	\$ 17,000,000	05/28/1998	\$ 175,145	\$ 13,758,064		5.3102%	25
188	Gasconade Co. R-I SD	23568	Private	\$ 8,400,000	05/15/1998	\$ 92,400	\$ 5,505,232		4.9271%	21
189	City of O'Fallon	23569	Public	\$ 19,500,000	06/01/1998	\$ 206,980	\$ 14,725,802		4.9855%	16
190	Wayne Co. RSD II	23570	Private	\$ 1,250,000	06/02/1998	\$ 13,750	\$ 763,722		5.0682%	25
191	Schuyler R-I SD	23571	Private	\$ 3,125,000	06/03/1998	\$ 38,125	\$ 1,928,504		5.0808%	25
192	Slater SD	23572	Private	\$ 800,000	06/03/1998	\$ 9,745	\$ 272,134		4.7530%	25
193	Brookfield R-III SD	23573	Private	\$ 2,080,000	06/04/1998	\$ 24,560	\$ 1,293,607		5.1227%	25
194	Osage Co. R-III SD	23574	Private	\$ 2,135,000	06/09/1998	\$ 25,255	\$ 659,192		4.6574%	25
195	Belton SD 124	23575	Private	\$ 7,897,541	06/01/1998	\$ (502,605)	\$ 6,118,168		5.2144%	39
196	Scott Co. R-II SD	23576	Private	\$ 1,450,000	06/11/1998	\$ 16,350	\$ 793,201		4.7434%	25
197	Benton Co. R-I SD	23577	Private	\$ 2,720,000	06/01/1998	\$ 34,000	\$ 1,785,529		4.9297%	21
198	Cole Co. R-V SD	23578	Private	\$ 2,600,000	06/10/1998	\$ 28,945	\$ 1,108,348		4.7518%	25
199	City of Piedmont	23579	Private	\$ 125,000	06/01/1998	\$ 2,500	\$ 130,902		5.6071%	27
200	City of Springfield	23581	Public	\$ 5,000,000	06/01/1998	\$ 11,206	\$ 549,206		4.0833%	23
201	New Franklin R-I SD	23582	Private	\$ 900,000	06/23/1998	\$ 11,145	\$ 588,423		4.9510%	25
202	Canton R-V SD	23583	Private	\$ 710,000	06/25/1998	\$ 6,585	\$ 152,092		4.4469%	25
203	Aurora RSD R-VIII	23584	Private	\$ 6,650,000	06/01/1998	\$ 73,150	\$ 4,464,328		4.8998%	21
204	Columbia SD	23587	Public	\$ 10,000,000	06/01/1998	\$ 100,000	\$ 4,091,881		4.5139%	34
205	King City R-I SD	23588	Private	\$ 1,180,000	06/24/1998	\$ 12,840	\$ 713,535		5.0250%	25
206	Sarcoxic R-II SD	23589	Private	\$ 1,595,000	06/01/1998	\$ 20,735	\$ 712,116		4.7250%	21
207	Ft. Zumwalt SD	23590	Public	\$ 10,000,000	06/01/1998	\$ (100)	\$ 6,004,444		4.6864%	22
208	City of Ownesville	23591	Private	\$ 1,335,000	06/01/1998	\$ 48,060	\$ 699,141		5.4024%	27
209	Orchard Farm R-V SD	23592	Public	\$ 2,000,000	06/01/1998	\$ 15,800	\$ 1,350,820		4.7240%	39
210	Lincoln Co. RSD R-IV	23593	Private	\$ 2,400,000	06/25/1998	\$ 28,700	\$ 1,530,327		4.8367%	25
211	Wentzville R-IV SD	23594	Public	\$ 16,000,000	06/01/1998	\$ 115,200	\$ 13,449,925		5.0121%	16
212	Lawson RSD R-XIV	23595	Private	\$ 950,000	06/15/1998	\$ 14,250	\$ 513,207		4.8758%	21
213	Cass Co.RSD R-II	23596	Private	\$ 8,400,000	06/15/1998	\$ 92,400	\$ 3,187,361		4.5720%	21
214	Grain Valley R-V SD	23597	Private	\$ 2,000,000	06/15/1998	\$ 26,000	\$ 1,239,778		4.8105%	21
215	Jackson Township	23598	Private	\$ 125,000	06/15/1998	\$ -	\$ 11,239		5.4000%	4
216	City of Baldwin	23599	Private	\$ 10,340,000	07/01/1998	\$ 94,541	\$ 3,995,423		4.5154%	2
217	Pulaski Co.	23600	Private	\$ 140,000	07/01/1998	\$ 2,305	\$ 42,681		5.1798%	24
218	Morgan Co.	23601	Private	\$ 1,480,000	07/01/1998	\$ 29,070	\$ 1,053,008		5.6196%	24
219	Morgan Co.	23602	Private	\$ 104,000	07/01/1998	\$ -	\$ 30,081		5.0000%	24
220	Blue Eye R-V SD	23603	Private	\$ 1,650,000	07/09/1998	\$ 24,000	\$ 586,260		4.7115%	25
221	Crawford Co. RSD R-II	23604	Private	\$ 2,375,000	06/15/1998	\$ 28,500	\$ 920,924		4.5957%	21
222	Greenfield R-IV SD	23605	Private	\$ 1,225,000	07/08/1998	\$ 11,425	\$ 390,055		4.5052%	25
223	City of Shrewsbury	23606	Public	\$ 7,005,000	07/01/1998	\$ 55,339	\$ 3,479,700		4.6282%	22
224	Oak Ridge R-VI SD	23607	Private	\$ 230,000	07/15/1998	\$ 5,000	\$ 30,866		4.9435%	25
225	Valley Park SD	23608	Private	\$ 9,259,991	07/01/1998	\$ 86,651	\$ 6,699,444		5.1405%	17
226	Cape Girardeau RSD 5	23609	Private	\$ 200,000	07/15/1998	\$ 4,000	\$ 133,967		5.4116%	27
227	Barton Co. RSD R-III	23610	Private	\$ 285,000	07/15/1998	\$ 2,700	\$ 123,383		4.6579%	32
228	Cole Co. R-I SD	23611	Private	\$ 810,000	07/22/1998	\$ 8,435	\$ 178,420		4.4968%	25
229	Union Township	23612	Private	\$ 75,000	07/15/1998	\$ -	\$ 5,492		4.7500%	40
230	Pettis Co. RSD R-3	23613	Private	\$ 4,035,000	07/15/1998	\$ 33,333	\$ 2,568,945		4.8395%	21
231	Central Jackson Co. Fire Prot. Dist.	23614	Private	\$ 2,500,000	08/01/1998	\$ (18,434)	\$ 691,290		4.5756%	21
232	Monroe Township	23615	Private	\$ 100,000	08/01/1998	\$ -	\$ 8,060		5.2000%	40
233	Jackson Co. CSD 1	23616	Private	\$ 17,910,000	08/01/1998	\$ 152,235	\$ 10,602,823		5.0114%	21
234	St. Charles Co. Comm. Coll.	23617	Public	\$ 13,750,000	08/01/1998	\$ 187,509	\$ 12,156,745		5.0783%	23
235	Newton Co. RSD R-VII	23618	Private	\$ 400,000	08/11/1998	\$ 4,745	\$ 93,470		4.4782%	25
236	Pattonsburg RSD R-II	23619	Private	\$ 600,000	08/01/1998	\$ 24,000	\$ 394,125		5.5904%	27
237	City of Grain Valley	23620	Private	\$ 1,640,000	08/21/1998	\$ -	\$ 748,454		5.1794%	26
238	City of Lowry City	23621	Private	\$ 58,000	08/01/1998	\$ -	\$ 20,833		5.7500%	35
239	Francis Howell SD	23622	Private	\$ 35,682,411	08/27/1998	\$ 367,351	\$ 33,738,993		5.8803%	37
240	Jackson Co. RSD 4	23623	Private	\$ 9,000,000	08/26/1998	\$ 8,550	\$ 3,374,826		4.4596%	25

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241 Lakeland R-III SD	23624	Private	\$ 995,000	08/27/1998	\$ 12,615	\$ 539,796		4.7818%	25
242 Rockwood R-6 SD	23625	Public	\$ 21,700,000	08/01/1998	\$ -	\$ 8,936,024		4.5134%	34
243 Taneyville RSD No. 2	23626	Private	\$ 411,999	08/01/1998	\$ (23,812)	\$ 244,764		6.5586%	27
244 Clark Co. SD R-I	23627	Private	\$ 2,925,000	08/15/1998	\$ 29,250	\$ 1,710,679		4.7039%	21
245 Union RSD R-XI	23628	Private	\$ 4,000,000	08/02/1998	\$ 33,000	\$ 2,230,138		4.6535%	25
246 Moniteau Co. RSD 1	23629	Private	\$ 2,140,000	08/15/1998	\$ 26,750	\$ 462,059		4.5321%	21
247 Cape Girardeau SD 63	23631	Private	\$ 8,759,033	09/15/1998	\$ (289,780)	\$ 6,553,189		5.5810%	2
248 City of Lathrop	23632	Private	\$ 500,000	09/01/1998	\$ 7,500	\$ 143,493		4.8642%	30
249 Franklin Co. RSD R-XIII	23634	Private	\$ 2,075,000	09/22/1998	\$ 12,600	\$ 230,557		4.3003%	25
250 Newton Co. RSD R-4	23635	Private	\$ 960,000	09/01/1998	\$ 11,520	\$ 272,071		4.3358%	21
251 Greene Co. RSD No. 3	23636	Private	\$ 5,280,000	10/01/1998	\$ 68,640	\$ 3,908,715		4.6494%	21
252 Avenue City SD R-IX	23637	Private	\$ 900,000	10/01/1998	\$ 11,145	\$ 490,511		4.6760%	25
253 Eldon Admin Unit, SD R-I	23638	Private	\$ 6,850,000	10/01/1998	\$ 72,850	\$ 2,797,783		4.3891%	25
254 N. Kansas City SD	23639	Private	\$ 12,500,000	09/15/1998	\$ 71,003	\$ 5,580,507		4.6180%	18
255 Fair Play R-II SD	23640	Private	\$ 1,300,000	10/13/1998	\$ 14,400	\$ 729,372		4.6685%	25
256 Nixa R-SD R-2	23641	Private	\$ 14,035,000	10/01/1998	\$ (51,165)	\$ 9,979,360		4.8274%	21
257 City of Parkville	23642	Private	\$ 325,000	10/01/1998	\$ (35,557)	\$ 139,153		5.3782%	39
258 Boone Co Fire District	23643	Public	\$ 7,000,000	10/01/1998	\$ -	\$ 1,803,271		3.8204%	34
259 Branson RSD No. 4	23644	Private	\$ 36,700,000	10/01/1998	\$ 331,175	\$ 21,730,229		4.5519%	21
260 Malta Bend SD R-V	23645	Private	\$ 940,000	10/22/1998	\$ 11,905	\$ 505,688		4.6471%	25
261 S Metro Fire Prot District	23646	Private	\$ 834,999	10/01/1998	\$ (135,223)	\$ 218,978		6.3494%	39
262 Lincon Co. RSD II	23647	Private	\$ 3,000,000	10/22/1998	\$ 36,500	\$ 2,166,306		4.7094%	25
263 Christian Co. RSD III	23648	Private	\$ 870,000	10/01/1998	\$ 10,440	\$ 496,885		4.3462%	21
264 Springfield R-12 SD	23649	Private	\$ 7,000,000	10/15/1998	\$ 77,139	\$ 5,264,636		4.5802%	21
265 Hillsboro R-III SD	23650	Private	\$ 7,385,000	10/28/1998	\$ 78,735	\$ 3,893,388		4.5932%	25
266 Drexel SD R-IV	23651	Private	\$ 945,000	10/29/1998	\$ 9,788	\$ 311,337		4.1303%	25
267 Willard RSD No. 2	23652	Private	\$ 3,410,000	10/01/1998	\$ 44,330	\$ 1,956,435		4.4093%	21
268 Fayette R-III SD	23653	Private	\$ 970,000	11/05/1998	\$ 10,110	\$ 262,064		4.1515%	25
269 Bayless CSD	23654	Private	\$ 430,000	11/10/1998	\$ 5,250	\$ 56,854		4.0680%	25
270 Bayless CSD	23655	Private	\$ 6,400,000	11/10/1998	\$ 67,900	\$ 3,400,914		4.4097%	25
271 Macks Creek SD R-V	23656	Private	\$ 370,000	11/18/1998	\$ 8,675	\$ 148,353		4.6951%	25
272 Centralia R-VI SD	23657	Private	\$ 2,180,000	11/01/1998	\$ 27,250	\$ 882,067		4.3384%	21
273 Mid-Buchanan SD R-V	23658	Private	\$ 1,190,000	11/01/1998	\$ -	\$ 594,441		4.3070%	40
274 City of Platte City	23659	Private	\$ 2,200,000	11/15/1998	\$ 25,300	\$ 1,424,844		4.9455%	39
275 Washongton Co. RSD R-III	23660	Private	\$ 3,435,000	11/25/1998	\$ 42,155	\$ 1,429,482		4.3349%	25
276 Maplewood-Richmond Heights SD	23661	Private	\$ 1,500,000	11/01/1998	\$ 14,265	\$ 782,087		4.6497%	2
277 SW Barry Co. SD R-V	23662	Private	\$ 480,000	12/01/1998	\$ 6,500	\$ 136,963		4.1007%	25
278 Marceline SD R-V	23663	Private	\$ 1,280,000	12/01/1998	\$ 14,140	\$ 344,869		4.0288%	25
279 Harrisburg R-VIII SD	23664	Private	\$ 720,000	12/01/1998	\$ 8,225	\$ 209,932		4.0962%	25
280 St. Charles Co.	23666	Private	\$ 162,000	12/01/1998	\$ 1,620	\$ 46,686		5.0448%	39
281 Jr. Coll. Dist. of E. Central Mo	23667	Private	\$ 6,964,004	12/03/1998	\$ (440,560)	\$ 4,323,587		5.1454%	2
282 Callaway Co.	23668	Private	\$ 96,000	12/01/1998	\$ 2,719	\$ 31,705		5.2492%	39
283 Kingsville SD R-I	23669	Private	\$ 415,000	12/09/1998	\$ -	\$ 122,348		4.0319%	25
284 Kingsville SD R-I	23670	Private	\$ 460,000	12/09/1998	\$ 3,000	\$ 183,098		4.2288%	25
285 Cape Girardeau RSD 5	23671	Private	\$ 939,997	12/10/1998	\$ (107,387)	\$ 405,231		6.0625%	27
286 Mehlville SD R-9	23672	Private	\$ 12,355,629	12/15/1998	\$ (917,111)	\$ 4,926,530		4.9936%	2
287 Strafford SD R-VI	23673	Private	\$ 3,300,000	12/15/1998	\$ 30,245	\$ 1,590,298		4.3814%	25
288 Kingston SD K-14	23674	Private	\$ 2,000,000	12/15/1998	\$ 23,500	\$ 1,536,136		4.7089%	25
289 City of Brentwood	23675	Private	\$ 3,215,000	12/17/1998	\$ (135,845)	\$ 1,255,996		4.5519%	38
290 Kirbyville SD R-VI	23676	Private	\$ 2,225,000	12/01/1998	\$ 19,443	\$ 1,077,326		4.5676%	39
291 Ferguson RSD R-2	23677	Public	\$ 9,500,000	12/01/1998	\$ (16)	\$ 1,838,789		3.7946%	40
292 Hancock Place SD	23678	Private	\$ 3,130,000	12/15/1998	\$ 31,098	\$ 1,383,311		4.4229%	19
293 Cole Co SD R-II	23679	Private	\$ 680,000	12/22/1998	\$ 7,065	\$ 117,678		4.0856%	25
294 Palmyra SD R-I	23680	Private	\$ 4,785,000	12/22/1998	\$ 55,000	\$ 2,003,212		4.3565%	25
295 Shelby Co. SD C-1	23681	Private	\$ 975,000	12/23/1998	\$ 12,125	\$ 541,982		4.7112%	25
296 City of Grain Valley	23682	Private	\$ 4,000,000	12/01/1998	\$ 30,000	\$ 2,460,252		4.6424%	39
297 Camden RSD R-3	23683	Private	\$ 10,000,000	12/15/1998	\$ 85,083	\$ 6,872,019		4.6626%	21
298 W. St. Francois Co. R-IV SD	23684	Private	\$ 3,100,000	12/29/1998	\$ 37,800	\$ 2,174,451		4.8071%	25
299 Ozark RSD 6	23685	Private	\$ 5,710,000	12/15/1998	\$ 62,810	\$ 62,810		4.7084%	21
300 St. Charles Co.	23686	Private	\$ 87,900	12/15/1998	\$ 1,099	\$ 41,078		5.0368%	39

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301	Carl Junction R-I SD	23687	Private	\$ 9,500,000	12/30/1998	\$ 102,000	\$ 6,416,092		4.7581%	25
302	Riverview Gardens SD	23688	Private	\$ 10,000,000	12/01/1998	\$ 80,761	\$ 2,133,290		4.0370%	2
303	Jackson Co. CSD 4	23689	Private	\$ 8,700,000	12/30/1998	\$ 84,195	\$ 3,778,586		4.3133%	25
304	City of Lewistown	23690	Private	\$ 100,000	12/01/1998	\$ 5,000	\$ 65,060		5.6329%	27
305	Ralls Co. R-2 SD	23691	Private	\$ 1,690,000	01/01/1999	\$ 20,280	\$ 698,663		4.4382%	21
306	Phelps Co. RSD R-3	23692	Private	\$ 260,000	01/15/1999	\$ 5,200	\$ 83,491		5.0677%	27
307	Strasburg C-3 SD	23693	Private	\$ 620,000	01/01/1999	\$ -	\$ 462,917		5.2182%	27
308	Carl Junction R-I SD	23694	Private	\$ 2,440,000	01/28/1999	\$ 29,220	\$ 424,071		4.0456%	25
309	Crawford Co. RSD 1	23695	Private	\$ 1,400,000	01/01/1999	\$ 16,100	\$ 400,240		4.2269%	21
310	Jackson Township	23696	Private	\$ 100,000	02/01/1999	\$ -	\$ 21,815		5.0000%	5
311	Community R-VI SD	23697	Private	\$ 1,070,000	02/01/1999	\$ 11,410	\$ 397,205		4.3768%	25
312	Columbia SD	23698	Public	\$ 1,800,000	02/01/1999	\$ 8,334	\$ 560,039		4.1333%	20
313	City of Maryville	23699	Public	\$ 1,425,000	02/01/1999	\$ 10,688	\$ 505,089		4.1305%	15
314	Bolivar R-I SD	23700	Private	\$ 3,830,000	02/01/1999	\$ 30,640	\$ 2,343,229		4.5952%	21
315	Kirkwood SD R-7	23701	Private	\$ 18,420,000	01/15/1999	\$ (167,536)	\$ 8,341,734		4.4753%	31
316	Poplar Bluff R-I SD	23702	Private	\$ 2,500,000	02/12/1999	\$ 31,250	\$ 1,184,216		4.3941%	21
317	Riverview Gardens SD	23703	Private	\$ 4,395,000	02/01/1999	\$ 44,733	\$ 1,126,777		4.1634%	2
318	New Bloomfield R-III SD	23704	Private	\$ 540,000	02/18/1999	\$ 5,655	\$ 234,977		4.3734%	25
319	Wheaton RSD #III	23705	Private	\$ 360,000	02/18/1999	\$ 4,620	\$ 61,957		4.1810%	25
320	Nixa R-SD R-2	23706	Private	\$ 3,850,000	03/01/1999	\$ 38,500	\$ 643,190		4.0363%	21
321	Jefferson Co. RSD R-6	23707	Private	\$ 2,475,000	02/01/1999	\$ 13,613	\$ 651,134		4.1539%	18
322	Boonville RSD R-1	23708	Private	\$ 7,624,998	03/01/1999	\$ 129,174	\$ 4,746,390		4.9303%	17
323	Grundy Co. R-V SD	23709	Private	\$ 975,000	02/20/1999	\$ 11,945	\$ 485,530		4.5219%	39
324	Lafayette Co. C-1 SD	23710	Private	\$ 2,000,000	02/15/1999	\$ 25,000	\$ 1,160,407		4.5357%	21
325	White Cloud Township	23711	Private	\$ 150,000	03/01/1999	\$ -	\$ 19,726		5.1000%	4
326	Franklin Co. CSD 4	23712	Private	\$ 2,000,000	03/01/1999	\$ 25,000	\$ 1,386,500		4.6063%	21
327	Pettis Co. RSD R-IV	23713	Private	\$ 1,650,000	03/01/1999	\$ 21,450	\$ 1,051,200		4.7298%	21
328	Platte Co. RSD R-3	23714	Private	\$ 8,120,000	03/01/1999	\$ 56,331	\$ 5,930,748		4.7507%	21
329	Platte Co. RSD R-3	23715	Private	\$ 1,855,000	03/01/1999	\$ 18,550	\$ 1,310,490		4.6921%	21
330	Fair Grove R-X SD	23716	Private	\$ 1,800,000	03/01/1999	\$ 21,600	\$ 959,283		4.5132%	21
331	Fort Zumwalt SD	23717	Public	\$ 10,000,000	03/01/1999	\$ -	\$ 5,505,525		4.4274%	34
332	Crystal City SD	23718	Public	\$ 1,700,000	03/01/1999	\$ -	\$ 963,685		4.5569%	19
333	Carthage R-IX SD	23719	Private	\$ 9,810,000	03/01/1999	\$ 63,561	\$ 4,179,694		4.3934%	21
334	Sunrise R-IX SD	23720	Private	\$ 740,000	03/24/1999	\$ 13,004	\$ 189,961		4.4068%	25
335	Sweet Springs R-VII SD	23721	Private	\$ 1,275,000	03/24/1999	\$ 14,075	\$ 532,514		4.4788%	25
336	Green Township	23722	Private	\$ 120,000	03/01/1999	\$ -	\$ 11,730		5.1000%	4
337	East Prairie R-II SD	23723	Private	\$ 1,565,000	03/24/1999	\$ 17,845	\$ 652,666		4.4516%	25
338	Dunklin R-V S.D	23724	Private	\$ 1,500,000	03/25/1999	\$ 3,900	\$ 295,227		4.0104%	25
339	City of Richmond	23725	Private	\$ 1,360,000	03/30/1999	\$ 13,600	\$ 167,203		4.3317%	39
340	Grain Valley R-V SD	23726	Private	\$ 2,800,000	04/01/1999	\$ 35,000	\$ 2,431,988		4.6530%	21
341	City of St. Peters	23727	Private	\$ 16,035,000	04/20/1999	\$ (556,363)	\$ 7,184,780		4.7217%	28
342	Moberly SD No. 81	23728	Private	\$ 1,795,000	04/20/1999	\$ 9,000	\$ 154,501		4.0332%	25
343	Meramac Valley R-III SD	23729	Public	\$ 6,500,000	04/01/1999	\$ 69,061	\$ 4,596,468		4.6732%	22
344	City of Raymore	23730	Private	\$ 2,975,000	04/01/1999	\$ 37,188	\$ 1,884,238		4.7310%	39
345	Lincoln Township	23731	Private	\$ 170,000	04/01/1999	\$ -	\$ 22,164		5.4500%	4
346	Pleasant Hill R-III SD	23732	Private	\$ 2,800,000	04/29/1999	\$ 33,900	\$ 2,456,623		5.0209%	25
347	City of Chesterfield	23733	Public	\$ 15,125,000	05/01/1999	\$ -	\$ 9,214,396		4.7069%	31
348	Francis Howell SD	23734	Private	\$ 14,998,340	05/06/1999	\$ 142,484	\$ 12,782,281		5.0495%	37
349	Grandview R-II SD	23735	Private	\$ 4,975,000	05/06/1999	\$ 62,175	\$ 3,085,709		4.8193%	25
350	University City SD	23736	Private	\$ 8,150,000	05/01/1999	\$ 99,096	\$ 4,435,212		4.5803%	2
351	Hancock Place SD	23737	Private	\$ 1,100,000	05/05/1999	\$ 11,340	\$ 1,001,843		4.9556%	19
352	Warrensburg R-VI SD	23738	Private	\$ 1,750,000	05/01/1999	\$ 14,000	\$ 992,255		4.6854%	39
353	Independence SD	23739	Private	\$ 34,700,000	05/01/1999	\$ (85,128)	\$ 23,135,276		4.9212%	39
354	Prairie Home R-5 SD	23740	Private	\$ 540,000	05/01/1999	\$ 10,800	\$ 375,758		5.4379%	27
355	St. Elizabeth R-IV SD	23741	Private	\$ 600,000	05/18/1999	\$ 9,500	\$ 178,943		4.4624%	25
356	Union RSD R-XI	23742	Private	\$ 10,000,000	05/19/1999	\$ 97,500	\$ 8,602,183		4.9995%	25
357	Galena R-II SD	23743	Private	\$ 100,000	05/19/1999	\$ 3,500	\$ 18,633		4.9281%	25
358	Smithville R-II SD	23744	Private	\$ 6,600,000	05/01/1999	\$ 72,600	\$ 5,241,038		4.9123%	21
359	Harrisburg R-VIII SD	23745	Private	\$ 1,900,000	05/20/1999	\$ 22,200	\$ 1,438,151		4.9750%	25
360	Green City R-I SD	23746	Private	\$ 1,200,000	05/25/1999	\$ 13,100	\$ 699,580		4.8374%	25

Bond Sales from January 1997 - August 2000

Appendix III

Bond Issued By	Bond Reg. Number	Type of Sale	Amount of Issue	Date of Issue	Discount or (Premium)	Net Interest	Cost	Average Interest Rate	Underwriter
361 Fulton S.D 58	23747	Private	\$ 5,600,000	05/26/1999	\$ 59,100	\$ 2,891,295		4.6628%	25
362 Lincoln Co. R-III RSD	23748	Private	\$ 7,350,000	05/26/1999	\$ 78,350	\$ 5,674,676		4.9179%	25
363 Miller Co. R-III SD	23749	Private	\$ 775,000	05/26/1999	\$ 10,000	\$ 453,787		4.8743%	25
364 Osage Co. R-II SD	23750	Private	\$ 3,600,000	05/27/1999	\$ 44,300	\$ 2,108,933		4.8503%	25
365 East Lynne, MO	23751	Private	\$ 224,000	05/01/1999	\$ 11,200	\$ 131,855		5.6916%	27
366 S. Boone Co. R-I SD	23752	Private	\$ 6,264,999	05/01/1999	\$ (231)	\$ 4,509,346		4.9490%	39
367 Columbia SD	23753	Public	\$ 9,900,000	06/01/1999	\$ 49,500	\$ 4,103,641		4.4496%	37
368 City of Clayton	23754	Public	\$ 8,410,000	06/01/1999	\$ 30,167	\$ 3,468,562		4.3219%	15
369 Clay Co. RSD R-1	23755	Private	\$ 8,000,000	05/15/1999	\$ 93,224	\$ 4,716,231		4.6733%	39
370 Cole Co. R-I SD	23756	Private	\$ 3,900,000	06/02/1999	\$ 48,200	\$ 2,929,339		4.9733%	25
371 Hardeman R-X SD	23757	Private	\$ 665,000	06/01/1999	\$ 19,950	\$ 417,789		4.9626%	18
372 Richland R-I SD	23760	Private	\$ 900,000	06/03/1999	\$ 10,645	\$ 524,145		4.8700%	25
373 Fordland SD R-3	23761	Private	\$ 2,255,000	06/01/1999	\$ 29,315	\$ 1,251,781		4.7567%	21
374 Eureka Fire Protection Dist.	23762	Private	\$ 3,500,000	06/01/1999	\$ 50,909	\$ 1,993,798		4.8653%	2
375 Atchison Township	23763	Private	\$ 160,000	06/01/1999	\$ -	\$ 23,853		5.4005%	4
376 Hannibal 60 SD	23764	Private	\$ 14,600,000	06/01/1999	\$ 136,821	\$ 10,244,746		5.0868%	21
377 Joplin R-VIII SD	23765	Private	\$ 6,750,000	06/01/1999	\$ 74,250	\$ 5,743,544		5.0266%	21
378 Central SD R-III	23766	Private	\$ 6,495,000	06/01/1999	\$ 48,713	\$ 3,553,983		4.8349%	37
379 City of Perryville	23767	Public	\$ 750,000	06/15/1999	\$ 5,625	\$ 131,177		4.3457%	13
380 Scott Co. RSD R-6	23768	Private	\$ 3,615,000	06/15/1999	\$ 28,920	\$ 414,817		4.2534%	27
381 Green Co. RSD R-IV	23769	Private	\$ 645,000	06/15/1999	\$ 15,425	\$ 617,108		5.1290%	2
382 Green Co. RSD R-IV	23770	Private	\$ 1,010,000	06/15/1999	\$ 19,569	\$ 655,827		4.9478%	2
383 Pulaski Co.	23771	Private	\$ 53,000	06/17/1999	\$ 1,942	\$ 29,339		6.1197%	24
384 Pulaski Co.	23773	Private	\$ 55,000	06/17/1999	\$ 2,443	\$ 30,405		6.4086%	24
385 Pulaski Co.	23774	Private	\$ 90,000	06/17/1999	\$ 4,131	\$ 32,505		6.1241%	24
386 Sheldon R-VIII SD	23775	Private	\$ 285,000	06/01/1999	\$ 4,275	\$ 154,541		4.9236%	40
387 City of Ironton	23776	Private	\$ 320,000	06/22/1999	\$ 8,000	\$ 73,498		5.2481%	38
388 Green Ridge R-VIII SD	23777	Private	\$ 680,000	06/22/1999	\$ 10,995	\$ 606,054		5.2753%	25
389 Trenton R-IX SD	23778	Private	\$ 5,000,000	06/01/1999	\$ 55,000	\$ 3,313,047		4.9764%	21
390 Higbee R-VIII SD	23779	Private	\$ 875,000	06/01/1999	\$ 13,125	\$ 516,626		5.0520%	21
391 Lawrence Co. RSD R-IX	23780	Private	\$ 1,035,000	06/01/1999	\$ 12,420	\$ 343,350		4.6111%	21
392 Camden Co.	23781	Private	\$ 211,000	06/15/1999	\$ 5,275	\$ 150,505		6.0001%	39
393 Polo R-VII SD	23782	Private	\$ 1,490,000	06/01/1999	\$ 19,370	\$ 1,149,881		5.1328%	21
394 Jefferson Co. NW R-I SD	23783	Private	\$ 17,125,000	06/01/1999	\$ 104,347	\$ 10,418,375		5.1214%	39
395 Lone Jack C-6 SD	23784	Private	\$ 2,000,000	06/01/1999	\$ 26,000	\$ 1,779,809		5.3049%	21
396 Marshfield RSD R-1	23785	Private	\$ 4,000,000	06/01/1999	\$ 48,000	\$ 2,184,188		5.0039%	21
397 Park Hill SD	23786	Private	\$ 21,000,000	06/01/1999	\$ 169,174	\$ 13,260,573		5.2074%	39
398 Camden Co.	23787	Private	\$ 290,000	06/15/1999	\$ 4,350	\$ 198,577		5.8832%	39
399 Green Ridge R-VIII SD	23788	Private	\$ 380,000	07/01/1999	\$ 5,000	\$ 169,813		4.9315%	25
400 Davies Co. Special Road Dist. #1	23789	Private	\$ 370,000	07/12/1999	\$ -	\$ 107,654		5.2404%	7
401 Jefferson Township	23790	Private	\$ 125,000	07/01/1999	\$ -	\$ 18,829		5.5000%	41
402 Parkway C-2 SD	23791	Public	\$ 10,000,000	07/01/1999	\$ (2,658)	\$ 5,906,252		5.0984%	39
403 Jefferson City SD	23792	Private	\$ 5,998,940	07/01/1999	\$ 60,046	\$ 3,224,467		5.1385%	39
404 Marion Co. R-II SD	23793	Private	\$ 280,000	07/28/1999	\$ 4,615	\$ 124,481		5.1318%	25
405 Rockwood R-6 SD	23794	Public	\$ 24,000,000	07/01/1999	\$ (139)	\$ 9,419,013		4.7619%	39
406 City of Waynesville	23796	Private	\$ 515,000	07/29/1999	\$ 8,115	\$ 250,723		5.7893%	37
407 Southern Platte Fire District	23797	Private	\$ 4,075,000	08/01/1999	\$ 36,675	\$ 3,113,992		5.3093%	40
408 Weaubleau R-III SD	23798	Private	\$ 550,000	08/01/1999	\$ 6,050	\$ 472,107		5.3371%	21
409 Columbia Library District	23799	Public	\$ 22,000,000	08/01/1999	\$ 214,365	\$ 13,098,311		5.0547%	39
410 City of Avondale	23800	Private	\$ 260,000	08/01/1999	\$ 13,000	\$ 125,968		6.2111%	27
411 Lafayette Co. RSD R-7	23801	Private	\$ 3,100,000	08/01/1999	\$ 38,750	\$ 2,082,460		5.2306%	39
412 Pattonville-Bridgeton Terr Fire Dist.	23802	Public	\$ 1,000,000	08/15/1999	\$ (28)	\$ 527,004		4.9024%	19
413 Jackson Co. RSD 7	23803	Private	\$ 15,000,000	08/01/1999	\$ 117,197	\$ 8,349,835		5.3072%	39
414 City of Oregon	23804	Private	\$ 500,000	08/30/1999	\$ -	\$ 304,845		5.4534%	12
415 City of Cainsville	23805	Private	\$ 58,000	09/01/1999	\$ -	\$ 30,450		5.2500%	1
416 Marion C. Early R-V SD	23807	Private	\$ 1,600,000	09/01/1999	\$ 19,200	\$ 1,228,363		5.6502%	21
417 City of Lawson	23808	Private	\$ 375,000	09/01/1999	\$ 5,625	\$ 212,124		5.4426%	39
418 Bismark R-V SD	23809	Private	\$ 750,000	09/15/1999	\$ 8,645	\$ 180,996		4.9001%	25
419 City of Rolla	23810	Private	\$ 11,700,000	09/01/1999	\$ 53,703	\$ 5,040,309		5.1236%	21
420 N.Kansas City SD	23811	Private	\$ 9,000,000	09/01/1999	\$ 65,046	\$ 5,818,165		5.3158%	18

Bond Sales from January 1997 - August 2000

Appendix III

	Bond Issued By	Bond Reg. Number	Type of Sale	Amount of Issue	Date of Issue	Discount or (Premium)	Net Interest	Cost	Average Interest Rate	Underwriter
421	Howard Co. R-II SD	23814	Private	\$ 440,000	10/06/1999	\$ 4,455	\$ 56,028		4.6458%	25
422	Good Shepherd Nursing Home	23815	Private	\$ 880,000	10/01/1999	\$ 11,880	\$ 672,391		5.8895%	39
423	Millersburg Fire Dist	23816	Private	\$ 375,000	10/01/1999	\$ 5,625	\$ 257,150		5.8693%	39
424	Johnson Co.	23817	Private	\$ 50,000	10/15/1999	\$ 1,750	\$ 11,512		6.4042%	39
425	Fulton S.D 58	23818	Public	\$ 1,670,000	11/04/1999	\$ 4,325	\$ 336,050		4.5235%	33
426	Callaway Co.	23819	Private	\$ 143,000	11/01/1999	\$ 2,860	\$ 46,780		6.2820%	39
427	Hurley R-I SD	23820	Private	\$ 60,000	11/01/1999	\$ 600	\$ 37,799		6.0968%	21
428	Blue Eye R-V SD	23821	Private	\$ 2,460,000	11/18/1999	\$ 29,335	\$ 952,698		5.0785%	25
429	Ferguson RSD	23823	Public	\$ 6,500,000	11/01/1999	\$ (1,790)	\$ 1,011,810		4.5680%	23
430	Morgan Co.	23824	Private	\$ 376,000	12/01/1999	\$ 19,292	\$ 289,887		6.9634%	24
431	Clearwater R-I SD	23826	Private	\$ 1,260,000	12/08/1999	\$ 13,880	\$ 388,851		5.0354%	25
432	Mt. Vernon R-V SD	23827	Private	\$ 3,315,000	12/08/1999	\$ 40,595	\$ 1,533,060		5.2064%	25
433	Normandy SD	23828	Private	\$ 1,520,000	12/08/1999	\$ 17,260	\$ 435,418		4.9595%	25
434	City of Excelsior Springs	23829	Private	\$ 565,000	12/01/1999	\$ 14,125	\$ 300,998		6.2934%	24
435	City of Excelsior Springs	23830	Private	\$ 180,000	12/01/1999	\$ 4,500	\$ 42,654		8.7952%	24
436	Mexico SD #59	23831	Private	\$ 5,300,000	12/01/1999	\$ -	\$ 1,909,650		4.9770%	3
437	Pleasant Hill R-III SD	23832	Private	\$ 990,000	12/15/1999	\$ 6,700	\$ 110,628		4.6166%	25
438	Hillsboro R-III SD	23833	Private	\$ 1,985,000	12/15/1999	\$ 23,305	\$ 328,848		4.8229%	25
439	City of Lee's Summit	23834	Public	\$ 3,000,000	12/01/1999	\$ 18,122	\$ 737,506		4.7231%	39
440	Spickard R-II SD	23835	Private	\$ 120,000	12/01/1999	\$ 2,400	\$ 47,400		6.3200%	27
441	Miller Co.	23836	Private	\$ 135,000	12/01/1999	\$ 6,750	\$ 110,994		6.9209%	27
442	St. Charles Co.	23837	Private	\$ 102,000	12/15/1999	\$ 1,020	\$ 36,962		5.8276%	39
443	Pierce City R-VI SD	23838	Private	\$ 605,000	12/28/1999	\$ 7,500	\$ 268,687		5.2848%	25
444	Shell Knob SD 78	23840	Private	\$ 515,000	02/01/2000	\$ 6,000	\$ 90,183		5.0866%	25
445	Cole Co.	23841	Private	\$ 267,000	02/15/2000	\$ 4,005	\$ 226,349		6.5478%	39
446	Robertson Fire District	23842	Public	\$ 3,500,000	02/15/2000	\$ (236)	\$ 1,727,914		5.3372%	39
447	Trenton R-IX SD	23843	Private	\$ 2,400,000	03/01/2000	\$ 31,200	\$ 2,314,463		5.9383%	21
448	Pulaski Co.	23844	Private	\$ 51,000	03/01/2000	\$ 2,492	\$ 20,597		6.8258%	24
449	Fort Zumwalt SD	23845	Public	\$ 950,000	03/01/2000	\$ (15)	\$ 512,472		5.3522%	19
450	Marchfield RSD R-I	23846	Private	\$ 7,200,000	04/01/2000	\$ 79,200	\$ 7,527,288		5.8216%	21
451	Jackson Co. RSD 7	23849	Private	\$ 9,900,000	04/01/2000	\$ 865	\$ 5,101,572		5.1440%	39
452	Parkway C-2 SD	23850	Public	\$ 10,000,000	04/01/2000	\$ 56,009	\$ 6,172,620		5.3567%	34
453	Dixon R-I SD	23851	Private	\$ 630,000	04/15/2000	\$ 5,347	\$ 153,657		6.0306%	40
454	Ste. Genevieve Co.RSD R-2	23852	Public	\$ 2,000,000	03/01/2000	\$ (12)	\$ 1,651,651		5.5147%	19
455	Cape Girardeau SD 62	23853	Private	\$ 18,000,000	05/01/2000	\$ 136,177	\$ 15,127,337		5.5950%	2
456	Nixa R.SD R-2	23854	Private	\$ 5,400,000	04/15/2000	\$ 58,050	\$ 4,310,905		5.5747%	21
457	Lebanon R-3 SD	23855	Private	\$ 14,456,632	05/09/2000	\$ 132,943	\$ 10,683,938		5.6068%	37
458	Paris R-II SD	23856	Private	\$ 1,615,000	05/11/2000	\$ 20,995	\$ 794,878		5.4254%	25
459	Jefferson Co. RSD R-6	23857	Public	\$ 14,200,000	05/01/2000	\$ -	\$ 10,825,702		5.6595%	2
460	Boone Co.	23858	Public	\$ 280,000	05/15/2000	\$ 1,899	\$ 85,746		5.3343%	40
461	Crawford Co. RSD 1	23859	Private	\$ 2,250,000	05/01/2000	\$ 28,125	\$ 1,704,844		5.5759%	21
462	Grain Valley R-V SD	23860	Private	\$ 3,200,000	05/01/2000	\$ 40,000	\$ 2,871,335		5.7009%	21
463	Springfield R-12 SD	23861	Private	\$ 30,000,000	05/15/2000	\$ 326,680	\$ 30,170,994		5.8264%	21
464	Lakeland R-III SD	23862	Private	\$ 1,700,000	05/17/2000	\$ 19,600	\$ 1,650,484		5.9123%	25
465	Brunswick R-II SD	23863	Private	\$ 750,000	05/18/2000	\$ 8,795	\$ 691,713		6.0047%	25
466	Silex R-I SD	23864	Private	\$ 1,500,000	05/18/2000	\$ 20,395	\$ 1,056,284		5.7723%	25
467	Central Platte Fire District	23865	Private	\$ 1,500,000	05/01/2000	\$ 22,500	\$ 1,019,120		6.0843%	39
468	Monroe Township	23866	Private	\$ 75,000	05/22/2000	\$ -	\$ 18,878		6.0000%	9
469	Webb City R-VII SD	23867	Private	\$ 2,500,000	05/15/2000	\$ 31,250	\$ 2,617,046		6.0285%	21
470	Village of Lohman	23868	Private	\$ 50,000	05/01/2000	\$ -	\$ 41,773		6.5000%	27
471	Sturgeon R-V SD	23869	Private	\$ 2,300,000	05/23/2000	\$ 27,400	\$ 2,257,613		6.0842%	25
472	Smithton R-VI SD	23870	Private	\$ 1,500,000	05/24/2000	\$ 17,325	\$ 1,212,378		6.0007%	25
473	Clark Country R-I SD	23871	Private	\$ 1,500,000	05/15/2000	\$ 19,500	\$ 1,649,471		6.1224%	21
474	Dunklin R-V SD	23872	Private	\$ 6,000,000	05/25/2000	\$ 63,500	\$ 4,899,325		5.9497%	25
475	Farmington R-VII SD	23873	Private	\$ 8,890,000	05/25/2000	\$ 95,290	\$ 8,224,777		5.9866%	25
476	Lawson RSD R-XIV	23874	Private	\$ 2,900,000	06/01/2000	\$ 15,374	\$ 3,113,308		6.1286%	21
477	St Joseph SD	23875	Private	\$ 36,000,000	06/01/2000	\$ 324,000	\$ 29,579,090		5.8933%	2
478	Hickory Co. R-I SD	23876	Private	\$ 2,200,000	05/15/2000	\$ 26,400	\$ 2,110,856		6.0574%	21
479	Bismark R-V SD	23877	Private	\$ 500,000	06/01/2000	\$ 8,895	\$ 313,283		5.8285%	25
480	Lindbergh R-8 SD	23878	Private	\$ 9,499,874	06/05/2000	\$ 161,498	\$ 12,371,492		7.0362%	38

Bond Sales from January 1997 - August 2000

Appendix III

Bond Issued By	Bond Reg. Number	Type of Sale	Amount of Issue	Date of Issue	Discount or (Premium)	Net Interest	Cost	Average Interest Rate	Underwriter
481 City of Glasgow	23879	Private	\$ 95,000	06/01/2000	\$ 1,425	\$ 8,318		6.1051%	39
482 City of Wentzville	23880	Private	\$ 1,925,000	06/01/2000	\$ 42,350	\$ 1,489,601		6.2671%	17
483 Pattonville R- III SD	23881	Private	\$ 37,000,000	06/01/2000	\$ 194,933	\$ 30,784,296		5.8913%	2
484 Springdale Fire District	23882	Private	\$ 2,500,000	06/01/2000	\$ 32,198	\$ 893,963		5.4284%	2
485 Green Co. RSD 2	23883	Private	\$ 6,000,000	05/15/2000	\$ (66,000)	\$ 6,107,667		5.9606%	21
486 Liberty SD 53	23884	Private	\$ 18,000,000	06/01/2000	\$ 85,560	\$ 17,453,779		6.0185%	21
487 Franklin Co. CSD 3	23885	Private	\$ 2,000,000	06/01/2000	\$ 25,000	\$ 2,196,950		6.1196%	21
488 Newton Co. RSD R-4	23886	Private	\$ 5,000,000	06/01/2000	\$ 55,000	\$ 4,633,963		6.0045%	21
489 Spanish Lake Fire District	23887	Private	\$ 3,000,000	06/01/2000	\$ 45,466	\$ 1,534,465		5.7363%	39
490 Meadville R- IV SD	23888	Private	\$ 1,467,240	06/14/2000	\$ 16,444	\$ 1,102,853		5.8508%	25
491 City of Woodson Terrace	23889	Private	\$ 600,000	06/01/2000	\$ 9,000	\$ 190,148		5.6930%	13
492 City of Woodson Terrace	23890	Private	\$ 755,000	06/01/2000	\$ 11,325	\$ 351,317		8.1120%	6
493 Canton R-V SD	23891	Private	\$ 1,250,000	06/20/2000	\$ 13,750	\$ 757,416		5.6644%	25
494 Cole Co. R-II SD	23892	Private	\$ 2,650,000	06/21/2000	\$ 31,950	\$ 2,532,371		5.9508%	25
495 Centralia R-VI SD	23893	Private	\$ 2,600,000	06/15/2000	\$ 33,800	\$ 2,671,940		6.0248%	21
496 Spring Bluff R-XV SD	23894	Private	\$ 615,000	06/01/2000	\$ 12,300	\$ 691,875		6.1086%	21
497 City of Viburum	23895	Private	\$ 520,000	06/01/2000	\$ 4,910	\$ 97,437		5.7091%	40
498 El Dorado Springs R- 2 SD	23896	Private	\$ 3,750,000	06/15/2000	\$ 44,203	\$ 3,004,469		5.8067%	21
499 Wright Co. RSD R-IV	23897	Private	\$ 2,800,000	06/01/2000	\$ 33,600	\$ 2,408,294		5.7892%	21
500 Columbia SD	23898	Public	\$ 10,000,000	06/01/2000	\$ 100,000	\$ 6,576,413		5.3685%	34
501 Forsyth R-III SD	23899	Private	\$ 1,600,000	06/01/2000	\$ 22,400	\$ 1,586,137		5.8550%	21
502 Winston R-VI SD	23900	Private	\$ 225,000	06/01/2000	\$ 3,375	\$ 174,858		5.8999%	39
503 Hartville R- 2 SD	23901	Private	\$ 1,000,000	06/01/2000	\$ 12,000	\$ 529,400		5.5493%	21
504 Fort Zumwalt SD	23902	Public	\$ 9,050,000	06/01/2000	\$ 68,628	\$ 7,180,760		5.9364%	39
505 Stone Co.	23903	Private	\$ 2,973,000	06/15/2000	\$ 29,730	\$ 2,267,887		6.2033%	39
506 Houston Reorg SD R-I	23904	Private	\$ 2,695,000	07/01/2000	\$ 53,900	\$ 2,229,023		5.8803%	27
507 Nodaway Township	23905	Private	\$ 135,000	07/01/2000	\$ -	\$ 11,970		5.6000%	4
508 Orchard Farm R-V SD	23906	Public	\$ 4,000,000	07/01/2000	\$ 30,420	\$ 2,469,613		5.2909%	15
509 Bolivar R-I SD	23907	Private	\$ 3,700,000	07/01/2000	\$ 44,400	\$ 3,696,179		5.7091%	21
510 Webster Groves SD	23909	Public	\$ 7,000,000	08/01/2000	\$ -	\$ 4,323,575		5.2452%	15
511 Harrisonville R-IX SD	23910	Private	\$ 1,665,000	08/01/2000	\$ 24,975	\$ 225,460		5.8239%	21
512 City of Popular Bluff	23914	Private	\$ 9,020,000	08/01/2000	\$ 117,347	\$ 6,775,095		5.4607%	21
513 City of St. Peters	23915	Private	\$ 10,000,000	08/01/2000	\$ 160,000	\$ 6,448,501		5.3447%	17
514 Camden Co.	23916	Private	\$ 1,120,000	08/15/2000	\$ 14,944	\$ 763,185		5.7665%	39
515 Maplewood-Richmond Heights SD	23917	Private	\$ 1,500,000	08/01/2000	\$ 19,309	\$ 909,974		5.1998%	2

NOTE: The following issues had both discounts and premiums:

	Discount	Premium
Kirkwood SD R-7	\$ 128,940	\$ 296,476
Platte Co. RSD R-3	\$ 115,708	\$ 59,377
Mehlville SD R-9	\$ 114,069	\$ 1,031,180
City of St. Peters	\$ 73,120	\$ 629,482
City of Raymore	\$ 33,974	\$ 249,320
City of Kirkwood	\$ 30,404	\$ 262,705
Parkway SD C-2	\$ 28,335	\$ 631,311
Cape Girardeau Co. RSD 5	\$ 20,000	\$ 127,387

Legend:

CSD = Consolidated School District

RSD = Reorganized School District

SD = School District



CITY OF WASHBURN, MISSOURI

YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-03
January 29, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2001

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the City of Washburn, Missouri.

In the September 1999 meeting of the Board of Aldermen, the board considered a request for voluntary annexation of a subdivision owned by the Mayor's son. Several lots in the subdivision had previously been owned by the Mayor and his wife until August 1999 when ownership of the lots was transferred to the Mayor's son. Our review of the city's handling of this annexation disclosed the following concerns:

- The annexation issue was presented to the Board of Aldermen in the form of a bill. For the bill to become a city ordinance, the bill must be read twice and approved by the board on both readings. On the first reading of the bill there was a tie between the aldermen and the mayor broke the tie by voting in favor of the annexation of the property. In addition, the Mayor read a statement during the meeting encouraging the passage of the annexation ordinance. Since the Mayor is related to the property owner, these actions create the appearance of a conflict of interest. It appears the mayor should have abstained from voting.

Officers and agents of a city serve in a fiduciary capacity. Personal interests in business matters of the city create the appearance of conflicts of interest.

- In addition, the city failed to file annexation documents with the Barry County Clerk's office in a timely manner. The September 1999 board minutes indicate that the City Clerk was to file annexation documents with the Barry County Clerk; however, as of August 2000 these papers had not been filed. After this was brought to the city's attention the annexation documents were filed.

The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained in some instances. Examples include water supplies (\$5,180) base rock and cold mix (\$2,208), and a security system(\$834).

The city regularly requests the services of a local contractor to perform water and sewer construction as well as street repairs. Bids are not solicited for these services. For the years ending June 30, 2000 and 1999 the city made payments to this contractor totaling \$8,140 and \$23,020, respectively.

In addition, the city did not solicit requests for proposals for some professional services, such as engineering services (\$2,262) and auditing services (\$3,714).

(over)

YELLOW SHEET

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders.

The budgets prepared by the city for the years ended June 20, 2000 and 1999, did not comply with Chapter 67 of the Missouri statutes (the budget law). The city's budgets did not include projected ending balances or actual revenues and expenditures for the two preceding budget years. The budget prepared for the year ending June 30, 2001 included revenues and expenditures for the two preceding years; however, amounts presented were not complete. For instance, trash revenues and expenditures were not included in the general fund.

The city maintains sixteen bank accounts. Except for separate accounts for the General Obligation and the Combined Water Works and Sewerage System Bonds, it appears many accounts could be consolidated. In addition to the time required to reconcile this number of accounts, an increased number of checks are required to be written and deposits required to be made. Currently, a large number of checks are written to allocate expenditures among the various funds because they are maintained in separate accounts. Depositing procedures are also complicated when a single check is written for payment into various accounts.

Late fees on some utility payments were abated without proper board approval. The city has not periodically performed formal reviews of the water and sewer rates. There is no segregation of accounting duties, and the city does not reconcile utility accounts receivable balances each month.

The Municipal Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Judge nor other personnel provide independent reviews of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide a reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliation between receipts and deposits and an independent review of bank statements and bank reconciliations.

CITY OF WASHBURN, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
And
Members of the Board of Aldermen
City of Washburn
Washburn, Missouri 65772

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Washburn, Missouri. The city had engaged Mense, Churchwell and Mense, Certified Public Accountants (CPA firm) to perform a financial audit of the city for the year ended June 30, 2000. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the city included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

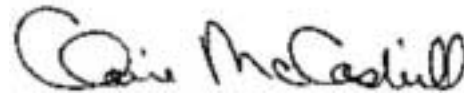
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Washburn, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" being more prominent than the last name "McCaskill".

Claire McCaskill
State Auditor

September 28, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Donna Christian, CPA
In-Charge Auditor:	Sharon Hill
Audit Staff:	Sandi Ohern, CPA

HISTORY AND ORGANIZATION

CITY OF WASHBURN, MISSOURI HISTORY AND ORGANIZATION

The City of Washburn is located in Barry County. The city was incorporated in 1962 as a fourth-class city. The population of the city in 1998 was 396.

The city government consists of a mayor and four-member Board of Aldermen. The four board members are elected for two-year terms. The mayor is elected for two years, presides over the board of aldermen, and votes only in case of a tie. The Mayor, Board of Aldermen, and other principal officials at June 30, 2000 were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for the Year Ended June 30, 2000</u>	<u>Amount Of Bond</u>
Francis Mathis, Mayor	April, 2001	\$ 0	\$ 32,000
Charles Claywell, Board President	April, 2001	0	32,000
Sandy Hayworth, Alderwoman	April, 2002	0	32,000
Paul Wilson, Alderman*	April, 2002	0	32,000
Sue Wilson, Alderwoman	April, 2001	0	32,000
<u>Other Principal Officials</u>			
Mary Roller, City Clerk/Collector		11,967	32,000
Vicki Holland, City Treasurer/Court Clerk		1,140	32,000
Mark Brooks, Public Works Superintendent		18,139	32,000
Cordelia Herrin, Municipal Judge		554	0
Donald Cupps, City Attorney		239	0

* Elected in April 2000 to replace Joan Dains.

Assessed valuation and tax rate information for 1999 is as follows:

ASSESSED VALUATION

	<u>1999</u>
Real Estate	\$ 1,297,561
Personal Property	<u>485,078</u>
Total	<u><u>1,782,639</u></u>

TAX RATES PER \$100 ASSESSED VALUATION

General	\$ 0.35
Debt Service	0.53

The city had the following sales taxes; rates are per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>
General	.010	None
Transportation	.005	None
Capital Improvement	.005	None

MANAGEMENT ADVISORY REPORT

CITY OF WASHBURN, MISSOURI
SUMMARY OF FINDINGS

1. Annexation (pages 10-11)

The Mayor voted to annex property owned by his son into the city limits, which creates the appearance of a conflict of interest. The city failed to file annexation documents with the Barry County Clerk's office in a timely manner.

2. Expenditures (pages 11-12)

The city does not have a formal bidding policy. The listing of bills provided to the Board of Aldermen for their approval is not always complete. Some invoices were not marked paid upon payment by the city.

3. Bank Accounts and Accounting Procedures (pages 12-14)

The city maintains sixteen bank accounts and approximately \$290,000 is deposited in low interest savings accounts. Checks are sometimes signed in advance by the Mayor. Checks and money orders are not restrictively endorsed when received. Rediform receipt slips are issued and some copies of voided receipt slips are not properly voided and retained.

4. Payroll and Personnel (pages 14-15)

The city has not adopted a formal description of the duties of city officials or fixed the compensation of city employees by ordinance. Time sheets do not indicate the hours worked by activity for each employee and time sheets are not adequately reviewed. Volunteer workers are allowed to work at City Hall without proper board approval and the volunteers are not adequately bonded.

5. Water and Sewer Services (pages 15-17)

Late fees on some utility payments were abated without proper board approval. The city has not periodically performed formal reviews of the water and sewer rates. There is no segregation of accounting duties, and the city does not reconcile utility accounts receivable balances each month.

6. Budgets, Financial Statements, and Minutes (pages 17-18)

Budgets prepared by the city for the years ended June 30, 2000 and 1999 did not comply with Chapter 67 of the Missouri statutes. The city's published semi-annual financial statements did not include detailed information. Formal written minutes are not maintained for closed meetings.

7. City Property (pages 18-19)

The city does not maintain complete records to account for all property owned by the city. The city does not maintain a usage log for its tractor.

8. Street Maintenance Plan (pages 19-20)

A formal maintenance plan for city streets has not been prepared.

9. Municipal Court (pages 20-22)

Accounting duties are not adequately segregated. The method of payment is not always indicated on receipt slips. Checks and money orders are not restrictively endorsed when received. Adequate control records to account for partial payments of fines and court costs are not maintained. Monthly listings of open items (liabilities) are not prepared and reconciled to the balance of the bond account. The City Prosecutor does not always sign traffic tickets to indicate his intention to prosecute the related charge, and the Municipal Judge does not always sign the court dockets after case dispositions have been recorded. The former mayor ordered a fine be remitted back to the defendant in April 1999, but no action has been taken on the case.

CITY OF WASHBURN, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Annexation
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In the September 1999 meeting of the Board of Aldermen, the board considered a request for voluntary annexation of a subdivision owned by the Mayor's son. Several lots in the subdivision had previously been owned by the Mayor and his wife until August 1999 when ownership of the lots was transferred to the Mayor's son. Our review of the city's handling of this annexation disclosed the following concerns:

- A. The annexation issue was presented to the Board of Aldermen in the form of a bill. For the bill to become a city ordinance, the bill must be read twice and approved by the board on both readings. On the first reading of the bill there was a tie between the aldermen and the mayor broke the tie by voting in favor of the annexation of the property. In addition, the Mayor read a statement during the meeting encouraging the passage of the annexation ordinance. Since the Mayor is related to the property owner, these actions create the appearance of a conflict of interest. It appears the mayor should have abstained from voting.

Officers and agents of a city serve in a fiduciary capacity. Personal interests in business matters of the city create the appearance of conflicts of interest. To avoid the appearance of conflicts of interest, board members should not participate in decisions regarding related parties. In addition, the Board of Aldermen should consider establishing an ordinance which addresses this type of situation and provides a code of conduct for city officials.

- B. The city failed to file annexation documents with the Barry County Clerk's office in a timely manner. The September 1999 board minutes indicate that the City Clerk was to file annexation documents with the Barry County Clerk; however, as of August 2000 these papers had not been filed. After this was brought to the city's attention the annexation documents were filed. To ensure city taxes are assessed on all property within the city limits, annexation documents should be filed with the County Clerk in a timely manner.

WE RECOMMEND the Board of Aldermen:

- A. Ensure city officials who have a conflict or an appearance of a conflict, fully disclose their interest and not vote on matters which involve them personally. City officials should avoid transactions which create an appearance of a conflict of interest and the board should consider adopting a code of conduct for city officials.
- B. Ensure annexation documents are filed with the County Clerk in a timely manner.

AUDITEES RESPONSE:

- A. *The city plans on adopting a conflict of interest ordinance and will maintain a better paper trail of agreements for future annexations.*
- B. *While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*

2. Expenditures

- A. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained in some instances. Examples include water supplies (\$5,180), base rock and cold mix (\$2,208), and a security system (\$834).

The city regularly requests the services of a local contractor to perform water and sewer construction as well as street repairs. Bids are not solicited for these services. For the years ending June 30, 2000 and 1999 the city made payments to this contractor totaling \$8,140 and \$23,020, respectively.

In addition, the city did not solicit requests for proposals for some professional services, such as engineering services (\$2,262) and auditing services (\$3,714). Section 8.289, RSMo 1994, requires that agencies or political subdivisions which utilize engineering services request annual statements of qualifications and performance data from firms. Section 8.291, RSMo 1994, further requires that when negotiating for a contract, the agency or political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the city's business. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the winning bid was selected.

- B. The City Clerk provides the Board of Aldermen with a listing of bills each month. This listing includes routine bills that have already been paid and nonroutine bills that have not yet been paid. There were several instances where checks were issued for payment of bills that were not included on the monthly listings. To adequately document the board's review and approval of all disbursements, a

complete and detailed listing of all bills should be prepared, signed or initialed by the board to denote its approval, and retained with the official minutes.

- C. Invoices are not always marked paid or otherwise canceled upon payment. Although no duplicate payments were noted, the possibility that an invoice will be paid twice is increased when invoices are not properly canceled.

WE RECOMMEND the Board of Alderman:

- A. Establish a formal bidding policy with provisions for documentation of the justification for selecting and rejecting bids. In addition, request proposals for professional services engaged by the city and obtain the information required by state law.
- B. Ensure the listing of bills is complete.
- C. Ensure all invoices or other supporting documentation are marked paid upon payment by the city.

AUDITEES RESPONSE:

- A. *We agree and we will consider establishing a bidding policy.*
- B. *In the future, we will add check numbers to the list to ensure it is complete.*
- C. *This has been our practice and we will attempt to ensure that all documents are stamped as paid.*

3. Bank Accounts and Accounting Procedures

- A. The city maintains sixteen bank accounts. Except for separate accounts for the General Obligation and the Combined Water Works and Sewerage System Bonds, it appears many accounts could be consolidated. In addition to the time required to reconcile this number of accounts, an increased number of checks are required to be written and deposits required to be made. Currently, a large number of checks are written to allocate expenditures among the various funds because they are maintained in separate accounts. Depositing procedures are also complicated when a single check is written for payment into various accounts.

Consolidating bank accounts would help simplify the city's records and reduce the number of accounts that must be monitored and controlled. Accordingly, the time required to reconcile accounts, write checks and make deposits would be reduced.

In addition, at June 30, 2000, the city had approximately \$290,000 in low interest savings accounts earning only approximately 2.5 percent. It appears these funds could be invested in money market accounts or short term certificates of deposit to earn a higher yield.

To maximize the interest earnings of the city, monies should be maintained in the highest yielding investments possible, while still considering the liquidity needs of the city and security of the funds.

- B. The Mayor, President of the Board of Aldermen, and City Clerk can sign checks issued on the city's bank accounts. Checks require two signatures, however, checks are sometimes signed in advance by the Mayor. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures.
- C. Checks and money orders are not restrictively endorsed until the deposit is prepared. To reduce the potential for loss, theft, or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. The city issues rediform receipt slips for some monies. The receipt slips are not specifically printed for the city and receipt books are not consecutively numbered. To properly account for all receipts and ensure they are properly deposited, official prenumbered receipt slips should be issued for all monies received, reconciled to the composition of monies deposited, and the numerical sequence accounted for properly.

In addition, some copies of voided receipt slips were not properly voided or maintained. To ensure that all receipts slips are properly accounted for, all copies of voided receipt slips should be properly defaced and maintained.

WE RECOMMEND the Board of Alderman:

- A. Consider consolidating its monies into fewer accounts and maintaining city funds in higher yielding accounts.
- B. Discontinue the practice of signing checks in advance.
- C. Ensure checks and money orders are restrictively endorsed upon receipt.
- D. Issue official prenumbered receipt slips for the monies collected, reconcile the composition of monies collected to receipt slips and bank deposits, and account for the numerical sequence of receipt slips. In addition, all voided receipt slips should be retained.

AUDITEES RESPONSE:

- A. *We will consider this recommendation.*
- B. *While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*
- C. *This recommendation has been implemented.*
- D. *Voided receipts are now retained and we will look into getting official receipt slips.*

4. Payroll and Personnel

- A. The city has not adopted a formal description of the duties of city officials or fixed the compensation of city employees by ordinance. Sections 79.270 and 79.290, RSMo 1994, requires the compensation and duties of city officials and employees to be set by ordinance.
- B. Time sheets do not indicate the hours worked by activity for each employee nor has the city performed any other time study to serve as a basis for allocating salary and fringe benefits to the appropriate funds. Currently the city pays salaries and fringe benefits from three funds. Time sheets should be adequately detailed, or some other time study should be performed, to ensure that payroll costs are charged to the appropriate funds.

In addition, time sheets are not adequately reviewed. Time sheets were kept by city employees, but were not submitted to the Mayor or the board for review and approval. To ensure the propriety of salary expenditures and leave taken and earned, adequate time records, signed by employees and reviewed and approved by supervisors, should be maintained.

Properly completed time sheets showing actual hours worked each day by function or activity and time taken off, along with the employee's and supervisor's signatures, are necessary to ensure that payroll expenditures are proper.

- C. During the meeting of the Board of Aldermen on May 9, 2000, the board voted to prohibit volunteer individuals from answering the phone or collecting money at city hall without prior approval of the Board. However, there were numerous instances where a volunteer consistently performed the above duties without proper approval of the board. In addition, the bond company will not provide bond coverage for volunteer workers.

The board should ensure its directions are followed and prior board approval is obtained for any volunteer to answer the phone. In addition, access to city monies should be limited to those with bond coverage.

WE RECOMMEND the Board of Alderman:

- A. Establish the compensation and duties of all city officials and employees by ordinance as required by statute.
- B. Require time sheets to show the actual hours worked by function or activity and ensure time sheets are submitted to a supervisor for adequate approval.
- C. Discontinue allowing volunteer assistance at city hall without prior approval by the Board of Aldermen and ensure that all individuals with access to city monies are bonded.

AUDITEES RESPONSE:

- A. *We will set the compensation and duties of city employees by ordinance.*
- B. *Time sheets are now being approved by the Mayor. The city does not feel that it is necessary or appropriate to break down the time sheets by function because of the cost and expense of doing so.*
- C. *The Board is divided as to how to respond to this recommendation. Three board members agree to this recommendation. While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*

5. Water and Sewer Services

The city operates a combined waterworks and sewer system that provides service to approximately 240 customers. A review of the city's utility billing and collection records and procedures disclosed the following concerns:

- A. The city has a computerized billing system for the water and sewer customers. This system automatically records a late fee of 10 percent to customer accounts when payment has not been received by the due date, in accordance with the city ordinance. However, late fees on some utility payments were abated without proper board approval. Failure to consistently charge the late fee to all individuals results in inequitable treatment of customers.

To ensure all late fee adjustments to water and sewer billing are proper, the Board of Aldermen should review and approve all late fee adjustments.

- B. The city has not periodically performed formal reviews of the water and sewer rates. The City Clerk indicated water and sewer rates have been unchanged for about the last seven years.

Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services to ensure rates are set appropriately. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as provide documentation to customers of the rationale behind the rates. Section 67.042, RSMo 1994, provides that fees may be increased if supported by a statement of the costs necessary to maintain the funding of such service.

- C.1. There is no independent oversight or adequate segregation of duties related to the city's utility system. The City Clerk performs all functions related to generating monthly utility bills, receipting, recording, and depositing utility payments, recording payments to the individual customer accounts, and following up on delinquent accounts.

To safeguard against possible loss or misuses of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility payments recorded and deposits, and an independent review of delinquent accounts.

- 2. The city does not reconcile beginning accounts receivable plus monthly billings, less total utility payments and adjustments, to the ending accounts receivable. The individual customer account balances could then be totaled and agreed to the ending accounts receivable balance. This would help to ensure all amounts have been properly recorded to individual customer account records and that delinquent balances are accurate.

WE RECOMMEND the Board of Aldermen:

- A. Ensure the late fee is consistently charged in accordance with city ordinance, and review and approve any late fee exemptions.
- B. Perform periodic reviews of the costs to maintain utility services, and establish rates to ensure revenues are adequate.
- C.1. Segregate the duties of receipting and depositing monies from that of preparing bills and recording payments. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations

between utility payments deposited and recorded, and an independent review of and approval for credit adjustments and delinquent account follow-up.

2. Ensure records are maintained reconciling beginning accounts receivable, plus billings, less payments and adjustments, to the ending accounts receivable. The individual customer accounts receivable balances should be periodically reconciled to the ending accounts receivable balance.

AUDITEES RESPONSE:

- A. *While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*
- B. *We are currently in the process of doing this.*
- C.1. *We will consider this.*
2. *We have plans to implement this recommendation.*

6. Budgets, Financial Statements, and Minutes
--

- A. The budgets prepared by the city for the years ended June 30, 2000 and 1999, did not comply with Chapter 67 of the Missouri statutes (the budget law). The city's budgets did not include projected ending balances or actual revenues and expenditures for the two preceding budget years. The budget prepared for the year ending June 30, 2001 included revenues and expenditures for the two preceding years; however, amounts presented were not complete. For instance, trash revenues and expenditures were not included in the general fund.

In addition, the board does not periodically compare budgeted and actual revenues and expenditures, and as a result, actual expenditures exceeded budgeted amounts for the Water Works Fund during the year ended June 30, 2000.

Sections 67.010 to 67.040, RSMo 1994, set specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues.

- B. The city's published semi-annual financial statements did not include detailed information but only presented total revenues, expenses, and beginning and ending balances for each fund.

Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish, semi-annually, a full and detailed account of the receipts, expenditures, and indebtedness of the city. Detailed financial statements help to keep the citizens informed of the financial activity and condition of the city.

- C. Formal written minutes are not maintained for closed meetings. Although minutes for closed meetings are not specifically required by law, minutes constitute the record of proceedings of the Board of Aldermen. Formal written minutes for closed meetings result in a better record of city transactions, proceedings, and decisions. In addition, minutes help the city demonstrate that closed discussions or business relate to the specific reasons announced for closing the meeting pursuant to Chapter 610, RSMo 1994.

WE RECOMMEND the Board of Aldermen:

- A. Prepare annual budgets in compliance with state law, and make periodic comparisons between budgeted and actual expenditures.
- B. Ensure the published financial statements provide adequate detail.
- C. Ensure minutes are prepared for all closed meetings.

AUDITEES RESPONSE:

- A. *While the board agrees the recommendation should be implemented, it has not agreed on how to implement it or when.*
- B. *We will follow the state statutes.*
- C. *Two board members and the Mayor disagree with maintaining minutes for closed meetings. Two board members wish to discuss this issue further.*

7. City Property

- A. The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the water and sewer systems.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets and the fixed assets of the water and sewer system, the city needs to undertake a

comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare to the detailed records.

- B. The city does not maintain a usage log for its tractor. Logs are necessary to document appropriate use of the tractor and to support fuel charges. The log should include the purpose and destination of each usage and the beginning and ending hourly readings. These logs should be reviewed by the board to ensure the tractor is being properly utilized. Information on the logs should be reconciled to fuel purchases.

WE RECOMMEND the Board of Aldermen:

- A. Establish property records for general fixed assets and the fixed assets of the water and sewer systems that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.
- B. Maintain a usage log for the tractor. The log should be reviewed by the board periodically for completeness and reasonableness.

AUDITEES RESPONSE:

- A. *We are in the process of preparing property records.*
- B. *Two board members agree that a usage log should be maintained. Two board members and the Mayor disagree that a usage log should be maintained.*

8. Street Maintenance Plan

A formal maintenance plan for city streets has not been prepared. A maintenance plan should be prepared in conjunction with the annual budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be referred to in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input for the plan from city residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more

effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

WE RECOMMEND the Board of Aldermen prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the fiscal year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEES RESPONSE:

We will discuss this during the preparation of our next year's budget.

9. Municipal Court

- A. Accounting duties are not adequately segregated. The Court Clerk performs all of the duties related to the collection and disbursement of fines, court costs, and bonds. Neither the Judge nor other personnel provide independent reviews of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliation between receipts and deposits and an independent review of bank statements and bank reconciliations.

- B. The municipal court issues prenumbered receipt slips for payments of fines and court costs. The method of payment (cash, check, or money order) is not always correctly marked on the face of the receipt slip.

To ensure receipts are deposited intact, the method of payment should be marked correctly and the composition of receipt slips issued should be reconciled to the composition of deposits. Such a review would help ensure monies are properly handled, recorded and transmitted.

- C. Checks and money orders are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

- D. The court allows defendants to make partial payments on fines and court costs. The court does not maintain adequate control records to account for total amounts owed to the court. Without adequate accounts receivable records, the court cannot effectively monitor and collect monies owed to the court.

- E. Monthly listings of open items (liabilities) are not prepared and reconciled to the balance of the bond account. To ensure that receipts and disbursements are properly handled and monies held in trust by the municipal court division are sufficient to meet liabilities, open-items listings should be prepared monthly and reconciled to the cash balance.
- F. The City Prosecutor did not always sign traffic tickets to indicate his intention to prosecute the related charges. In addition, the Municipal Judge did not always sign the court dockets after case dispositions have been recorded. To ensure all cases have been properly processed, and the disposition of all cases has been properly authorized and documented, all tickets should be signed by the City Prosecutor and all court dockets should be signed by the Municipal Judge; respectively.
- G. In April 1999, the former mayor ordered a fine that had been paid on a traffic ticket to be remitted back to the defendant, as allowed by Section 79.220, RSMo 1994. As of September 2000, the fine has not been refunded to the defendant and no additional action has been taken on this case.

The city should review this situation with the City Attorney and take the appropriate action regarding the remittance of the fine.

Conditions similar to Parts A, D, and F. were also noted in our prior audit report of the municipal division.

WE RECOMMEND the Municipal Division:

- A. Segregate the accounting duties of the Court Clerk. At a minimum, there should be a documented, independent review of the reconciliations between receipts and deposits and of bank statements and bank reconciliations.
- B. Ensure the method of payment is recorded on each receipt slip and the composition of receipts is reconciled to the composition of deposits.
- C. Restrictively endorse all checks and money orders immediately upon receipt.
- D. Maintain an accounts receivable control ledger which shows balances owed to the court and periodically reconcile this control ledger to the individual case files.
- E. Prepare a monthly open-items listing and reconcile this listing to the cash balance.
- F. Ensure the City Prosecutor signs each ticket filed with the court and the Municipal Judge signs all court dockets.
- G. Review this matter with the City Attorney and take appropriate action.

AUDITEES RESPONSE:

A. *The Municipal Judge will review receipts, deposits and bank statements on an alternate monthly basis, beginning immediately.*

B-G. *The municipal court will follow these audit recommendations beginning immediately.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

* * * * *



MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR FINDINGS
AND OTHER MATTERS

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-02
January 03, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2001

www.auditor.state.mo.us

The following is a follow-up of an audit conducted by our office of the Missouri Department of Transportation.

The department should make an effort to reduce expenditures for food costs and redirect these resources to highway maintenance and construction activities. According to the department's records, the department paid approximately \$300,000 in food costs during fiscal year 1999. These food purchases represented amounts billed to the department from various food service providers and did not include amounts reimbursed to employees through expense accounts. In fiscal year 1999, the department had a policy regarding the reimbursement of travel expenses (including meals) to employees; however, the department lacks a comprehensive policy regarding agency provided meal expenses at meetings and other departmental functions, including those held within the employees' official domiciles.

We reviewed the supporting documentation for thirty-eight food purchases made in fiscal year 1999. Many of these purchases were incurred within the applicable employees' official domiciles, and may have not been necessary. The supporting documentation for these purchases did not always indicate the business purpose and/or identify those people attending. Food purchases included meals at restaurants, catered luncheons, and store purchases.

The Missouri Department of Transportation should review the need to routinely incur meal costs for individuals attending training sessions and other events and develop a comprehensive policy regarding food purchases, particularly in employees' official domiciles. A similar recommendation was made by the department's internal auditors in July 1999.

During our audit, we reviewed various expenditures and related documentation to support the procurement of aggregate material and gasoline and diesel at several maintenance sheds in District 1 (St. Joseph), District 3 (Hannibal), and District 9 (Willow Springs). Our review disclosed that such purchases were not always made in accordance with the Missouri Department of Transportation requirements.

We reviewed four purchases, totaling approximately \$33,703, of aggregate material. It appears that telephone quotes were used for these purchases. However, since the anticipated amount of the purchase was over \$3,000 for three of these purchases, formal bids were required. For the other purchase, it appears that written quotes should have been taken. In addition, documentation of the telephone quotes was not retained for three of these purchases.

(over)

YELLOW SHEET

We also reviewed fourteen purchases of gasoline and diesel. According to maintenance personnel, telephone quotes are used for these purchases and department procedures for telephone quotes provide that a minimum of three vendors should be called, if three are available. In ten instances (71 percent), there was documentation of only two or fewer bids being obtained.

The department needs to ensure that the department's policies and procedures related to the procurement of aggregate material and gasoline and diesel are followed and bid documentation is properly retained.

We noted similar problems in the prior audit. Although the department indicated in its response to the prior findings that district staff would be reminded of the purchasing requirements, some of the maintenance personnel we contacted during the current audit did not appear familiar with these requirements.

As similarly noted in prior reports, some of the Missouri Department of Transportation's moving expenses may be excessive and/or unreasonable. The department typically reimburses various moving expenses related to the recruitment of top management employees as well as the transfer of existing employees to other locations within the state.

At our request, the department prepared a report of employee moving expenses paid during fiscal year 1999. According to this report, such costs totaled over \$312,000. In addition, according to department records, the department's moving expenses paid during the first seven months of fiscal year 2000 totaled over \$322,000. The audit noted that substantial savings could be realized if certain limits were included in the department's moving expense policy.

MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR FINDINGS
AND OTHER MATTERS

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Roger B. Wilson, Governor
and
Missouri Highway and Transportation Commission
and
Henry Hungerbeeler, Director
Missouri Department of Transportation
Jefferson City, Missouri 65102

We have audited the Missouri Department of Transportation (MoDOT). The scope of this audit included, but was not necessarily limited to, fiscal year 1999 and 2000 activities. The objectives of this audit were to:

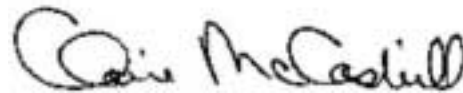
1. Follow-up on the status of findings and recommendations made in our previous audit report for the year ended June 30, 1998.
2. Review other areas not addressed in other MoDOT related audits.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we interviewed department personnel, reviewed various documents and records, and analyzed and compared data obtained from department personnel.

As part of our audit, we assessed the department's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Department of Transportation, Follow-Up on State Auditor's Prior Findings and Other Matters.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

May 23, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Toni Crabtree, CPA
Audit Staff:	Gabriel Rackers

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR FINDINGS
AND OTHER MATTERS
SUMMARY OF FINDINGS

1. Property Damage (pages 7-9)

Department personnel have not established policies and procedures to ensure parties responsible for damaging department property are identified and billed for the cost of repairs. As a result, significant potential revenues have not been collected.

2. Moving Expenses (pages 9-10)

The department's employee moving expenses appear excessive.

3. Food Costs (pages 10-11)

The department should develop a comprehensive policy regarding food purchases and make an effort to reduce expenditures in this area.

4. District Procurements (pages 11-13)

The procurement of aggregate materials and gasoline and diesel purchases at various maintenance sheds in several districts were not made in accordance with the department requirements.

MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON STATE AUDITOR'S PRIOR FINDINGS
AND OTHER MATTERS
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Property Damage

In the prior audit we reported the department did not ensure parties responsible for damaging MoDOT property were identified and billed for the cost of repairs. As a result, property damage revenue was not being maximized. Little has been done by department personnel since our prior audit to correct this deficiency.

In that audit we reported that during fiscal year 1998 over 2,000 property damage accounts were set up, with approximately 1,200 of these accounts being classified as unknown. During a review of forty of the unknown property damage accounts, we were able to match sixteen (40 percent) of these accounts to accident reports prepared by either the Missouri State Highway Patrol (MSHP) or a local law enforcement agency, therefore identifying a party responsible for the damage. The cost of repairs for these sixteen accounts totaled approximately \$60,000. Eleven of these accounts had been written off as uncollectible during fiscal year 1998.

The audit concluded that it appeared the department had written off as unknown a significant amount of potentially billable revenues. Considering the department wrote off approximately \$3 million in unknown property damage accounts as uncollectible between January 1995 and March 1999, had the department been able to identify the responsible parties for 40 percent of this amount, the department could have billed and possibly collected an additional \$1.2 million related to these accounts.

The audit further reported that information provided by the MSHP and information maintained by the department's Traffic Division had allowed us to identify these accounts; however, this information had not been shared with or used by those sections within the department (Risk Management Division and district offices) who were responsible for setting up the accounts, accumulating repair costs, and identifying the responsible parties.

Based on discussions during the current audit with Risk Management personnel at both the General Headquarters and districts and reviews of various records, it appears department personnel have not changed the policies and procedures in regard to identifying and billing the responsible parties, and writing-off accounts. Although we did not review additional cases beyond those reviewed in the prior audit, we believe similar problems still exist.

During fiscal year 1999 and the first eight months of fiscal year 2000, an additional \$637,000 and \$1,316,000, respectively, in unknown damage accounts were written off by the department without any additional review as recommended in the prior audit. In addition, as

of April 2000, the MoDOT had not reviewed any unknown accounts written off in recent years (beyond those we identified in the prior audit) to determine if the responsible parties could be identified and billed, even though the department was able to collect over \$57,000 related to the sixteen unknown accounts we identified in the prior audit.

It appears the department has not reviewed accounts previously written off as unknown because it does not believe it would be cost-beneficial to do so. The Risk Management Division has estimated that reviewing written-off property damage claims would involve looking at over 2,500 claims and cost over \$351,000. While it may not be cost-beneficial to review all applicable accounts written off in the last five years, it appears that the department should consider reviewing the larger amounts written off.

According to department records, approximately 4,200 unknown accounts, totaling \$3.3 million, were written off during the five years ended June 30, 1999. The property damage cost related to approximately 3,300 (or almost 80 percent) of these accounts (totaling \$1.4 million) involved damage of \$1,000 or less. Therefore, it may not be cost-effective to perform follow up procedures on all these accounts. However, the property damage costs related to the remaining 900 accounts (or about 20 percent) totaled about \$1.9 million. Of these accounts, 43 involve damage costs in excess of \$5,000 and total approximately \$385,000. At minimum, it appears MoDOT should review those larger accounts that have been written off as unknown in an effort to identify and bill the responsible party.

WE AGAIN RECOMMEND the department ensure property damage revenue is maximized by ensuring the responsible parties are identified and billed on a timely basis. Information from the MSHP and information maintained by the Traffic Division should be made available to the Risk Management Division and the Districts to assist in this effort. In addition, at a minimum, the department should consider reviewing those unknown accounts written off in the past five years involving larger amounts to determine if the responsible parties can be identified and billed.

AUDITEE'S RESPONSE

The department has collected property damage claims of \$2,380,546 in calendar year 1999 and \$1,357,739 thus far in calendar year 2000. In response to the previous finding, a professional position was established and staffed in fiscal year 2001 to facilitate the centralized review of the Statewide Traffic Accident Records (STAR) system. This will be an ongoing process to determine any potential source of recovery for property damage claims. The centralized review process will be fully implemented by the end of calendar year 2000. As a part of the centralized review process, the department will review 43 cases highlighted by the auditor. These cases involve damage claims in excess of \$5,000 and total approximately \$385,000.

The department will also review any other case written off in the past 5 years and match that information against information of the STAR system to determine any potential source of recovery. However, the additional costs associated with collecting property damage claims of small value may not be justified.

As we indicated in our previous response, the State of Missouri is a comparative negligence state, so care and judgment must be exercised in the pursuit of claims collection to avoid counter claims where it can be alleged that a roadway feature contributed to the accident. Each accident is unique and must be carefully analyzed both in terms of a potential property damage recovery as well as any exposure of MoDOT to potential liability.

2. Moving Expenses

As similarly noted in prior reports, some of the MoDOT's moving expenses may be excessive and/or unreasonable. The department typically reimburses various moving expenses related to the recruitment of top management employees as well as the transfer of existing employees to other locations within the state.

At our request, the department prepared a report of employee moving expenses paid during fiscal year 1999. According to this report, such costs totaled over \$312,000. In addition, according to department records, the department's moving expenses paid during the first seven months of fiscal year 2000 totaled over \$322,000.

In addition to meeting the state Office of Administration's (OA) policy in many areas, the MoDOT's policy for reimbursing such costs provides reimbursement in several areas that are not allowed by OA's policy. One of the areas not allowed by the OA includes an additional amount to cover the increased tax liability on the reimbursed income tax liability (the gross-up).

The total amounts paid during fiscal year 1999 and the first seven months of fiscal year 2000 to reimburse individuals for their additional tax liability resulting from other reimbursed expenses totaled \$118,178 and \$86,572, respectively. These additional payments, which included the "gross-up" amounts, were determined by applying tax rates ranging from 28.60 percent to 44.65 percent (in fiscal year 1999) to the taxable moving expense reimbursement and to the tax liability reimbursements. Using the gross-up provisions, taxable moving expenses of approximately \$6,550 reimbursed to an employee in fiscal year 1999, resulted in an additional payment of \$4,680, resulting in total reimbursements being paid to this individual of approximately \$11,230.

In about 35 percent of the moving expense reimbursements paid in fiscal year 1999, the department paid expenses exceeding 10 percent of the employee's annual salary. In one of these moves, the expense reimbursement was more than 50 percent of the employee's annual salary, and the reimbursement totaled over \$28,000. By limiting the total reimbursement to 10 percent of the employee's salary, the department's moving expense for fiscal year 1999 would have been approximately \$161,000, a savings of about \$151,000. It appears that by revising the moving expense reimbursement policy, the department could redirect additional highway resources to maintenance and construction activities.

Although we were told department personnel have been reviewing the department's reimbursement policy and discussing its provisions with the OA, neither the MoDOT nor the OA has changed their reimbursement policies.

WE AGAIN RECOMMEND the department reevaluate the current moving expense policy, and look for ways to reduce employee moving expense reimbursements. The department should consider including a per move cap on reimbursements.

AUDITEE'S RESPONSE

The Missouri Department of Transportation moves employees to provide the traveling public with the proper talent in the location requiring this talent. When an employee relocates they incur substantial expenses. In an effort to encourage employees to relocate and serve the public it is the department's policy to reimburse the actual cost incurred including any additional tax burden related to the move. MoDOT feels that the current move policy is necessary to support the department's operational needs and the needs of the driving public. The Missouri Department of Transportation is currently investigating measures to reduce the cost associated with relocating employees. We have held discussions with the Office of Administration concerning moving policies and will continue to work toward defining move policies.

The costs associated with the typical MoDOT relocation are approximately \$1,620 of qualified moving expenses and \$6,955 of non-qualified moving expenses. Using the moving expense cap suggested by the State Auditor of 10% of annual salary with an estimated annual salary of \$51,000, there would be \$3,475 of moving expenses that would not be reimbursed to the employee. The employee would also be responsible for the taxes on the non-qualified moving expenses that were reimbursed by MoDOT. This tax liability could be as high as \$2,277 depending on the employee's tax bracket. It is important to remember that these figures are only estimates and some employees incur moving expenses that are substantially higher than the typical move. We do not think the moving expense cap of 10% of annual salary is adequate to cover the expenses of a typical MoDOT relocation.

3.

Food Costs

The department should make an effort to reduce expenditures for food costs and redirect these resources to highway maintenance and construction activities. According to the department's records, the department paid approximately \$300,000 in food costs during fiscal year 1999. These food purchases represented amounts billed to the department from various food service providers and did not include amounts reimbursed to employees through expense accounts. In fiscal year 1999, the department had a policy regarding the reimbursement of travel expenses (including meals) to employees; however the department lacks a comprehensive policy regarding agency provided meal expenses at meetings and other departmental functions, including those held within the employees' official domiciles.

We reviewed the supporting documentation for thirty-eight food purchases made in fiscal year 1999. Many of these purchases were incurred within the applicable employees' official domiciles, and may have not been necessary. The supporting documentation for these purchases did not always indicate the business purpose and/or identify those people attending. Food purchases included meals at restaurants, catered luncheons, and store purchases (e.g. purchases of donuts, etc.).

The MoDOT should review the need to routinely incur meal costs for individuals attending training sessions and other events and develop a comprehensive policy regarding food purchases, particularly in employees' official domiciles. A similar recommendation was made by the department's internal auditors in July 1999.

WE RECOMMEND the department develop a comprehensive policy regarding food purchases, especially within employees' official domiciles, in an effort to control and reduce expenditures in this area.

AUDITEE'S RESPONSE

MoDOT has an expense account policy providing guidance on meal expenses claimed in an employee's own district or domicile. We agree, however, that additional clarification and a more comprehensive policy would be an improvement to existing policies. The Controller's Office is currently revising and consolidating policies into a more comprehensive policy for management's review. The revised policy will clarify rules for meal and food purchases for department functions. Once adopted, this comprehensive policy will be communicated to all employees and compliance monitored by MoDOT's Controller's Office and district business units.

4. District Procurements

During our audit, we reviewed various expenditures and related documentation to support the procurement of aggregate material and gasoline and diesel at several maintenance sheds in District 1 (St. Joseph), District 3 (Hannibal), and District 9 (Willow Springs). Our review disclosed that such purchases were not always made in accordance with the MoDOT requirements. According to the MoDOT's procurement handbook, purchases between \$1,000 and \$3,000 need written quotes and purchases over \$3,000 require formal bids. For purchases under \$1,000 (also for purchases of gasoline and diesel over \$1,000), the department guidelines allow the use of telephone quotes. The documentation of telephone quotes should include the vendors contacted, the time and date of the contacts, and the vendors' quoted prices. The department's policy requires that bid documentation be retained. The specific problems noted were as follows:

- A. We reviewed four purchases, totaling approximately \$33,703, of aggregate material. It appears that telephone quotes were used for these purchases. However, since the anticipated amount of the purchase was over \$3,000 for three of these purchases, formal bids were required. For the other purchase, it appears that written quotes

should have been taken. In addition, documentation of the telephone quotes was not retained for three of these purchases.

- B. We also reviewed fourteen purchases of gasoline and diesel. According to maintenance personnel, telephone quotes are used for these purchases and department procedures for telephone quotes provide that a minimum of three vendors should be called, if three are available. In ten instances (71 percent), there was documentation of only two or fewer bids being obtained. Maintenance personnel indicated that in these instances either a sole source situation existed, a third vendor was not available, or a third vendor was contacted but did not provide a bid/quote. However, there was no documentation maintained to support these explanations.

The department needs to ensure that the department's policies and procedures related to the procurement of aggregate material and gasoline and diesel are followed and bid documentation is properly retained.

We noted similar problems in the prior report. Although the department indicated in its response to the prior findings that district staff would be reminded of the purchasing requirements, some of the maintenance personnel we contacted during the current audit did not appear familiar with these requirements.

WE AGAIN RECOMMEND the department ensure its bid policies and procedures are followed related to the purchase of aggregate material and gasoline/diesel by the districts. In addition, adequate bid documentation should be retained.

AUDITEE'S RESPONSE

General Headquarters intends to update the statewide procurement manual. The implementation of Financial Management System/Statewide Advantage for Missouri (SAM II) system essentially rendered the procurement manual obsolete and many of the basic procurement guidelines are not addressed in the Financial Management System Policy and Procedure Manual. In January, a committee will begin meeting monthly to develop a new procurement handbook. MoDOT intends to use the same bid parameters as the Office of Administration. Upon completion of the procurement handbook, a statewide training effort will be completed.

In the interim, General Headquarters management has agreed to prepare a new policy providing new bidding thresholds. The new threshold policy will address the required documentation for each purchase. This new policy will also outline potential consequences for failing to follow the procedures outlined. The new policy will also outline internal monitoring guidelines that will hopefully identify problem areas on a regular basis. This monitoring program should assist General Headquarters in identifying areas where training and/or policy review is required.

As it relates to gas and diesel purchases, the department is currently reviewing alternative procurement methods to eliminate the problem identified in the audit. Implementation of this program, if accepted, will take some time.

This report is intended for the information of the department's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

MISSOURI DEPARTMENT OF TRANSPORTATION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the Missouri Department of Transportation on findings in the Management Advisory Report (MAR) of our prior audit report issued for the year ended June 30, 1998. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the department should consider implementing those recommendations.

1. Property Damage

- A. The department did not ensure responsible parties were identified and billed for the cost of repairing damage to MoDOT property.
- B. Instances were also noted where accounts were not properly established to account for the costs of repairs where MoDOT property was damaged. The amount of potential revenue which might have been lost as a result of this situation could not be determined.

The problems noted were detected through the use of the Missouri State Highway Patrol's Statewide Traffic Accident Records (STAR) system, which included imaged accident reports as well as information maintained by the Traffic Division at General Headquarters. This information was not shared with or used by those sections within the department who were responsible for setting up the damage accounts, accumulating repair costs, and identifying and billing the responsible party.

Recommendation:

The department ensure property damage revenue is maximized by properly setting up accounts involving damage to MoDOT property and identifying and billing the responsible parties on a timely basis. Information from the MSHP and the Traffic Division (including imaged accident reports) should be made available to the Risk Management Division and the Districts to assist in this effort. In addition, the department should consider reviewing accounts written off in the past five years to determine if the responsible parties can be identified and billed.

Status:

Not implemented. Department personnel are still not ensuring responsible parties are properly identified and billed for damage, have not made any significant procedural changes in this area, and have not reviewed accounts written off in recent years as recommended. See MAR No. 1. It appears most of the instances where accounts were not established in the prior audit involved minor damage. Although not repeated in the current MAR, this part of our recommendation remains as stated above.

2. Allocation of Federal Bridge Monies

During fiscal years 1998 and 1999, the MoDOT reduced the allocation of the federal off-system bridge replacement program (BRO) monies to various counties within the state and the city of St. Louis by over \$1.1 million, the amount of funding appropriated to the State Auditor's Office from the State Highway Department Fund during those years. It appears the department was not justified in reducing these allocations in this manner.

Recommendation:

The department discontinue reducing BRO Program allocations in this manner. Any adjustments to these allocations should be made on an equitable basis and comply with authorizations of the Commission.

Status:

Implemented. We did not note any improper reductions in the BRO allocations for fiscal year 2000.

3. Information Systems Division Reorganization

- A. The procurement of consulting services, involving expenditures of approximately \$336,000, related to the reorganization of the Information Systems Division, did not appear to be handled properly. A request for proposal (RFP) was not prepared to procure these services, nor were written bids/proposals solicited from other consultants.
- B. There was no written contract/agreement between the MoDOT and the consultant identifying the scope of services to be provided and the compensation to be paid. In addition to the amounts paid to the consultant, the division generally paid luncheon costs for the day long workshops.

Recommendation:

The department ensure its divisions procure consulting services in a proper manner and comply with the established authorization policy. The department should also ensure all meal costs incurred are necessary.

Status:

Not implemented. We again noted similar problems regarding the procurement of consulting/professional service expenditures; however, the related expenditures were not significant. Although not repeated in the current MAR, our recommendation remains as stated above. However, concerns were noted regarding food costs incurred by the department. See MAR No. 3.

4. Moving Expenses

The department reimburses various moving expenses related to the recruitment or transfer of employees. Some of these moving expenses appeared excessive or unreasonable. When comparing the department's moving expense policy to OA's moving expense policy, the MoDOT policy exceeded the OA policy in various areas and also provided reimbursement in other areas that were not allowed by OA's policy. The department was reviewing its reimbursement policy and discussing its provisions with OA; however, no changes had been made to the policy.

Recommendation:

The department continue to reevaluate the current moving expense policy, and look for ways to redirect resources currently used on moving to maintenance and construction activities. The department should consider including a per move cap on reimbursements.

Status:

Not implemented. See MAR No. 2.

5. Plane Usage

- A. The specific purpose of many flights was not adequately documented. In addition, the flight logs did not always list the names of all passengers or other pertinent information.
- B. The department did not retain the documentation authorizing out-of-state flights or comparisons between the costs of commercial flights and the costs of using a department plane as required.

Recommendation:

The department:

- A. Ensure the specific purpose of all flights, the names of all passengers, and other pertinent information is documented.
- B. Ensure proper authorization for out-of-state flights and a comparison of the costs of commercial flights to the cost of using department (or charter) planes for such flights is documented and retained.

Status:

- A. Implemented. All MoDOT flights are now scheduled through the OA's flight operations, which prepares the flight manifests. Our review of these manifests

indicated the purpose of the flight, names of passengers and destination, and other pertinent information is now documented.

- B. Partially implemented. Between April 1999 and December 1999, only five out-of-state flights were noted. These flights were authorized by blanket out-of-state travel authorizations for the applicable individuals. However, only one of the five flights had adequate documentation comparing the costs of commercial flights to the costs of using department planes. Although not repeated in the current MAR, our recommendation remains as stated above.

6. District Procurements

The procurement of certain aggregate materials and gasoline and diesel purchased at various maintenance sheds in District 9 (Willow Springs) were not made in accordance with the department requirements. In some instances, there was no bid documentation to support the purchases or there was no documentation that at least three vendors were contacted for a bid/quote as required.

Recommendations:

The department ensure its bid policies and procedures are followed related to the purchase of aggregate material and gasoline/diesel by the districts. In addition, adequate bid documentation should be retained.

Status:

Not implemented. See MAR No. 4.

7. Access to Computer System

Access to the department's computer system was not updated on a timely basis when an employee moved to a new position or terminated employment. Over 1,400 employee identification numbers were still in the system related to individuals who were no longer MoDOT employees.

Recommendation:

The department ensure employee access to its computer system is updated on a timely basis.

Status:

Partially implemented. At the time of our review, there were still some employee identification numbers in the system related to individuals who were not current MoDOT employees; however, this number had been reduced to less than 300 as of May 2000. Although not repeated in the current MAR, our recommendation remains as stated above.

8. Subrecipient Monitoring

The MoDOT passed federal funds to subrecipient local governments through various programs, including the Highway Bridge Replacement and Rehabilitation Program. The MoDOT provided each recipient of federal funds a Local Public Agency Manual (LPA) which identified the applicable federal compliance requirements.

- A. The LPA did not address the cash management requirement which provided that funds should be requested such that they are received not more than two days prior to their disbursement.
- B. The MoDOT did not ensure that subrecipients submitted the required statement of procedures related to the selection and procurement of engineering services as required by the LPA nor ensured that subrecipients evaluated at least three firms as required.
- C. The MoDOT did not have adequate procedures to ensure findings reported in subrecipient audit reports were properly addressed. This included ensuring management decisions were issued on audit findings within six months of receipt of the report and ensuring that the subrecipient took appropriate and timely corrective action.

Recommendation:

The MoDOT:

- A. Inform subrecipients about the cash management requirements and establish procedures to ensure the requirements are met.
- B. Establish procedures to ensure subrecipients submit a statement of procedures used to evaluate and select engineering consultants as required and ensure subrecipients consider at least three firms before procuring such services.
- C. Establish procedures to ensure that management decisions are made on subrecipient audit findings within six months after receipt of the audit reports and that the subrecipient takes appropriate and timely corrective action.

Status:

- A. Implemented. The MoDOT revised the LPA manual to inform the subrecipients about the cash management requirement regarding the timely payment federal monies, and it was issued to subrecipients in mid-2000.
- B&C. Implemented.

* * * * *



REORGANIZED SCHOOL DISTRICT NO. 1
OF MONITEAU COUNTY
MONITEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI
YEAR ENDED JUNE 30, 2000

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2001-01
January 3, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2000

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Reorganized School District No. 1 of Moniteau County.

The School District received bequests from two estates from 1996 through 1998. The only restriction placed on the gifts by the estate bequests was that the school board approve all project funding. Expenditures exceeded the board's approved amount or the board did not set an approved amount for some projects. In addition, the school district's accounting records did not include all of the estate monies. A \$100,000 certificate of deposit and an investment account valued at \$80,300 at June 30, 2000, were not included in the accounting records. Also, the interest earnings were not properly allocated to the estate monies. Four interest payments totaling \$5,440 from the certificate of deposit were not credited to the estate monies.

At the time the school district's swimming pool was built, the school district entered into an agreement with the City of California to open the pool to residents during the summer and non-school hours. The city agreed to contribute \$10,000 each year to help with the costs of maintaining and operating the facility. However, this agreement expired in July 1995, and the city has not paid any additional monies since that time. The admission fee of \$2 per person per day and the rental charge for private parties of \$45 per hour does not cover the cost of operation during the summer. During summer operations, the school district lost approximately \$11,600 and \$12,600 during 2000 and 1999, respectively. This does not appear to be a prudent use of school district monies. Tax dollars which have been earmarked for education should not be used to offset losses in the operation of a public swimming pool.

The School District Board discussed items in closed session that were not allowed to be discussed under the provisions of the Sunshine Law. These included bus rates, greenhouse bids, bequests from citizens and companies, and budget revisions.

The school district's central office receives cash and checks from various sources on a daily basis. The largest source of these receipts is from the cafeteria. For the two years ended June 30, 2000, over-the-counter receipts from the cafeteria were approximately \$440,000. The receipts are usually transmitted to the central office the day of the receipt or the next day. The receipts are not deposited intact. Also, the receipt slips are not reconciled to the composition of the bank deposits. According to the cafeteria manager, the cafeteria does not compare actual meals served to receipts. A periodic review is necessary to ensure that the district is receiving all cafeteria receipts.

(over)

YELLOW SHEET

The district has used the same engineering firm since 1989. In May 2000, the district renewed the agreement with this firm until December 2001 without considering services from other vendors as required by state law. The agreement requires the school district to use the firm on all major construction projects.

The district does not have formal written bidding policies and procedures for non-capital expenditures. The decision of whether to solicit bids for a particular purchase is made on an item by item basis. The school district did not solicit bids or did not maintain adequate bid documentation for computers costing approximately \$60,000 or football uniforms and equipment costing more than \$11,000.

The school district has not established adequate records to account for district property. Also, the district's inventory procedures and the district's procedures for the disposal of fixed assets are not adequate.

REORGANIZED SCHOOL DISTRICT NO. 1
OF MONITEAU COUNTY
MONITEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
Reorganized School District No. 1
of Moniteau County
California, MO 65018

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Reorganized School District No. 1 of Moniteau County. The school board had engaged Evers and Company, Certified Public Accountants (CPAs), to perform an audit of the district for the year ended June 30, 2000. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA firm. Our audit of the school district included, but was not limited to, the year ended June 30, 2000. The objectives of this audit were to:

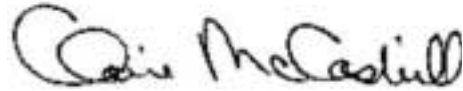
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, school district policies, and various school district financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the district and its audited financial reports, and was not subjected to the auditing procedures applied during our audit of the district.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Reorganized School District No. 1 of Moniteau County.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

August 28, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Lonnie Breeding III
Audit Staff:	Elizabeth Kemple

HISTORY AND ORGANIZATION

REORGANIZED SCHOOL DISTRICT NO. 1 OF MONITEAU COUNTY
MONITEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI
HISTORY AND ORGANIZATION

The Reorganized School District No. 1 of Moniteau County is located in California, Missouri and covers approximately 122 miles within Moniteau, Cooper, and Cole Counties.

The district operates one senior high school (9-12), one middle school (6-8), one elementary school (K-5), and one alternative learning school (5-12). Enrollment was approximately 1,324 for the 1999-2000 school year. The district employs approximately 176 full and part-time employees, including 6 administrators, 119 teachers and instructional support staff, and 51 support staff.

The Reorganized School District No. 1 of Montieau County has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

A seven-member Board elected for three-year terms serves without compensation as the policy-making body for the district's operations. Members of the Board at June 30, 2000, and their current terms of office were:

<u>Name and Position</u>	<u>Current Term Expires</u>
Gene Haile, President (1)	April 2001
Brian Scrivner, Vice President	April 2002
Mark Kunze, Member	April 2002
Linda Reichel, Member	April 2001
Van Adams, Member	April 2002
Paul Bloch, Member (2)	April 2003
David Sparks, Member (3)	April 2003
<u>Other Principal Officials</u>	<u>Annual Compensation</u>
Ron Harlan, Superintendent (4)	\$74,000
Dr. Norman Rohrbach, High School Principal	58,000
Kimberly Alvers, Middle School Principal	48,000
Susan Williams, Elementary School Principal	50,000

- (1) Elected board President in April 2000; replaced Mark Kunze.
- (2) Elected to the board in April 2000; replaced Mike Robertson.
- (3) Elected to the board in April 2000; replaced Bob Rugen.
- (4) Resigned June 30, 2000; replaced by Douglas Ebersold.

Assessed valuation and tax rate information for the district are as follows:

	<u>2000</u>	<u>1999</u>
Assessed Valuation	\$54,456,766	\$48,900,977
Tax Rate	3.52	3.52

MANAGEMENT ADVISORY REPORT

REORGANIZED SCHOOL DISTRICT NO. 1 OF MONITEAU COUNTY
MONITEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Estate Bequests (Pages 9-10)

Expenditures from restricted monies received from two estates exceeded board approval and sometimes board approval did not set an actual spending limit. Some of the monies have not been included in the district's accounting records and some interest revenue was not properly allocated to these funds.

2. Expenditures (Pages 10-12)

The district is paying approximately \$15,970 a year for an alternative, more expensive insurance coverage for employees. The district has not solicited proposals from engineering firms since 1989. The district has adopted a purchase order policy; however, the policy is not always followed. Although the district has an expense reimbursement policy, the policy is not followed. The district has an employee appreciation dinner each year which does not appear to be a prudent use of tax revenue.

3. Swimming Pool (Pages 12-13)

The operation of the pool for public use has resulted in losses of approximately \$11,600 and \$12,600 for the years ended June 30, 2000 and 1999, respectively.

4. Accounting Policies and Procedures (Pages 13-15)

The school district does not adequately review accounting entries. The central office does not deposit receipts intact and receipt slips are not reconciled to the composition of bank deposits. Accounting duties are not properly segregated within the central office. The district's fund raising policy needs to be improved and improvements are needed in controls over vending machine receipts.

5. Bidding (Page 16)

The school district does not have a bid policy for significant purchases.

6. Transportation Costs (Pages 16-17)

Until 2000, the school district had not bid transportation services since 1989. The district does not have a system to adequately track fuel costs.

7. Board Minutes (Pages 17-18)

The School Board has discussed issues in closed meetings which do not appear to be allowed by state law. Board minutes are not signed in a timely manner.

8. General Fixed Assets (Pages 18-19)

The school district has not established adequate records to account for district property and the district's inventory procedures are not adequate. The district does not have adequate procedures for the disposal of fixed assets.

REORGANIZED SCHOOL DISTRICT NO. 1 OF MONITEAU COUNTY
MONITEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Estate Bequests
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The School District received bequests from two estates from 1996 through 1998. The only restriction placed on the gifts by the estate bequests was that the school board approve all project funding. The following list details the amount initially received, interest revenue, and expenditures through June 30, 2000:

Initial proceeds	\$ 271,265
Interest revenue	32,890
Football field improvements	(38,930)
Greenhouse/classroom	(32,779)
Library	(20,755)
Band instruments	(17,396)
Choir robes	(15,593)
Engineering study	(10,620)
Miscellaneous	<u>(275)</u>
Balance at June 30, 2000	\$ <u><u>167,807</u></u>

- A. Expenditures exceeded the board's approved amount or the board did not set an approved amount for some projects. The board approved the use of \$29,000 for football field improvements. However, actual expenditures were \$38,930. In addition, the board's approval did not set a spending limit on the greenhouse/classroom project. The board simply approved the use of estate monies for any expenditures in excess of the grant monies received. The estimated total cost to be paid from the estate monies for this project is \$89,700.

Good management practices dictate limits be placed on expenditure approvals, and those limits not be exceeded without additional approval by the board.

- B. The school district's accounting records do not include all of the estate monies. Monies held in the school's money market account are included in the accounting records; however, a \$100,000 certificate of deposit and an investment account valued at \$80,300 at June 30, 2000, were not included in the accounting records. Not including all monies in the accounting records can lead to inaccurate reports to the school board. It is imperative that all monies be recorded in the district's accounting records to ensure that all district resources are accounted for properly.

- C. Interest earnings were not properly allocated to the estate monies. Four interest payments totaling \$5,440 from the certificate of deposit were not credited to the estate monies. Subsequently, the district reviewed interest earnings and determined that an additional \$12,106 should be credited to the estate monies. The proper allocation of interest revenue on a monthly basis is necessary to ensure that all restricted monies receive their fair share of interest revenue.

WE RECOMMEND the School Board:

- A. Monitor restricted use funds more closely in the future. In addition, the board should consider setting spending limits as a part of their approval.
- B. Require all monies be recorded within the school district's accounting records.
- C. Require interest revenue be allocated correctly each month.

AUDITEE'S RESPONSE

- A. *A spending limit will be established on all future expenditures made from gifts and donations. The district will ensure the limit is not exceeded without Board approval.*
- B. *This recommendation was implemented as of July 1, 2000.*
- C. *District employees have reviewed interest calculations for estate monies through June 30, 2000. This issue is resolved and necessary transfers will be made within two months. As of July 1, 2000, interest earnings have been allocated on a monthly basis.*

2. Expenditures

- A. The school district pays the medical insurance costs of all full-time employees and the prorated costs for all part-time employees. Medical insurance costs for the 2000-2001 school year are estimated to increase \$47,800 or 17.25 percent from the prior year. Under the insurance program, school district employees are given two different options: a Health Maintenance Option (HMO) or a Preferred Provider Option (PPO). The school district pays the premiums under both options even though the cost of the PPO is approximately \$28 more per employee per month. The additional PPO cost to the district is approximately \$15,970 per year. The school district should consider requiring school district employees pay the difference between the HMO and PPO cost when the employee selects the PPO option.
- B. The district has used the same engineering firm since 1989. In May 2000, the district renewed the agreement with this firm until December 2001 without considering services from other vendors as required by Sections 8.289 and 8.291, RSMo 1994. The agreement requires the school district to use the firm on all major construction

projects. The most recent payment to this firm was in November 1993 for the new high school. These statutes require that at least three firms be considered when obtaining engineering services for any capital improvement project. Any political subdivision that utilizes engineering services should encourage engineering firms to annually submit a statement of qualifications and performance data. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

- C. The district adopted a purchase order policy in January 2000. The policy requires purchase orders to be prepared and approved on almost all purchases in excess of ten dollars. However, the policy is not always followed. Some purchase orders were not properly approved, some purchases exceeded the amount of the purchase order, and some purchases did not have purchase orders. To ensure the obligation was actually incurred and properly approved, all expenses should be supported by properly approved purchase orders and purchases in excess of purchase orders should not be allowed.
- D. The district has an expense reimbursement policy requiring all employees to submit a monthly reimbursement request with documentation supporting each expenditure; however, this policy is not always followed. Some reimbursements covered three months or more and/or did not include all the supporting documentation. Timely reimbursement requests ensure all expenses are charged to the proper accounting period and adequate documentation is necessary to determine the propriety of the expense.
- E. In May 2000, the district paid \$1,365 for an annual employee appreciation dinner. The school district invited all employees and a guest of each employee to the dinner. This disbursement does not appear to be a necessary or prudent use of public funds. The district's residents have placed a fiduciary trust in their public officials to spend tax revenues in a necessary and prudent manner.

WE RECOMMEND the School Board:

- A. Consider requiring school district employees pay the difference between the HMO and PPO cost when the employee selects the PPO option.
- B. Periodically solicit and document proposals for engineering services as required by state law.
- C. Require the purchase order policy adopted by the school board be followed and ensure expenditures not exceed the amount of the purchase orders.
- D. Require the expense reimbursement policy adopted by the school board be followed.

- E. Ensure expenditures are limited to prudent uses of public funds.

AUDITEE'S RESPONSE

- A. *The Board of Education discussed insurance benefits during the spring of 2000. Part of the discussion centered on paying the same premium for school district employees whether they take the HMO or PPO option. This will again be a major area of discussion during the spring of 2001 in negotiating salaries with staff.*
- B. *The architect in question does not receive payment for his services unless a bond issue passes. We have used the architect for a variety of projects since 1993 of which he has received no monetary compensation. When the present contract expires in December 2001, we will solicit proposals from other vendors.*
- C. *The district has taken a hard stance on making purchases without purchase orders. We have virtually eliminated this practice to date. More effort has been made to determine an accurate pricing before the purchase order is signed.*
- D. *As of July 1, 2000, all employees are to turn in their monthly reimbursement sheets between the conclusion of each month and before the fifteenth of the following month to receive reimbursement. This information was distributed to staff in July along with monthly reminders and has been followed during the 2000-01 school year.*
- E. *The Board of Education feels strongly about showing appreciation to our staff for a job well done. Other funding sources (outside of taxpayer dollars) will be pursued in the future to continue this practice.*

3. Swimming Pool

At the time the school district's swimming pool was built, the school district entered into an agreement with the city of California to open the pool to residents during the summer and non-school hours. The agreement stipulated that the city would annually contribute \$10,000 to help with the costs of maintaining and operating the facility. This agreement expired in July 1995 and the city has not paid any additional monies since that time.

The school district charges the public an admission fee of \$2 per person per day and the pool can be rented for private parties at a rate of \$45 per hour. However, these revenues are not enough to cover the cost of operation during the summer. During summer operation, the school district has lost approximately \$11,600 and \$12,600 during 2000 and 1999, respectively. This does not appear to be a prudent use of school district monies. Tax dollars which have been earmarked for education should not be used to offset losses in the operation of a public swimming pool.

It appears that although the Superintendent and the school board were aware of the problem, they had not achieved a solution.

WE RECOMMEND the School Board review the matter and raise fees and/or seek additional funding from other sources.

AUDITEE'S RESPONSE

The school district has traditionally operated the pool during the summer as a service to the community. The fact that the pool was losing money during the summer had been discussed at prior Board meetings. However, the Board felt that the benefit to the community outweighed the costs. The School Board will review options before next summer concerning the operation of the pool. Options may include raising the fees, seeking additional funding sources or closing the pool for the summer. If funds cannot be raised to offset the cost of operation during the summer, serious consideration will be given to closing the pool between June and August.

4. Accounting Policies and Procedures
--

- A. The school district does not adequately review accounting entries to ensure errors are corrected on a timely basis and adjustments are adequately documented. Because of this, several reclassifications and adjustments were required at year end. Monthly reviews of accounting entries and adjustments should be performed so discrepancies can be discovered and corrected in a timely manner.

The prior CPA report also recommended that the district improve procedures for reviewing transactions reported on the district's financial records. The financial records are used to prepare the Annual Secretary of the Board Report (ASBR) which is the district's primary financial report and is used to make funding decisions by the state Department of Elementary and Secondary Education (DESE).

- B. The school district's central office receives cash and checks from various sources on a daily basis. The largest source of these receipts is from the cafeteria. Cafeteria receipts are usually transmitted to the central office the day of the receipt or the next day. For the two years ended June 30, 2000, over-the-counter receipts from the cafeteria were approximately \$440,000. The central office also receives monies from fund raising activities, as well as from other sources. The following concerns were noted:

- 1) Receipts are not deposited intact. Some monies are withheld from deposit for use as change at sporting events and other activities. In addition, coins are usually withheld until these monies can be counted and rolled. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be kept in a secure location and deposited intact daily or when accumulated receipts exceed \$100.

- 2) Although, receipt slips indicate the method of payment (cash, check, or money order), the receipt slips are not reconciled to the composition of the bank deposits. To ensure that all receipts have been recorded properly and deposited intact, the receipt slips should be reconciled to the composition of the bank deposits.
 - 3) According to the cafeteria manager, the cafeteria does not compare actual meals served to receipts. A periodic review is necessary to ensure that the district is receiving all cafeteria receipts.
- C. One employee is responsible for recording financial transactions and reconciling the bank accounts. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating, to the maximum extent possible, the duties of recording transactions and reconciling the bank accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the bank reconciliation and the comparison of receipt slip composition to deposits.
- D. According to the sponsors, fund raising receipts were estimated to be \$33,700 and \$37,300 for the years ended June 30, 2000 and 1999, respectively. These revenues represent fund raising activities by students and their sponsors and do not include donations and fund raising activities from outside sources, such as the Parent Teacher Association (PTA). The school district's fund raising policy does not require the sponsors to report receipts and disbursements from each fund raiser. As a result, the district does not review the reasonableness of receipts and expenses, and identify which fund raising activities are successful and which ones are not.
- E. The district operates several soda and vending machines throughout the various school buildings. Receipts from the machines were approximately \$16,600 and \$10,900 for the years ended June 30, 2000 and 1999, respectively. District employees are responsible for replenishing the machines and emptying the change from the machines on a periodic basis. These monies are turned over to designated individuals in the central office who count and deposit these monies.

An independent party does not periodically reconcile the amount of soda and other items purchased and remaining in inventory with receipts from the sale of the soda and other items. Failure to reconcile monies received to items sold could result in the loss or misuse of funds not being detected.

WE RECOMMEND the School Board:

- A. Ensure accounting entries and adjustments are reviewed on a monthly basis to ensure accuracy.

- B.1. Ensure receipts are deposited intact daily or when accumulated receipts exceed \$100.
 - 2. Require receipt slips issued by the central office be reconciled to the composition of bank deposits.
 - 3. Require a periodic review of cafeteria revenue as compared to actual meals served.
- C. Segregate accounting duties. If proper segregation cannot be achieved, a supervisor independent of the accounting function should perform a documented review of the bank reconciliation and the comparison of receipt slip composition to deposits.
- D. Require fund raising sponsors to report the receipts and disbursements from each fund raising activity. In addition, the district should review these reports for reasonableness.
- E. Ensure independent reconciliations of soda and vending machine monies received to items purchased and remaining in inventory are performed.

AUDITEE'S RESPONSE

- A. *The district has hired additional office staff to help with the accounting functions. The district has also taken steps to ensure that all accounting entries are documented and reviewed on a monthly basis.*
- B.1. *As of September 21, 2000, all receipts are deposited intact daily or when receipts exceed \$100. In addition, the district established a separate change fund for use with gate and concession boxes for sporting events and other activities.*
 - 2. *This recommendation has been implemented.*
 - 3. *The district will implement a policy by April 2001 for periodically reviewing cafeteria revenue compared to actual meals served.*
- C. *The district has hired an additional office staff person and is segregating accounting duties to the greatest extent possible. The Superintendent will review the bank reconciliation and perform periodic comparisons of receipt slips to deposits.*
- D. *The district has proposed a policy for the approval, accounting and reporting of fund raising activities. The policy will be implemented in January 2001.*
- E. *The district will implement appropriate policies and procedures for monitoring vending machine revenues by April 1, 2001.*

5. Bidding

The district does not have formal written bidding policies and procedures for non-capital expenditures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Although the school district did solicit bids for many purchases, inadequate bid documentation was retained for the following purchases:

Computers	\$60,886
Football uniforms and equipment	11,325
High school year books	7,175
Backhoe services	5,210
Alternative Learning Center's windows	4,500

In addition, the greenhouse concrete work was not awarded to the lowest bidder and there was no documentation of why the bid was awarded to the higher bidder.

Formal bidding procedures for major purchases would provide a framework for economical management of the district resources and help assure the district that it receives fair value by contracting with the lowest and best bidder. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the district's business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based upon the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

WE RECOMMEND the School Board establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids.

AUDITEE'S RESPONSE

The district will develop formal bidding policies for major non-capital expenditures that coincide with state statutes. The policies will be introduced and implemented by April 2001. All bids solicited and received will be documented for future reference. The district will select the lowest bid unless product or services are not acceptable. Justification will be given publicly for rejecting the low bid. (Clarification – A Board member did not provide the backhoe services identified.)

6. Transportation Costs

The school district contracts with a transportation company to provide bus transportation for its students. During the year ended June 30, 2000, the contractor served 10 routes traveling approximately 776 miles per day, in addition to providing transportation for other district activities such as sporting events and field trips. During this time period, payments totaling

approximately \$259,250 were made to the transportation company. The following areas of concern were noted:

- A. Since 1993 the district has contracted with the same bus company for services without seeking bids. For the 2000-2001 school year transportation services were bid and the contract was awarded to a new company. Competitive bidding provides a framework for economical management of the school district's resources and helps assure the district that it received fair value by contracting with the lowest and best bidder.
- B. The district does not have an adequate system to control and monitor fuel purchases. Fuel is purchased by bus drivers using a fuel card and the charges are not tracked by bus or by bus driver. The district should require the fuel company to provide a detailed billing statement by bus and/or bus driver. Without a detailed billing statement, the district has no means to ensure fuel costs are proper and reasonable.

WE RECOMMEND the School Board:

- A. Regularly solicit competitive bids for the transportation contract.
- B. Require detailed billing statements from the fuel vendor and periodically review these costs for reasonableness.

AUDITEE'S RESPONSE

- A. *The district did bid the bus contract for the 2000-01 school year and awarded a three-year contract to a new company. In the future, the bus contract will be openly bid every three to five years.*
- B. *The district has implemented a procedure for monitoring fuel prices. The bus manager and superintendent will monitor fuel purchases by use of the billing statements.*

7.

Board Minutes

- A. The School District Board discussed items in closed session that were not allowed to be discussed under the provisions of the Sunshine Law. These included bus rates, greenhouse bids, bequests from citizens and companies, and budget revisions. Section 610.021, RSMo Cumulative Supp. 1999, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. Section 610.022, RSMo Cumulative Supp. 1999, requires a closed meeting, record or vote be held for the specific reasons announced publicly at the open session. In addition, the law provides that public governmental

bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

- B. Board meeting minutes are prepared by the Secretary of the Board; however, they are not usually signed by the Board President and Secretary upon approval. Some minutes were not signed for up to four months. The minutes should be prepared and signed by the Secretary and the President upon approval by the board to provide attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

WE RECOMMEND the School Board:

- A. Ensure any matters discussed in closed meeting are limited only to those subjects specifically allowed by state law.
- B. Ensure minutes are signed in a timely manner after being approved.

AUDITEE'S RESPONSE

- A. *Extra caution will be exercised in the future to ensure that all topics discussed in executive session fall within the guidelines of the Sunshine Law.*
- B. *Board minutes will be signed on a monthly basis with the Board President signing the draft copy of the Board minutes after their approval. The final copy will be signed after corrections have been edited.*

8. General Fixed Assets

- A. The school district has not established adequate records to account for district property. Property records are necessary to secure better internal controls over assets and provide a basis for determining insurance coverage.

The school district should establish an adequate property listing that includes all property items valued at or over an amount determined by the board. The listing should include a description of the item, the location, the estimated useful life, and the original cost or estimated historical cost if the original cost is not available. In addition, all items should be identified as school district property with a tag or similar device.

This condition was noted by the district's independent CPA and his report has a qualification due to lack of such records.

- B. The district's inventory procedures are not adequate. The district requires employees to prepare an annual inventory listing of their areas; however, a supervisory review of any differences from year to year is not performed. A supervisory review with

explanations noted of any changes is necessary to adequately insure all fixed assets are accounted for properly.

- C. The district does not have adequate procedures for the disposal of fixed assets. Currently, the district will move items no longer needed to a storage facility and take these items off the inventory list. No list is maintained of the stored unused items and these items remain in storage indefinitely. The district should establish a policy that includes maintaining a list of the items in storage and periodic disposal of the items by sale or other means.

WE RECOMMEND the School Board:

- A. Establish property records for fixed assets that record all pertinent information for assets. In addition, the school district should properly tag or otherwise identify all district property.
- B. Require a supervisory review and explanation of all differences noted in the annual inventory.
- C. Establish adequate procedures for the disposal of fixed assets.

AUDITEE'S RESPONSE

- A. *The district will explore software to maintain adequate fixed asset records. Software will be purchased and all fixed assets acquired, beginning with the 2000-01 school year, will be tagged by April 2001. Eventually, we plan to tag all fixed assets.*
- B. *The district will implement adequate procedures for reviewing the annual inventory by April 2001.*
- C. *The district will establish a process to appropriately account for and dispose of fixed assets no longer in service. The procedures will be Board approved and implemented by April 2001.*

This report is intended for the information of the management of Reorganized School District No. 1 of Moniteau County and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.